



Pensions Committee

24 June 2015

Time 10.00 am **Public Meeting?** YES **Type of meeting** Pensions
Venue Committee Room 3 - Civic Centre, St Peter's Square, Wolverhampton WV1 1SH

Membership

Chair Cllr Bert Turner (Lab)
Vice-chair Cllr Lorna McGregor (Lab)

Labour

Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Keith Inston
Cllr Jasbir Jaspal
Cllr Phil Page
Cllr Tersaim Singh

Conservative

Cllr Patricia Patten
Cllr Paul Singh

Liberal Democrat

District Members

Cllr Muhammad Afzal (Birmingham City Council)
Cllr Damian Gannon (Coventry City Council)
Cllr Rachel Harris (Dudley Metropolitan Borough Council)
Cllr Sandra Hevican (Sandwell Metropolitan Borough Council)
Cllr Angela Sandison (Solihull Metropolitan Borough Council)
Cllr Mohammed Arif (Walsall Metropolitan Borough Council)

Trade union observers

Mr Malcolm Cantello
Mr Martin Clift
Mr Victor Silvester
Mr Ian Smith

Quorum for this meeting is four Councillors.

Information for the Public

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

Contact Dereck Francis
Tel/Email Tel:01902 555835 or dereck.francis@wolverhampton.gov.uk
Address Democratic Support, Civic Centre, 1st floor, St Peter's Square,
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
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[NOT PROTECTIVELY MARKED]

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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

- | <i>Item No.</i> | <i>Title</i> |
|-----------------|--|
| 1 | Apologies for absence (if any) |
| 2 | Notification of substitute members |
| 3 | Declarations of interests (if any) |
| 4 | Minutes (Pages 5 - 18)
(a) Pensions Committee – 18 March 2015
[For approval]

(b) Investment Advisory Sub-Committee – 18 March 2015
[For approval] |
| 5 | Matters arising
[To consider any matters arising from the minutes] |
| 6 | Appointment of Sub Committee and Panel and dates of meetings 2015/16
(Pages 19 - 22)
[To appoint members and the Chair and Vice-Chair of the Sub Committee and to confirm dates and times of meetings of the Committee, Sub Committee and Pensions Board] |
| 7 | Pensions administration report from 1 January to 31 March 2015 (Pages 23 - 40)
[To receive the report on the work undertaken by the Pensions Administration Service during the period 1 January to 31 March 2015] |
| 8 | Constitution of the West Midlands Pensions Fund (Pages 41 - 160)
[To approve the Constitution and delegate authority to approve amendments in light of operational and legislative changes] |
| 9 | Policy review 2015 (Pages 161 - 198)
[To approve policies which detail how the Fund proposes to manage and operate certain areas of its business] |
| 10 | Trustee training 2014/2015 (Pages 199 - 204)
[To note a summary of trustee training activity in the year ending 31 March 2015] |
| 11 | Risk and compliance monitoring 1 January to 31 March 2015 (Pages 205 - 226)
[To note the revised risk register and feedback on the quarterly compliance monitoring programme and to explain the changed approach to risk and compliance monitoring] |

- 12 **Draft annual report and accounts 2014/15** (Pages 227 - 384)
[To approve the draft annual report and to receive information on the outturn against operating budgets and performance against key performance indicators for the year]
- 13 **Service plan monitoring 2015/16 quarter one** (Pages 385 - 398)
[To receive an update on performance against key performance indicators and the forecast outturn for the year against operating budgets as at the end of the first quarter]
- 14 **Annual Internal Audit report 2014/15** (Pages 399 - 410)
[To note the contents of the Internal Audit Annual report]
- 15 **Annual Internal Audit annual plan 2015/16** (Pages 411 - 426)
[To note the contents of the annual Internal Audit plan 2015/16]
- 16 **Responsible investment activities** (Pages 427 - 434)
[To receive the report on work undertaken by the Investment team regarding their responsible investment activities between the period 1 January to 31 March 2015]
- 17 **Responsible investment framework** (Pages 435 - 438)
[To approve the Responsible Investment Framework, which will replace the Socially Responsible Investment Statement]
- 18 **Investment policy and performance report 2014/15** (Pages 439 - 450)
[To note the Fund's investment policy and investment returns for the year to 31 March 2015]



Pensions Committee

Minutes - 18 March 2015

Attendance

Members of the Pensions Committee

Cllr Bert Turner (Chair)
Cllr Peter Bilson
Cllr Ian Brookfield
Cllr Val Evans
Cllr Jasbir Jaspal
Cllr Sandra Samuels
Cllr Paul Singh
Cllr Tersaim Singh
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Mohammed Arif (Walsall MBC)
Cllr Rachel Harris (Dudley MBC)
Cllr Alan Rebeiro (Solihull MBC)

Trade Union observers

Mr Malcolm Cantello (Unison)
Mr Martin Clift (Unite)
Mr Victor Silvester (Unite)
Mr Ian Smith (Unite)

Employees

Mark Chaloner	Assistant Director- Investments
Geik Drever	Strategic Director - Pension Fund
Rachel Howe	Head of Governance - West Midlands Pension Fund
David Kane	Fund Accountant
Mark Taylor	Director of Finance (s151 Officer)
Dereck Francis	Democratic Support Officer

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllrs Lorna McGregor and Zahid Shah (Wolverhampton City Council); Cllr Sandra Hevican (Sandwell MBC).
- 2 **Notification of substitute members (if any)**
No notification of substitutes were received for the meeting.
- 3 **Declarations of interests (if any)**
No declarations of interests were made.
- 4 **Minutes of the previous meetings**
 - (a) **Pensions Committee – 10 December, 2014**
Malcolm Cantello (Unison) requested that Minute 19 (Responsible investment activities) be amended to reflect the Committee's discussion regarding certain

investee companies allegedly profiting from violations of international laws by Israel in Palestine.

Resolved:

1. That the attendance details for the meeting be corrected by:
 - i. Deleting the name Malcolm Cantello (Trade Union Representative) from the list of members of the Pensions Committee present.
 - ii. Adding Cllr Philip Page (Wolverhampton) and Cllr Sandra Hevican (Sandwell) to the list of members of the Pensions Committee present
 - iii. Amending the designation of David Kane to 'Head of Finance'
2. That subject to resolution 1 above, the minutes of the meeting held on 10 December 2014 be approved as a correct record and signed by the Chair.

(b) Investment Advisory Sub Committee – 10 December 2014

Resolved:

That the minutes of the Investment Advisory Sub Committee held on 10 December 2014, as amended by the Sub Committee at its meeting earlier in the day, be approved.

5 Matters arising

There were no matters arising from the minutes of the previous Pensions Committee and Investment Advisory Sub Committee meetings held on 10 December 2014.

6 Pension Administration report 1 October to 31 December 2014

Geik Drever, Strategic Director of Pensions, presented a report on work undertaken by the Pensions Administration Services during the period 1 October to 31 December 2014.

Resolved:

1. That the applications approved by the Strategic Director of Pensions, the Chair and Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund be noted.
2. That the pension administration activity of the Fund for the quarter to 31 December 2014 be noted.

7 Pension Administration Strategy

Geik Drever, Strategic Director of Pensions, presented a revised Pensions Administration Strategy (PAS). The last version of the Fund's PAS was published in 2013. Given a number of regulatory Fund policy and governance changes, it had been necessary for the Fund to revise the strategy and publish a revised version with effect from 1 April 2015.

Resolved:

That the adoption of a revised Pensions Administration Strategy with effect from 1 April 2015 be noted.

8 **Funding update**

Geik Drever, Strategic Director of Pensions, outlined the salient points of a report that updated the Committee on the funding position of the Fund since the 2013 actuarial valuation.

Resolved:

1. That the Fund's investment performance and the associated movement since 31 March 2014 be noted.
2. That the updated funding position as at 31 December 2014 be noted.
3. That the next steps for de-risking options, data cleansing and employer engagement, be approved, with the first de-risking option to be progressed to be that of cash flow for orphan liabilities.

9 **Service plan monitoring 2014/15 quarter three**

David Kane, Head of Finance, presented a report that updated the Committee on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of the third quarter. He informed the Committee that the position on performance was good and that the budget forecaste outturn was currently favourable with a £892,000 underspend projected.

Malcolm Cantello (Unison), queried current performance on the annual benefits statement KPI. In response Geik Drever, Strategic Director of Pensions, reported that it was a data quality issue that prevented the Fund from meeting its ABS target, and that the Pensions Service was seeking to resolve in partnership with the participating employers. She hoped that the employers could provide the information. She also corrected the RAG ratings for KPI 8 'Clean Audit Report' that performance should be Green.

Resolved:

1. That the performance against the Fund's key performance indicators as at the end of the third quarter be noted.
2. That the forecast outturn against operating budgets as at the end of the third quarter, (an under spend of £892,000) be noted.

10 **Service plan 2015- 2020**

David Kane, Head of Finance, presented the report seeking the Committee's approval of the Service Plan 2015-2020, which included the operating budget for 2015/16, and medium term financial plan for the five years up to and including 2019/20. In doing so he highlighted the key drivers of change that would impact on the Fund over the medium term and the significant activities that had taken place.

Malcolm Cantello (Unison) suggested that in terms of the key drivers of change that would impact on the Fund over the medium term, the greater use and potential benefits of internal investment should be added to the list of eight drivers identified in the Service Plan. Geik Drever, Strategic Director of Pensions, replied that this would be highlighted in the Plan.

The Head of Finance and the Strategic Director of Pensions responded to a further question from Malcolm Cantello about miscellaneous income in the proposed 2015/16 operating budget and the charge to the Integrated Transport Authority Fund.

The Strategic Director of Pensions also responded to Cllr Sandra Samuels mentioning that the national Budget would not impact on the provision in the budget for service development activities. She confirmed that the provision was for developments that included Guaranteed Minimum Pension reconciliation with HMRC, wider data quality work, and the implications for administration of pensions freedoms introduced by the Chancellor of the Exchequer's 2014 Budget Statement.

Resolved:

That the Service Plan 2015-2020 (with the additional key drivers of change and greater use of internal investment management), including the operating budget for 2015/16 and the medium term financial plan for the period to 2019/20, be approved.

11 **Compliance monitoring 1 October - 31 December 2014**

Geik Drever, Strategic Director of Pensions presented a quarterly update on the Fund's compliance monitoring programme.

Resolved:

That it be noted that no compliance issues had arisen in this period.

12 **Pension Services - risk register review**

Rachel Howe, Head of Governance presented a report that advised the Committee that the Fund's risk register would undergo a full review to ensure that it was comprehensive enough that all risks which required monitoring would be reviewed effectively and so be fit for purpose, but without being overly bureaucratic and cumbersome. The revised risk register would be presented to the June Committee.

Resolved:

1. That the top ten risks for West Midlands Pension Fund be noted.
2. That it be noted that the full revised risk register would be presented to the Committee in June 2015.

13 **Information Governance**

Rachel Howe, Head of Governance presented a report on a number of Fund information governance issues. She updated the Committee that the Fund were still in talks with the Information Commissioner's Office regarding the need to register separately from the City Council but that this report sought approval for registration should this be required.

Malcolm Cantello (Unison) reported that under the financial regulations no one employee could hold more than two information governance key roles and the Head of Governance was listed as holding three key roles. Geik Drever, Strategic Director of Pensions, undertook to make an appropriate change if required.

Resolved:

1. That the registration of the Fund as Data Controller, with the Information Commissioner's Office be approved.
2. That the terms of reference for the Information Governance Working Party and associated definitions, roles and responsibilities, as well as the proposed appointments to those roles be approved.
3. That the Information Governance Policy be approved.
4. That authority be delegated to the Strategic Director of Pensions to implement the required changes.

14 **Trustee and Pensions Board member training**

Rachel Howe, Head of Governance, presented a report on proposals for how the Fund would deliver training for Trustees and Pensions Board members to support them in their duty to undertake training and development. She corrected an omission at paragraph 2.4 of the report that should have read that the Trustees had achieved a total of '459' hours training.

Geik Drever, Strategic Director of Pensions also reported that a property tour for members and observers would take place on 7 to 9 July 2015. A trustee training event would be arranged for the Committee on the tour. Details would be circulated in due course.

Resolved:

1. That the Trustee and Pension Board Member training matrix for the year 2015/16 be approved.
2. That the training timetable and dates for structured training throughout 2015/16 be noted.

15 **Governance Reform 2014 - implementing the Pension Board**

The Committee considered a report seeking approval to a number of proposals relating to implementing the Pensions Board.

Cllr Tersaim Singh sought clarity on the number of employer and member representatives on the Board. Rachel Howe, Head of Governance informed the Committee that the final regulations governing this area had changed since the last report to the Committee. Two Wolverhampton elected councillors would move from the Pensions Committee to the Pensions Board as previously reported but that these two councillors would now sit one as a member representative and one as an employer representative. Their ability to be independent was removed in the final regulations.

The Committee was also advised that four Trade Union (TU) observers (one representing pensioners) are to be appointed on an annual basis to sit on both the Pensions Committee and Investment Advisory Sub-Committee. Cllr Ian Brookfield suggested with the number of changes and to retain some continuity and experience the current TU observers' tenure be extended for a year 2015/16.

On the appointment of TU representatives to sit on Pensions Committee and Investment Advisory Sub-Committee the next municipal year, it was moved by Cllr Brookfield that the current representatives remain for the next municipal year 2015/16. This was seconded by Cllr Bert Turner.

Resolved:

1. That the existing four trade union observer representatives on the Pensions Committee remain on the Committee for the next municipal year pending a review of the process for the appointment of trade union representatives on the Pensions Committee for the 2016/17 municipal year.
2. That the Joint Consultative Forum be formally closed from 31 March 2015.
3. That the revised Governance Statement 2015 be approved.
4. That the appointment of Chris West, Executive Director of Resources at Coventry City Council, as the fifth employer representative be noted.
5. That the proposal to seek nominations from Full Council for two Wolverhampton Councillors to sit on the Pension Board from June 2015 be noted.
6. That the process for seeking trade union representatives (once of which would represent our pensioners interests) to pension committee for the next municipal year be noted.

16

Governance Reform 2014, delegation of Integrated Transport Authority

Geik Drever, Strategic Director of Pensions, sought the Committee's approval to the final proposals of the governance reform after 1 April 2015 and acceptance of the delegation from West Midlands Integrated Transport Authority (WMITA) to manage and administer the WMITA pension fund after June 2015.

Malcolm Cantello (Unison) sought confirmation as to whether the delegation would mean there would be a joint Pensions Board serving both Funds. The Strategic Director of Pensions confirmed that following the delegation from the ITA the local Pension Board created by the WMPF would become a joint board assisting both Funds. From discussions with the Department for Culture and Local Government (DCLG) no problems were foreseen in having the WMPF local Pensions Board acting as a joint Pensions Board for both ITA and WMPF. However, informal approval was required from the DCLG and thereafter the arrangements would be made to establish a joint Board.

Resolved:

1. That it be approved that as of the new Municipal Year, the Pensions Committee of the West Midlands Pension Fund receive the delegation to oversee the management, administration and review of all financial matters of the WMITA Pension Fund.
2. That responsibility be delegated to the Strategic Director of Pensions to oversee the implementation of the delegation.

3. That it be noted that the West Midlands Integrated Transport Authority (WMITA) has delegated under S101 of the Local Government Act 1972, the administration and management of the WMITA Pension Fund to the West Midlands Pension Fund (WMPF) Pensions Committee.

- 17 **Fiduciary duty in the Local Government Pension Scheme - Counsel's opinion**
Geik Drever, Strategic Director of Pensions, presented Counsel's opinion on where the liability for payment of the scheme would rest, what would happen should schemes run out of money; and whether the EU Institutions for Occupational Retirement Provision Directive 2003 (IORP 1) applied to the LGPS scheme.

Resolved:

That the contents of the report be noted.

- 18 **Assurance Framework supporting the Annual Governance Statement March 2015**

Geik Drever, Strategic Director of Pensions, presented an updated Assurance Framework that had been revised in accordance with the Fund's 2015 – 2020 Service Plan to ensure the Fund was in a good position to meet the objectives set.

Resolved:

That the updated assurance framework be noted.

- 19 **Responsible investment activities October to December 2014**

Mark Chaloner, Assistant Director- Investments, presented a report on the work undertaken by the Investment team regarding their responsible investment activities between the period 1 October to 31 December 2014. In doing so he commented on the activity on engagements through partnerships

Malcolm Cantello (Unison) asked that his comments in the minutes be cross referenced with the section on certain companies allegedly profiting from violation of international laws by Israel in Palestine. It was noted that research and engagement on this issue had commenced and that a further report would be made to the Pensions Committee on its findings.

Cllr Mohammed Arif referred to an email the Chair had received from Mr S Cardy. He suggested that Mr Cardy be provided with the information on what had been done to keep him updated. Geik Drever, Strategic Director of Pensions undertook to arrange for a letter to be sent to Mr Cardy.

Resolved:

1. That the Fund's voting and LAPFF's engagement activity for the three months ending 31 December 2014, including Appendix 1 be noted.
2. That the positive engagement outcome from the BP and Royal Dutch Shell shareholder resolution submissions be noted.
3. That the issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement> be noted.

4. That updates on the Fund's response to the cluster munition and Israeli-Palestinian campaigns and the National Express shareholder resolution/engagement respectively be noted.
5. That the Fund's collaborative engagement work with other pension funds regarding fund manager monitoring, culminating in the recently launched *Guide to Responsible Investment Reporting in Public Equity*, January 2015 (Appendix 2) be noted.

20

Ending of contracting out - Guaranteed Minimum Pension reconciliation

Geik Drever, Strategic Director of Pensions, presented an information report on activity underway to scope and understand the work involved in the reconciliation of Guaranteed Minimum Pension (GMP) records held by HMRC and the associated risks of not completing this project.

Malcolm Cantello (Unison) sought to clarify that the effects of the reconciliation work was not just on active members. The Strategic Director of Pensions reported that it primarily affected active members but would also include pensioners and deferred members. She undertook to check and report back.

In response to a question about the introduction of the single tier state pension from April 2016 and National Insurance contributions, the Strategic Director of Pensions confirmed that employer and employee NI contributions would increase.

Resolved:

That the activity underway to scope and understand the work involved in the reconciliation of GMP records held by HMRC and the associated risks of not completing this project be noted.

21

Advisers review

Geik Drever, Strategic Director of Pensions, presented a report on the status and review of the advisory services to the Fund.

In response to the Committee's question on the underspend on staffing the Strategic Director of Pensions reported that the Fund was trying to recruit but it had proved difficult in getting the right calibre of people.

Resolved:

1. That the appointment of two external independent investment advisers to the Investment Advisory Panel be noted.
2. That the retirement of the Fund's longstanding property consultant be noted.
3. That the current tender for the procurement of actuarial services be noted.

22

Local Government Pension Scheme 2014 update

Geik Drever, Strategic Director of Pensions presented an update on the progress made on the implementation of the Local Government Pensions Scheme (LGPS) 2014.

Noting the delays relating to software issues, Cllr Sandra Samuels asked whether the contract with the provider contained penalty clauses and if so whether it was time to activate them. Geik Drever, Strategic Director of Pensions agreed to look into the matter.

Resolved:

That the activity and progress to date of the implementation of the Local Government Pension Scheme (LGPS) 2014 be noted.

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Investment Advisory Sub-Committee

Minutes - 18 March 2015

Attendance

Members of the Investment Advisory Sub-Committee

Cllr Bert Turner (Chair)
Cllr Peter Bilson
Cllr Tersaim Singh
Cllr Mohammed Arif (Walsall MBC)
Cllr Muhammad Afzal (Birmingham City Council)
Cllr Sandra Hevican (Sandwell MBC)
Cllr Alan Rebeiro (Solihull MBC)

Trade Union observers

Malcolm Cantello (Unison)
Martin Clift (Unite)
Victor Silvester (Unite)
Ian Smith (Unite)

Observers

Cllr Damian Gannon (Coventry City Council)
Cllr Phil Page (Wolverhampton City Council)

Employees

Mark Chaloner	Assistant Director-Investments
Geik Drever	Strategic Director - Pension Fund
Mark Taylor	Director of Finance (s151 Officer)
Dereck Francis	Democratic Support Officer
David Kane	Head of Finance

Part 1 – items open to the press and public

Item No. *Title*

- 1 **Apologies for absence (if any)**
Apologies for absence were submitted on behalf of Cllr Lorna McGregor (Wolverhampton City Council); and Mr J Fender (Property Adviser).
- 2 **Substitute members**
No notification of substitutes were received for the meeting.
- 3 **Declarations of interest (if any)**
No declarations of interests were made.
- 4 **Minutes of last meeting (10 December 2014)**
Resolved:
 1. That the attendance details for the meeting be corrected by:
 - i. Deleting Malcolm Cantello (Trade Union Representative) from the list of members of the Pensions Committee present.

- ii. Adding Cllr Sandra Hevican (Sandwell) to the list of members present.
- iii. Adding Geik Drever, Strategic Director of Pensions and Mike Hardwick, Portfolio Manager to the list of employees present.
- iv. Changing the designation of David Kane to Head of Finance

2. That subject to resolution 1 above, the minutes of the meeting held on 10 December 2014 be approved as a correct record and signed by the Chair.

5 **Matters arising**

Referring to Minute 11 on the Pensions Infrastructure Platform (PIP) – Update, Geik Drever, Strategic Director of Pensions reported that the work of the PIP was progressing and that Mike Weston, the PIP’s Chief Executive, was developing the business plan.

6 **Exclusion of the 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>
7	Asset allocation and investment performance quarter four - 1 October to 31 December 2014	3
8	Economic and market update - December 2014	3
9	Review of fixed interest portfolio	3

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

7 **Asset allocation and investment performance quarter four - 1 October to 31 December 2014**

Mark Chaloner, Assistant Director- Investments presented a quarterly report on the performance of the Fund and the implementation of its investment strategy for the period from 1 October 2014 to 31 December 2014.

The Assistant Director- Investments and the Geik Drever, Strategic Director of Pensions responded to various questions from members and observers.

The Strategic Director of Pensions also informed the Sub Committee that a property tour for members and observers would take place on 7 to 9 July 2015. A trustee training event would be arranged for the members on the tour. Details would be circulated in due course.

Resolved:

That the performance and investment activity for the quarter ended 31 December 2014 be noted.

8 **Economic and market update - December 2014**

Mark Chaloner, Assistant Director- Investments presented a report that reviewed the conditions in the global economy and investment markets

The Assistant Director- Investments and Geik Drever, Strategic Director of Pensions, responded to various questions from members and observers.

Resolved:

That the global economic and market update paper prepared by the Fund's investment adviser, Hymans Robertson, be noted.

9 **Review of fixed interest portfolio**

Geik Drever, Strategic Director for Pensions provided a trustee training session on cashflow matching investment strategy and managing orphan liabilities.

Following the training the Sub Committee was requested to review agenda item 9 on the Fund's fixed interest portfolio.

The Strategic Director of Pensions and Mark Chaloner, Assistant Director- Investments responded to various questions from members and observers.

Resolved:

1. That the following changes in the allocation to the fixed interest portfolio be approved:
 - a. A decrease in the allocation to stabilising fixed interest assets from 10% to 9%.
 - b. A decrease in the allocation to return seeking fixed interest assets from 9% to 7%.
 - c. The creation of a new cashflow matching fixed interest allocation initially set at 3% (2% from return seeking and 1% from stabilising fixed interest assets) to be put into place specifically to de-risk the Fund's orphan liabilities, subject to Pensions Committee approval.
2. That the plans for implementation of the changes both in asset allocation and in management arrangements for the fixed interest portfolio be noted. An update on progress would be made at the Committee's next meeting.

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Pensions Committee

24 June 2015

Report title	Appointment of Sub – Committee and dates of meetings 2015/16	
Originating service	Governance	
Accountable employee(s)	Dereck Francis	Democratic Services Officer
	Tel	01902 555835
	Email	dereck.francis@wolverhampton.gov.uk
Report to be/has been considered by		

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Appoint members to the Investment Advisory Sub-Committee for the municipal year 2015/16.
2. Confirm the dates and times of meetings of the Pensions Committee, Investment Advisory Sub-Committee and Pensions Board for the municipal year 2015/16.
3. Appoint the Chair and Vice-Chair of the Investment Advisory Sub-Committee for the municipal year 2015/16.

1.0 Purpose

- 1.1 To appoint Members and Chairs and Vice-Chairs to the Investment Advisory Sub-Committee for the municipal year 2015/2016.
- 1.2 To agree the dates and times of meetings of the Committee, Sub-Committee and the Pensions Board for the municipal year 2015/2016.

2.0 Background

2.1 Local Government and Housing Act 1989

- 2.1.1 Members are asked to note that under the provisions of the Local Government and Housing Act 1989, all Committees and Sub-Committees, with minor exceptions, have to be politically balanced. A further consequence of the Act is the removal of the voting rights of co-opted members.
- 2.1.2 Members are advised, however, that although the provisions of the Act apply to the Pensions Committee, they do not apply to the Investment Advisory Sub-Committee. The constitution of the Sub-Committee and the voting rights of the co-opted members are not affected by the provisions.

2.2 Appointment of the Investment Advisory Sub-Committee

- 2.2.1 The Pensions Committee have previously agreed that this Sub-Committee comprise the Chair, Vice-Chair and two Wolverhampton Members of the Pensions Committee and one Member from each of the other 6 constituent authorities. The Committee at its meeting on 18 March 2015 also agreed that the existing four trade union observer representatives on the Investment Advisory and the Pensions Committee remain on both for the next municipal year pending a review of the process for the appointment of trade union representatives on the Pensions Committee for the 2016/17 municipal year.
- 2.2.2 The Committee are asked formally to confirm the appointment of the Chair and Vice Chair of the Sub-Committee, who have previously been the Chair and Vice-Chair of the main Committee, and to appoint the other Sub-Committee Members, including the 2 Wolverhampton representatives.

2.3 Dates and times of meetings for 2015/16

- 2.3.1 The Committee are asked to approve the following dates of meetings of the Committee, Sub-Committee and Board for the remainder of the current municipal year. The dates are as follows:-
 - (a) **Pensions Committee – 1.30 pm:-**
 - 23 September 2015
 - 9 December 2015
 - 16 March 2016

(b) **Investment Advisory Sub-Committee – 10:00 am :-**
23 September 2015
9 December 2015
16 March 2016

(c) **Pensions Board- 1.30 pm-**
2 July 2015
19 January 2016

3.0 Financial implications

3.1 The report has no financial implications.

4.0 Legal implications

4.1 There are no legal implications contained in this report other than referred to above.

5.0 Equal opportunities implications

5.1 This report has no direct implications for the Council's Equal Opportunities Policy.

6.0 Environmental implications

6.1 This report has no direct environmental implications.

7.0 Corporate landlord implications

7.1 This report has no direct corporate landlord implications

8.0 Schedule of background papers

8.1 Nil

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Pensions Committee

24 June 2015

Report Title	Pensions administration report from 1 January to 31 March 2015	
Originating service	Pension Services	
Accountable employee(s)	Simon Taylor Tel Email	Head of Pensions Administration 01902 554276 Simon.taylor2@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The applications approved by the Strategic Director of Pensions, the Chair and Vice Chair of Pensions Committee for admission to the West Midlands Pension Fund.
2. The pensions administration activity for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Authority Fund (the WMITA Fund).

1. Purpose

- 1.1 To inform Committee of the work undertaken by the Pensions Administration Services during the period 1 January 2015 – 31 March 2015 for both the West Midlands Pension Fund (the Main Fund) and the West Midlands Integrated Transport Association Pension Fund (the WMITA Fund).

2. Background

The Fund provides a pension administration service to its stakeholders, which covers employer and member services, benefit operations and systems/technical. A report is provided to Committee on a quarterly basis to cover the performance of these functions during that period.

3. Scheme Activity

3.1 Membership movement – Main Fund

The number of scheme members in the Main Fund in all three categories stood at 277,558 on 31 March 2015 with an overall increase since 31 December 2014 of 2,005. Of the active membership of 104,250, 51% are full-time and 49% part-time, which is a reflection of the flexible working arrangements amongst employers. The long-term trend over a 12 year period in membership is set out in (Appendix A) which illustrates a move towards a more mature profile whereby, in general, active memberships are falling and pensioners and deferred membership increasing. Over the course of the last six months, however, active numbers have increased and, in December 2014 in particular, pensioner and deferred membership numbers have decreased. The increase in active members is partially due to the receipt of bulk joiner files from employers on a lagged basis and therefore does not necessarily reflect the actual date these members joined the Scheme.

3.2 Membership movement – WMITA Fund

The number of scheme members in the WMITA Fund in all three categories stood at 5,180 on 31 March 2015, 10% are active members, 17% are deferred and the largest group are pensioner members at 73% of the total membership. Detailed below is the current information showing movements between 31 December 2014 and 31 March 2015.

	Membership as at 31 st December 2014			Movements during the period			Membership as at 31 st March 2015		
	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total	National Express	Preston Bus Ltd	Total
Active Members	530	0	530	-12	0	-12	518	0	518
Deferred Members	891	22	913	-26	0	-26	865	22	887
Pensioner Members	3,630	117	3,747	29	-1	28	3,659	116	3,775
Total Members	5,051	139	5,190	-9	-1	-10	5,042	138	5,180

3.3 **Workflow statistics – Main Fund**

The process analysis statistics for the Main Fund (Appendix B) show details of overall workflow within the Pensions Administration Service during the period 1 January 2015 – 31 March 2015

During the period covered by this report 35,889 administrative processes were commenced and 31,810 completed. On 31 March 2015 there were 11,616 items of work outstanding. Of this 2,389 items were in pending as a result of information awaited from a third party e.g. scheme members, employers or transferring authorities. Within pensions administration, 8,976 processes are now either proceeding to the next stage of the process or through to final completion.

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).

Performance statistics have been influenced by the delay in the 2014 Pension Regulations and the ability to process post April 2014 work. To help support efficient working the Operations Team has begun processing new joiners by a bulk data import process. All employers went live using this service from 1 September 2014 which will release further capacity for other work processing.

3.4 **Workflow statistics – WMITA Fund**

During the period covered by this report 487 administrative processes were commenced and 448 completed. On 31 March 2015 there were 146 items of work outstanding.

3.5 **Employer membership data**

The Main Fund continues to see an increase in employer membership due mainly to the establishment of academies and outsourced local government contracts, with 22 new organisations being admitted to the Main Fund during the period 1 January 2015 – 31 March 2015. The current number of employers as at 31 March 2015 is 473. The level of ongoing work being processed at the end of the period is as follows:-

- 50 admission agreements
- 56 academies
- 14 employer terminations

3.6 **Customer services**

An analysis of telephone calls is shown which details the immediate response provided by the Fund when addressing fundamental pension queries for all our members and employers (Appendix D). We continue to aim to provide a high quality response rate at first point of contact for telephone calls and pension fund enquiry emails.

Customer Service telephone call enquiries and emails have peaked during March due to pensioner payday queries about this year's pensions increase. This is expected to continue for April and May following the issue of P60 details. Messages have been added to the helpline number call queuing system to provide information to pensioners who may not need to speak directly to the team. This has resulted in more telephone calls than usual being "abandoned", however, this is a positive impact and not due to extensive call queuing times.

Overall items scanned are slightly lower than in the previous year. This reflects the move to processing some work via bulk BDI import and via the web portal. The average % indexing error rate is below 0.2%, which remains a good level of quality control. The Fund is working towards increasing exchange of data via electronic means and progress has been made to move towards their objective. We continue to scan microfiches onto UPM to ensure that the microfiche information is available for work to be processed efficiently and accurately. (Appendix E)

4. IDR (Internal Dispute Resolution Procedure) casework

4.1 In the 2014/2015 financial year ten cases were received for Stage 2 investigation for the Main Fund. Two cases are still being investigated and eight cases have been dismissed.

The eight cases dismissed related to the following pension issues:

- Six cases dismissed related to the exercise of employer discretion on the early payment of deferred benefits from age 55.
- Two cases related to the Tier of Ill Health benefits awarded.

So far in the 2014/2015 financial year no cases have been received where a WMITA member is raising an internal dispute resolution procedure.

5. Death grant

5.1 In this financial year seven cases in respect of the Main Fund have been referred to the Legal Department for consideration. Two cases are on-going and the other five cases have successfully been resolved.

No cases have been referred to the Legal Department in relation to the WMITA Fund in this financial year.

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 Main Fund following Pensions Committee approving the applications. Sometimes, a decision is required which is not compatible with the cycle of Pensions Committee meetings. In these circumstances, Pensions Committee has delegated responsibility for approving such applications to the Strategic 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 have been approved by the Strategic Director of Pensions, the Chair and Vice Chair of Pensions Committee.

Employer name	Guarantee Status (Agreement)	No of employees (Scheme members) Agreement type	Status
ABM Catering Ltd (St Andrews CofE Infant School)	Coventry City Council	2(2) Closed	Approved
Churchill Contract Services Ltd	Walsall College	30(30) Open	Approved

7. Pensions in payment

7.1 Pensions in payment – Main Fund

The gross annual value of pensions in payment for the Main Fund to March 2015 was £421.4m, of which £17.8m (£8.6m for pensions increase and £9.2m for added year's compensation) was recovered from employing authorities and other bodies as the expenditure was incurred.

- 7.2 Monthly payroll details for the Main Fund were:

Month	Number	Value £
January 2015	73,592	30,760,201.82
February 2015	73,819	30,901,147.14
March 2015	85,597	31,958,270.22

The March figures include pensioners paid on a quarterly and annual basis.

7.3 Pensions in payment – WMITA Fund

The gross annual value of pensions in payment for the WMITA Fund to March 2015 was £30.1m, of which £8,900 for added year's compensation was recovered from employing authorities and other bodies as the expenditure was incurred.

- 7.4 Monthly payroll details for the WMITA Fund were:

Month	Number	Value £
January 2015	3,686	1,769,091.60
February 2015	3,694	1,769,011.59
March 2015	3,764	1,794,260.96

The March figures include pensioners paid on a quarterly and annual basis

8. Communications & marketing activity

8.1 Presentations

During the period Fund officers have continued to deliver presentations upon request from employers. The team will provide support on any pension subjects that are requested by an employer for their employees, however, the emphasis during this reporting period has been encouraging members to sign up to Web Portal in order to view their details, run pension calculations and view their annual benefits statement, as well as supporting our members who are at risk of redundancy. A total of 39 presentations were delivered to 631 attendees.

The presentations were held at 39 different employers, including the district councils, universities, schools/academies and other admitted bodies.

Further support has also been provided to members either through drop in sessions or scheduled one to one support sessions. In total, support was offered to 681 members on a one to one basis.

8.2 Roadshows

In view of the time of year, the Roadshow Bus has not been out as its focus is on summer events.

8.3 Web Portal

Work is continuing to increase awareness of the web portal facility for members and employers. There are currently over 21,000 members registered to use the web-portal facility with over 12,000 of those having been authenticated. A breakdown of those registered and authenticated between the Main Fund and WMITA is provided below:

Registered and authenticated

WMITA - 340

WMPF – 12,092

- 8.3.1 The web portal service is actively promoted via communications sent to members and employers alike. It is also promoted through scheduled events such as the Employer AGM, member presentations and various meetings to include focus groups such as the employer peer group. The service is highlighted on the Fund's website, particularly the provision of electronic annual benefit statements through this medium from 2015.

9. Financial implications

- 9.1 The report contains financial information which should be noted.

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. 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. 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. Environmental implications

12.1 The report contains no direct environmental implications.

13. Human resources implications

13.1 This report has implications for the Council's human resources policies since it deals with the pension rights of employees.

14. Corporate landlord implications

14.1 The report contains no direct corporate landlord implications.

15. Schedule of background papers

15.1 None.

16. Schedule of appendices

16.1 Appendix A: Overall membership numbers

16.2 Appendix B: Process analysis

16.3 Appendix C: Detailed process analysis

16.4 Appendix D: Customer service statistics

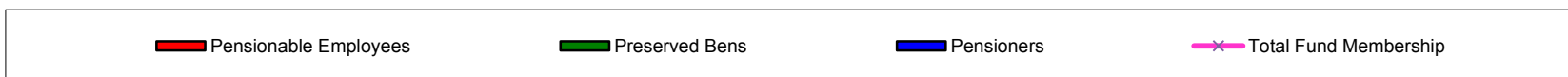
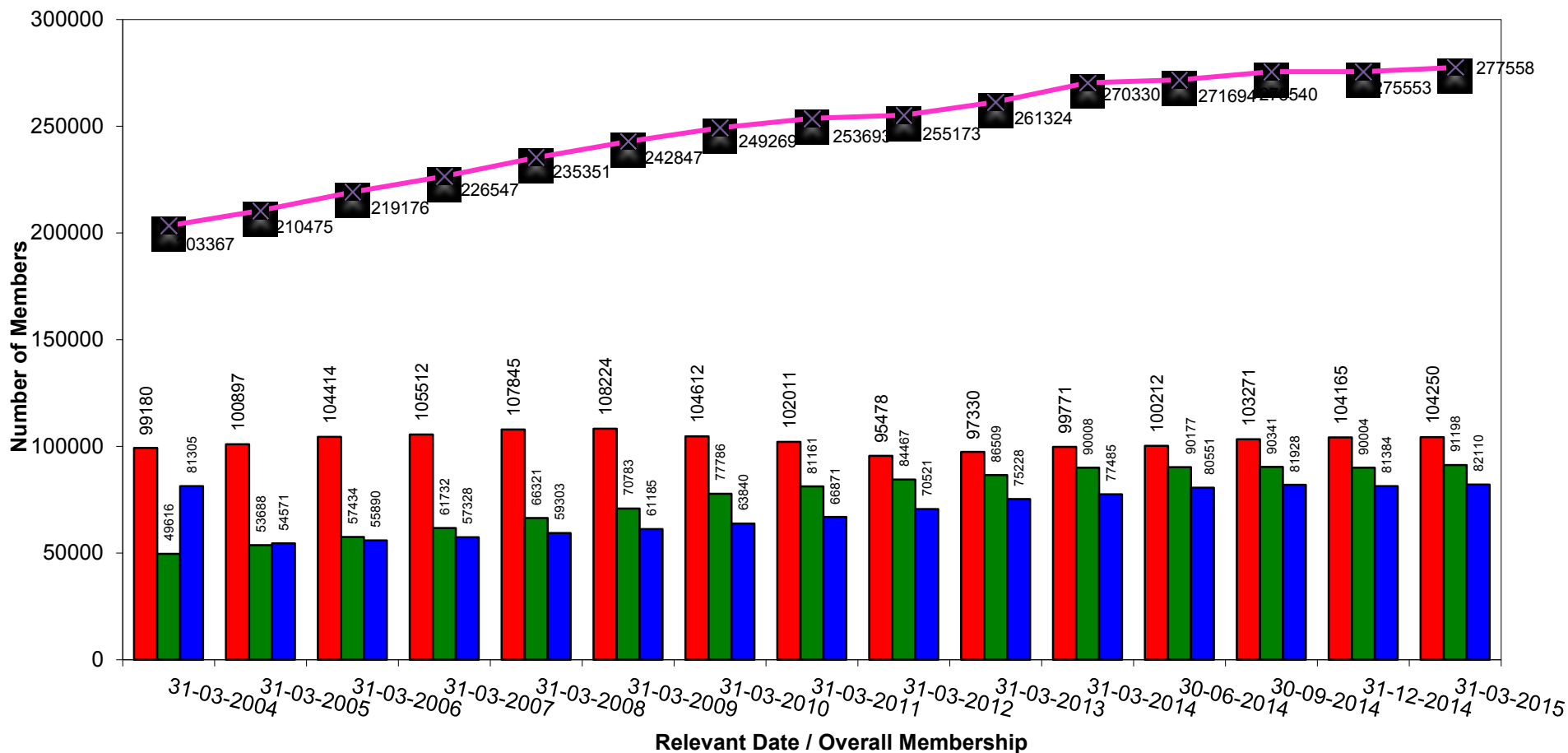
16.5 Appendix E: Data quality statistics

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West Midlands Pension
Fund 2014/15

Overall Membership
West Midlands Pension Fund Membership Statistics as at 31 March 2015

Page 31



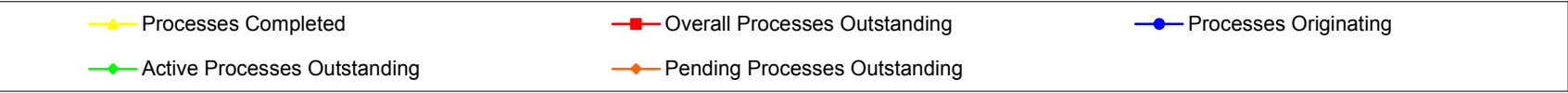
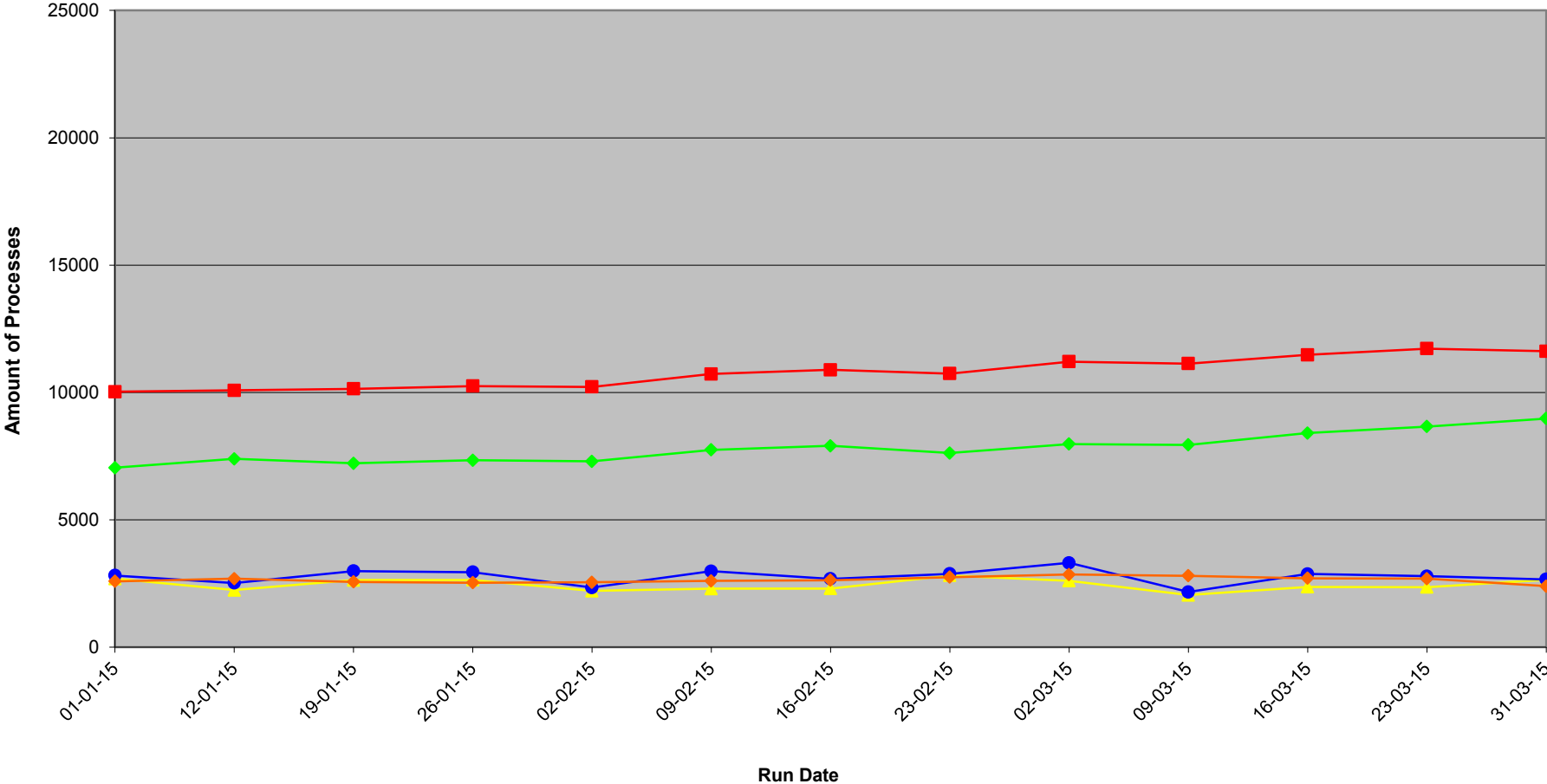
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West Midlands Pension Fund
2014/15

Process Analysis 1 January 2015 to 31 March 2015

Appendix B

Page 33



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2014/15

West Midlands Pension Fund 2014/15

Pension Committee Statistical Report - Detailed Process Analysis

Appendix C

2010/11	2011/12	2012/13	2013/14	April	May	June	July	August	Sept	Oct	Nov	Dec	Jan	Feb	March	2014/15
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Active & Deferred members

Process type																	
Joiners and Rejoiners	8,763	6,403	11,138	13,558	628	482	395	106	21	2	1	15	1	0	1	2	1,654
Changes in circumstances eg change in hours	18,759	15,303	12,385	11,273	410	582	441	543	417	609	609	575	995	424	399	387	6,391
Deferments	5,939	7,818	5,741	6,728	269	325	321	185	184	739	402	378	315	733	997	816	5,664
Active Retirements (Employer retirements)	3,317	3,950	2,475	2,279	182	178	178	197	172	208	220	182	208	269	220	137	2,351
Deferred Retirements	3,332	2,970	2,971	2,726	44	352	220	206	192	64	308	210	188	216	75	226	2,301
Deaths of members	295	262	287	285	8	16	6	22	25	13	21	15	27	31	20	26	230

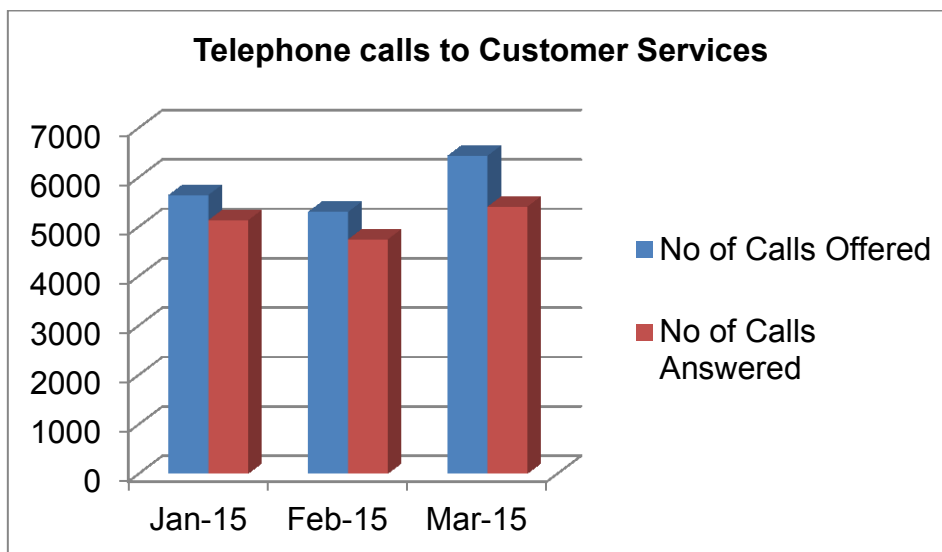
Pensioner members

Process type																	
Changes in circumstances:-																	
Data eg Passwords, NI Numbers	1,310	1,804	1,865	2,017	164	187	182	245	408	156	182	153	185	200	208	334	2,604
Changes of Address	2,420	2,681	2,131	1,732	26	221	132	178	291	130	162	134	106	109	112	132	1,733
Changes of Bank	2,927	2,531	2,783	3,420	460	404	144	347	237	347	201	228	152	179	216	366	3,281
Deaths of pensioners	2,085	2,145	2,101	2,546	311	224	227	256	267	215	224	159	216	166	114	75	2,454

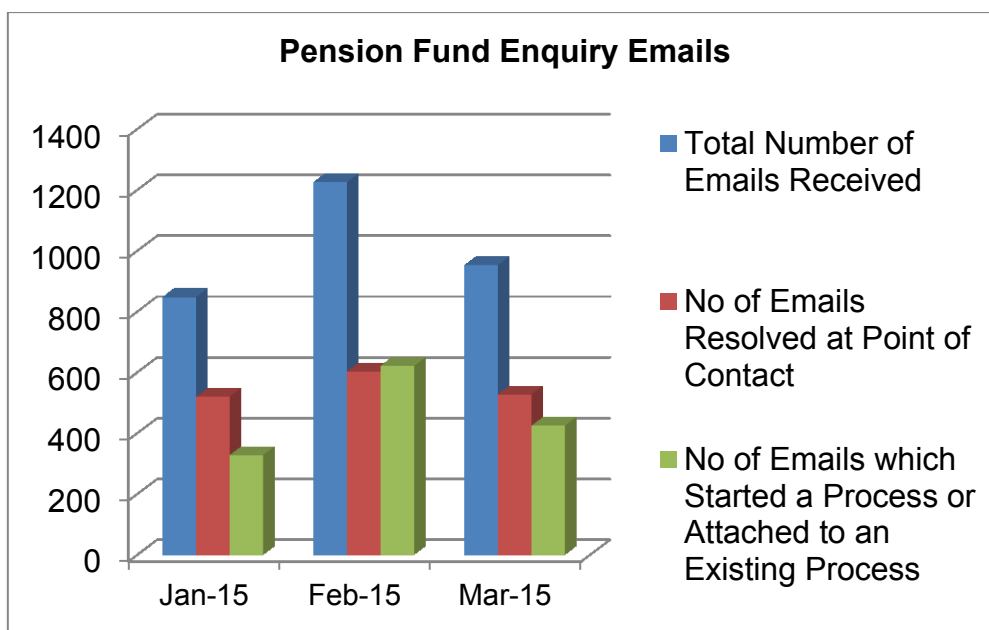
Payroll					Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	Monthly	Monthly	Quarterly	Monthly	Monthly	Yearly	
Actual number paid	792,724	837,189	870,804	895,018	73,254	73,422	79,662	73,451	73,921	80,145	74,192	73,213	79,596	73,592	73,819	85,597	913,864

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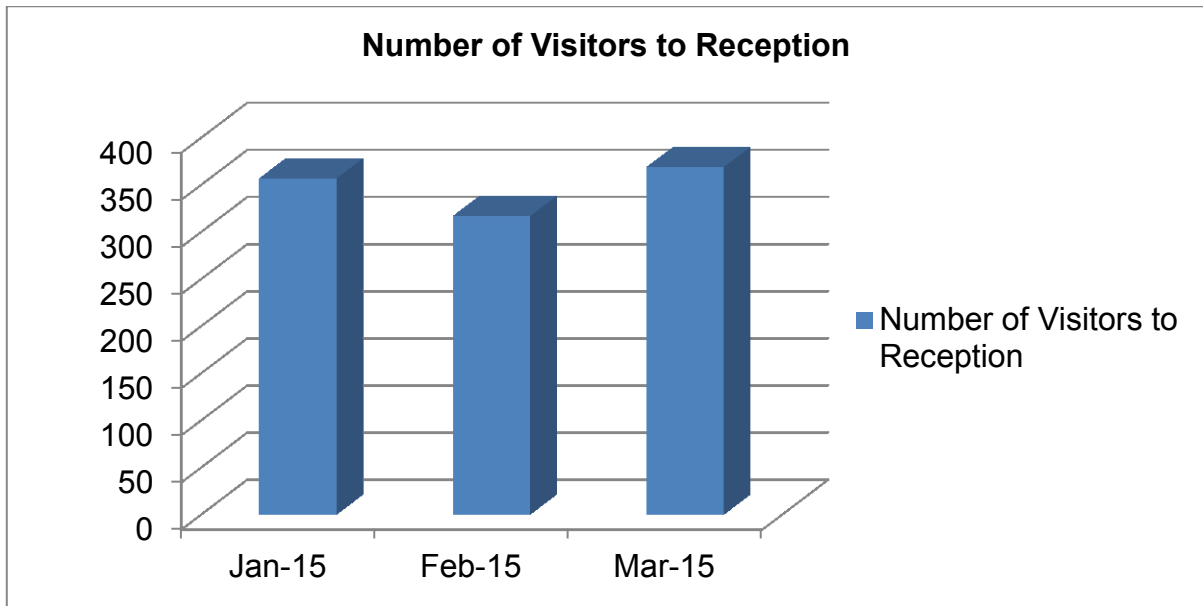
**Customer Services Statistics
1 January 2015 to 31 March 2015**



	Jan 2015	Feb 2015	March 2015
No of Calls Offered	5,644	5,300	6,438
No of Calls Answered	5,135	4,745	5,408
Answer Rate	91%	90%	84%
Calls answered at first point of contact (first call fix)	99.2%	98.7%	98.8%

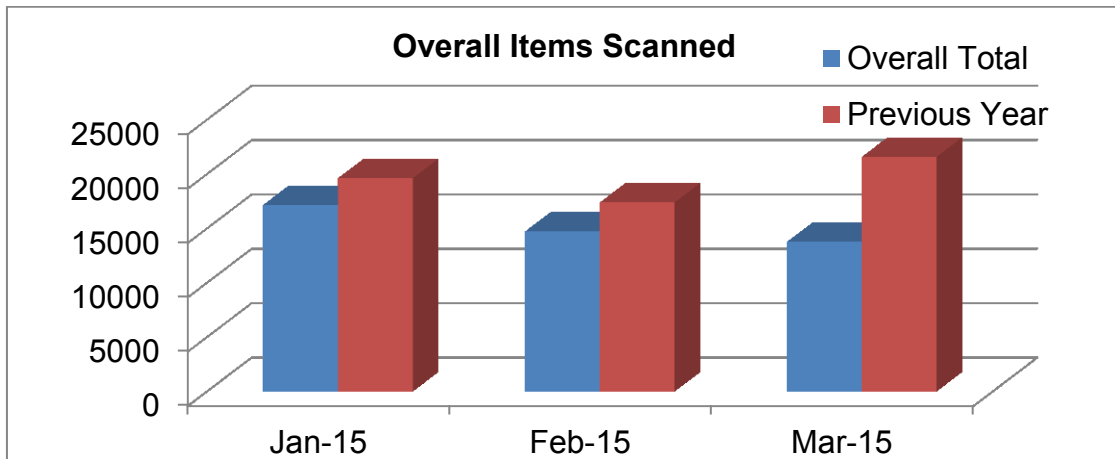


	Jan 2015	Feb 2015	Mar 2015
Total Number of Emails received	848	1,226	953
Number of Emails resolved at point of contact	520	604	528
Number of Emails which started a process or attached to an existing process	328	622	425



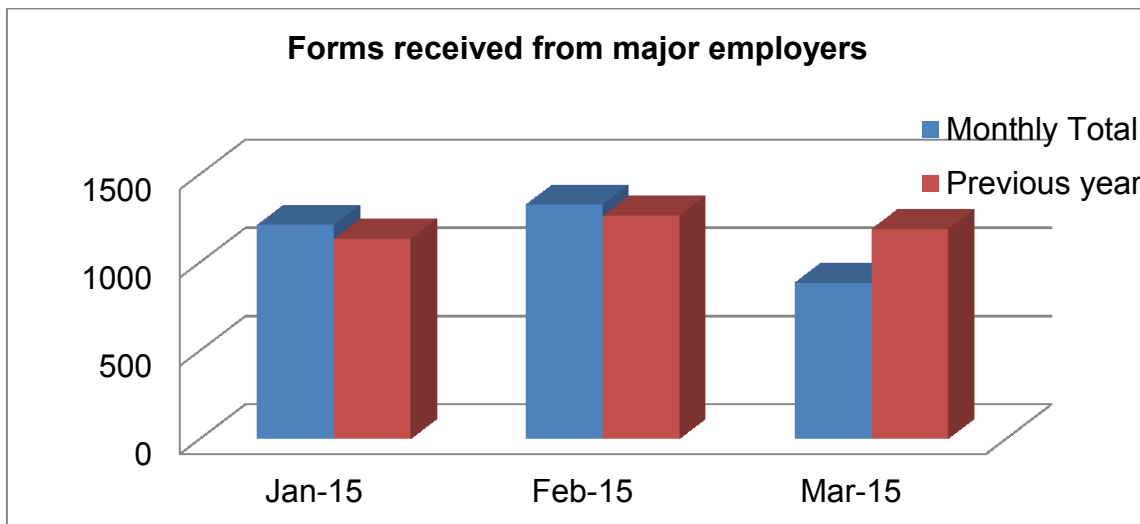
	Jan 2015	Feb 2015	Mar 2015
Number of Visitors to Reception	357	317	369

**Data Quality Statistics
1 January 2015 – 31 March 2015**



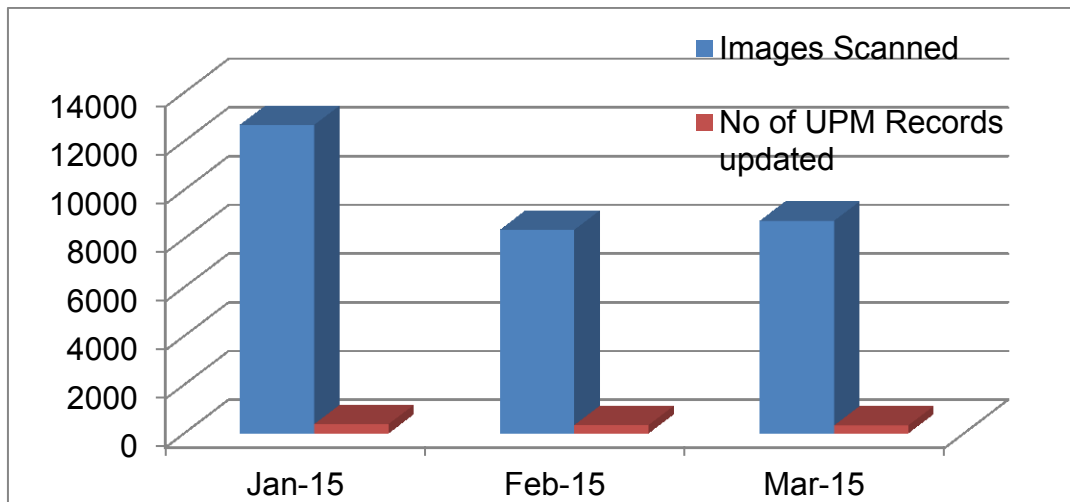
	Overall Total	Previous Year
January 2015	17152	19609
February 2015	14711	17380
March 2015	13751	21565

	Overall Scanned	Indexing errors	% error rate
January 2015	17152	13	0.06
February 2015	14711	18	0.12
March 2015	13751	20	0.15



	Monthly Total	Previous year
January 2015	1214	1136
February 2015	1329	1265
March 2015	886	1190

Microfiche Statistics



	Images Scanned	No of UPM Records updated
January 2015	12670	380
February 2015	8360	341
March 2015	8728	323



Pensions Committee

24 June 2015

Report title	Constitution of the West Midlands Pension Fund	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Agree and accept the Constitution for the West Midlands Pension Fund.
2. Delegate to the Strategic Director of Pensions the ability to amend the Constitution in light of operational and legislative changes.

1.0 Purpose

- 1.1 To present the Constitution for the West Midlands Pension Fund. This outlines how the Fund operates, responsibility for functions, the roles of committees and officers together with the rights of Fund members.

2.0 Background

- 2.1 Section 37 of the Local Government Act 2000 requires local authorities to have in place a constitution detailing the governance of the authority including those with decision making powers and responsibilities.
- 2.2 As a function of the Administering Authority, the West Midlands Pension Fund is governed by the constitution of Wolverhampton City Council which details the terms of reference for Pension Committee and Pension Board together with the delegation to the Strategic Director of Pensions for the management and administration of the Fund.
- 2.3 In addition, the Fund has a legal requirement to publish certain policies and statements about how it manages pensions on behalf of members.
- 2.4 With the changes in governance structure implemented this year, it was considered that it would be conducive to the effective management and operation of the Fund if we were to set out in one document how we manage and administer pensions on behalf of our members. A copy of the Constitution is attached at Appendix One.

3.0 The Constitution

- 3.1 The Constitution itself follows the format provided under Section 37 and provides detail as follows
- 3.2 Articles of the Constitution
- Outlines the role of Trustees, how they are elected, their key roles, their duties and responsibilities
 - The rights of Pension Fund members as to petitions, participation, complaints
 - Functions of the Fund as decision makers
 - The role of Chair of Pension Committee
 - National Scrutiny Bodies, the Pension Regulator and Scheme Advisory Board
 - Senior officers of the Fund and their role

3.3 Scheme of Delegation

- Functions of Pension Committee including terms of reference
- Functions of the Pensions Board including terms of reference
- Delegations to Staff, their role and responsibilities

3.4 Rules of Procedure

- The fund adheres to the City Council standing orders for meeting procedure rules.
- Access to Information Procedure Rules for members of the public, Trustees and Pension Board Members
- Attendance and exclusion of press and public at committee meetings
- Meaning of Exempt Information
- Contract Procedure Rules and authority to enter contracts by officers (limited by contract value)
- Financial Procedure Rules, how the Fund manages budgets and who has authority to spend

3.5 Codes and Protocols

- Code of Conduct for Pension Board Members
- Conflicts of Interest of Pension Board Members
- Protocol on Trustee/Officer relationships
- Employees Code of Conduct (the Fund adheres to the City Council code)
- Procedure for resolution of complaints, member feedback and internal dispute resolution

3.6 Fund Policies and Strategies

- To include all those we are legally required to publish and those we have adopted for efficient operation.

4.0 Financial implications

4.1 There are no financial implications.

5.0 Legal implications

5.1 Legal implications are detailed in the report.

6.0 Equalities implications

6.1 There are no equalities implications.

7.0 Environmental implications

7.1 There are no environmental implications.

8.0 Human resources implications

8.1 There are no human resources implications.

9.0 Corporate landlord implications

9.1 There are no corporate landlord implications.

10.0 Schedule of background papers

10.1 None.

11.0 Schedule of Appendices

11.1 Appendix One: Constitution of West Midlands Pension Fund – can be accessed via the following link:

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4824&Ver=4>

Copies will be available at the meeting.

1 April 2015

PART 1: Summary and Explanation

PART 2: Articles of the Constitution

Article 1	The Constitution
Article 2	Trustees of the Fund
Article 3	Members of the Fund
Article 4	The Pension Fund
Article 5	Chairing the Pension Committee
Article 6	Scrutiny
Article 7	Joint Arrangements
Article 8	Officers
Article 9	Decision Making
Article 10	Finance, Contracts and Legal Matters
Article 11	Review and Revision of the Constitution
Article 12	Suspension, Interpretation and Publication of the Constitution

PART 3: Scheme of Delegation

Section 1	Introduction
Section 2	Functions
Section 3	Scheme of Delegation to Officers
Section 4	Delegations to the Fund
Section 5	Proper Officer Delegations

PART 4: Rules of Procedure

4.1	Standing Orders
4.3	Access to Information Procedure Rules
4.4	Contract Procedure Rules
4.5	Financial Procedure Rules (Financial Regulations)
4.6	Officer Employment Procedure Rules

PART 5: Codes and Protocols

- 5.1 Trustee and Pension Board Code of Conduct
- 5.2 Protocol on Trustee/Officer Relations
- 5.3 Employee Code of Conduct
- 5.4 Compliance and Assurance Framework

- 5.5 Procedure and Resolution of Complaints
- 5.6 Internal Dispute Resolution Procedure
- 5.7 Outline Roles and Responsibilities for Trustee and Pension Board Members

PART 6: Fund Structure

PART 7: Policies and Strategies

PART 8: Glossary of Common Terms

PART 1

SUMMARY AND EXPLANATION

THE FUND'S CONSTITUTION

The West Midlands Pension Fund has agreed a constitution which sets out how the Fund operates, how decisions are made and the procedures which are followed to ensure these are efficient, transparent and that we are accountable to our members.

Some of these processes are required by law, while others are left to the Fund to determine.

This constitution should be read in conjunction with the constitution of Wolverhampton City Council

WHAT'S IN THE CONSTITUTION?

The constitution details the basic rules governing the Fund's business, including who is responsible for taking decisions, the role of officers, the governance structure and the financial management of the Fund.

HOW THE FUND OPERATES

Wolverhampton City Council is the Administering Authority for the West Midlands Pension Fund under the Local Government Pension Scheme (LGPS). The LGPS is established by statute and its purpose is to provide death and retirement benefits for all eligible employees.

The Fund is not a legal body in its own right and all contracts and assets are held in the name of Wolverhampton City Council who became the Administering Authority in 1974 under the local authority reorganisation brought about by the Local Government Act 1972.

The Fund covers the seven districts in the West Midlands

- Wolverhampton
- Birmingham
- Sandwell
- Dudley
- Solihull
- Coventry
- Walsall

Together with numerous other public sector employers. A full list of the employers within the Fund is contained within the Fund's annual report available on request.

HOW DECISIONS ARE MADE

Wolverhampton City Council delegates responsibility for the administration and management of the Pension Fund to the Pension Committee which comprises 20 Trustees (10 Wolverhampton City Council members, 1 Elected Member from each of

the 6 District Councils and 4 (non-voting) trade union representatives), together with 12 Pension Board Members and 115 FTE staff.

The Managing Director of Wolverhampton City Council, who is also the Head of Paid Service, delegates certain responsibilities to the Strategic Director of Pensions, who in turn, delegates to officers.

All meet together as the Pension Fund which has ultimately responsibility for decision making.

SCRUTINY

The scrutiny function is carried out by the following statutory bodies

- the Pensions Regulator
- the Scheme Advisory Board
- the Secretary of State.

All of whom have powers of regulation and enforcement against the Fund should it be considered to be failing in its duty to members.

Further information regarding their powers may be found on their respective websites.

THE FUND'S STAFF

The Fund has people working for it (described as “officers”) to give advice, implement decisions, and manage the day-to-day delivery of its services. Some officers have a dual role with the Administering Authority and the Fund and have a specific legal duty to ensure that the Fund acts within the law.

All officers are subject to a code of conduct and a protocol governs the relationships between officers and members of the Council.

RIGHTS OF MEMBERS

Members have a number of rights in their dealings with the Fund. Some of these are legal rights whereas other rights are defined in the Fund's policies and processes.

Members rights include

- Right to attend meetings of the Committees and Pension Board (except where confidential or exempt information is being discussed)
- Right to inspect agendas, reports, minutes and documents of the Fund

WEST MIDLANDS PENSION FUND CONSTITUTION

- Right to complain that the Fund is failing in its duty to meet statutory obligations or adhere to its own policies.
- To inspect the Fund accounts and make their views known to the Auditor
- Contact Trustees or Pension Board Members about any matters of concern to them;
- Obtain a copy of the Constitution;
- Attend meetings of the Pension Committees and Pension board except where, for example, personal or confidential matters are being discussed;
- Present petitions in accordance with the Fund's adopted petition scheme
- See reports and background papers and any record of decisions made by the Fund except those containing confidential or exempt information;
- Complain to the Fund in accordance with its feedback procedure;
- Complain to the Local Government Ombudsman if they think the Fund has not followed its procedures properly. However, they should only do this after using the Fund's own complaints process;
- Speak at meetings at the discretion of committee or in accordance with the rules set out in this Constitution.

The Fund welcomes participation by its members in its work. Details of the rights of members to inspect agendas and reports and to attend meetings are set out in Article 3 and the Access to Information Procedure Rules. Information on this can be obtained from the Fund offices and from the Fund's website at www.wmpfonline.com

PART 2

ARTICLES OF THE CONSTITUTION

ARTICLE 1 - THE CONSTITUTION

1.01 Powers of the Fund

The Fund will exercise all its powers and duties in accordance with the law and this Constitution.

1.02 The Constitution

This Constitution, and all its appendices, is the Constitution of the West Midlands Pension Fund which should be read in conjunction with the constitution of Wolverhampton City Council.

1.03 Purpose of the Constitution

The purpose of the Constitution is to set out in a single place and in clear language, how the Fund works and how it makes decisions, thereby:

- (a) enabling decisions to be taken efficiently and effectively;
- (b) creating a powerful and effective means of holding decision makers to public account;
- (c) ensuring that no one will review or scrutinise a decision in which they were directly involved;
- (d) ensuring that those responsible for decision making are clearly identifiable to local people and that they explain the reasons for decisions;
- (e) maintaining the highest standards of conduct of members and officers of the Fund;
- (f) providing a comprehensive document that explains how the Fund conducts its business.
- (g) assisting Trustees to discharge their duty as decision makers efficiently and effectively.

1.04 Interpretation and Review of the Constitution

This constitution is a live document and will be reviewed on an ongoing basis to identify where changes in legislation or policy require. Such changes to be reviewed and agreed with the Fund's Statutory Officers.

ARTICLE 2 – TRUSTEES OF THE FUND

2.01 Composition and Eligibility

2.01.1 Composition.

The fund consists of the following bodies

- Pension Committee
- Investment Advisory Sub Committee
- Pension Board
- Investment Advisory Panel

2.01.2 Pension Committee

Pension Committee consists of Trustees who sit as the decision making body of the Fund.

As a statutory public service scheme the Fund has a different legal status compared with trust based schemes in the private sector. Although those making decisions relating to the Fund are required, in many ways, to act as if they were trustees in terms of their duty of care they are subject to a different legal framework and are not trustees in the strict legal sense.

The Pensions Committee adheres to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the ability of the Fund to conduct its business under this constitution. Any such decisions will be taken on advice from the Council's Monitoring Officer.

2.02 Election and Terms of Trustees

2.02.1 Election and Terms.

Wolverhampton City Council each year at annual council appoints elected councilors to sit on the Pension Committee and allows nominations from the district councils to sit as full members. These nominations are received each year and are appointed at annual council.

Wolverhampton City Council also appoints a Chair and Vice-Chair of the Pension Committee to sit for one year.

2.03 Roles and Functions of all Trustees

2.03.1 Key Roles

All Trustees will:

- (i) act corporately for the good governance of the Fund
- (ii) on a regular basis, attend meetings of the Fund, including committees, sub committees, working parties or external bodies to which the Trustee has been appointed and to fully participate in policy formation and decision making in accordance with the principles of good public governance, including a requirement to act at all times in accordance with
 - a) statutory and other legal requirements
 - b) the code of conduct
 - c) standing orders
 - d) the Trustee/officer relations protocol
- (iii) ensure they have the required knowledge to perform their duties, including attending training sessions
- (iv) if appointed to an external body on behalf of the Fund, represent the interests of the Fund on that body.

2.03.2 Rights and Duties

- (i) Trustees will have such rights of access to such documents, information, land and buildings of the Fund as are necessary for the proper discharge of their functions and in accordance with the law.
- (ii) Trustees will not make public information which is confidential or exempt without the consent of the Fund or divulge information given in confidence to anyone other than a Trustee or officer entitled to know it.
- (iii) For these purposes “confidential” and “exempt” are to be read as defined in Schedule 12A of the Local Government Act 1972
(AS AMENDED BY THE LOCAL AUTHORITIES (ACCESS TO INFORMATION) (EXEMPT INFORMATION) (ENGLAND) ORDER 2006)

2.04 Cessation of Membership

A Trustee will cease to be a member if they resign by giving notice in writing, if they fail to observe the requirements to attend Fund meetings as prescribed by this constitution or if they are disqualified from holding office by virtue of Section 80 of the Local Government Act 1972 or any other statutory provision.

2.05 Conduct

Trustees will at all times observe the Code of Conduct and adhere to the seven principles of public life;

2.06 Pension Board

The Pension Board consists of employer and member representatives whose role is to assist in the good governance of the Fund.

The Pension Board is to conduct the duties imposed on it under Section 5 of the Public Service Pensions Act 2013 and associated legislation together with those duties outlined in the Statutory Guidance.

The Pensions Board adheres to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the ability of the Fund to conduct its business under this constitution. Any such decisions will be taken on advice from the Council's Monitoring Officer.

2.06.1 Election and Terms of Pension Board Members

2.06.2 Election and Terms.

The Fund will in the first year seek nominations from employer and member groups to sit on the Pension Board, together with receiving two nominations from Wolverhampton City Council for 2 Councillors to sit as one employer and one member representative. Making 12 members in total.

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.

Wolverhampton City Council appoints a Chair and Vice-Chair of the Pension Board to sit for one year.

Nominations to the Pension 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 Trustee.

2.06.3 Roles and Functions of all Pension Board Members

2.06.4 Key Roles

All members will:

- (i) act corporately for the good governance of the Fund
- (ii) on a regular basis, attend meetings of the Fund, including committees, sub committees, working parties or external bodies to which the Trustee has been appointed and to fully participate in policy formation and decosn making in accordance with the principles of good public governance, including a requirement to act at all times in accordance with
 - a) statutory and other legal requirements
 - b) the code of conduct
 - c) standing orders
 - d) the Trustee/officer relations protocol
- (iii) ensure they have the required knowledge to perform their duties, including attending training sessions
- (iv) if appointed to an external body on behalf of the Fund, represent the interests of the Fund on that body.

2.06.5 Rights and Duties

- (i) Pension Board members will have such rights of access to such documents, information, land and buildings of the Fund as are necessary for the proper discharge of their functions and in accordance with the law.
- (ii) Pension Board members will not make public information which is confidential or exempt without the consent of the Fund or divulge information given in confidence to anyone other than a Trustee or officer entitled to know it.
- (iii) For these purposes “confidential” and “exempt” are to be read as defined in Schedule 12A of the Local Government Act 1972 (as amended).

2.06.6 Cessation of Membership

A Pension Board member will cease to be a member if they resign by giving notice in writing, if they fail to observe the requirements to attend Fund meetings as prescribed by this constitution or if they are disqualified from holding office by virtue of their own employment.

2.06.7 Conduct

Pension Board members will at all times observe the Code of Conduct and adhere to the seven principles of public life;

ARTICLE 3 - MEMBERS AND THE FUND

3.01 Member's Rights

Members have the following rights. Their rights to information and to participate are explained in more detail in the Access to Information Rules in Part 4 of this Constitution:

- (a) **Voting and Petitions.** Members have the right to present a petition, in accordance with the adopted petition scheme of Wolverhampton City Council and to address Trustees in support. This is however subject to the Rules of Procedure in Part 4 of this Constitution and the petition scheme. A copy of the petition scheme is available on the Council's website.
- (b) **Information.** Members have the right to:
 - (i) attend meetings of the Fund, monitoring bodies, boards and committees except where confidential or exempt information is likely to be disclosed;
 - (ii) see reports and background papers, and any records of decisions made by the Council and the Cabinet;
 - (iii) speak at meetings of the Committees or Pension Board
 - (iv) inspect the Fund's accounts and make their views known to the External Auditor.
- (c) **Participation.** Members have the right to participate in the Fund's question time at Committee
- (d) **Complaints.** Members have the right to complain to:
 - (i) the Fund under its feedback scheme;
 - (ii) the Ombudsman after using the Fund's own complaints scheme;
 - (iii) Wolverhampton City Council's Monitoring Officer about a breach of the Council's Code of Conduct for Trustees
 - (iv) The Pension Fund's Head of Governance about a breach of the Fund's Code of Conduct for Pension Board Members.

3.02 Member's Responsibilities

- (a) Members must not be violent, abusive or threatening to Trustees or officers and must not wilfully damage things owned by the Fund, Trustees or officers.
- (b) When attending meetings members must not behave improperly, offensively or interrupt the business of the meeting. If they do, they will be removed and excluded from the meeting.

ARTICLE 4 - THE FUND

4.01 Meanings

- (a) **Policy Framework.** The policy framework means the following plans and strategies:
 - Valuation Report
 - Service Plan
 - Administering Authority Policy Statement
 - Compliance with Myners Principles
 - Compliance with the UK Stewardship Code for Institutional Investors
 - Funding Strategy Statement
 - Governance Statement
 - Communications Policy
 - Pensions Administration Strategy
 - Policy on Termination Funding for Employers
 - Socially Responsible Investment Policy
 - Statement of Investment Beliefs
- (b) **Budget.** The budget includes the allocation of financial resources to different services and projects, proposed contingency funds, and decisions relating to the control of the Fund's borrowing requirement, the control of its capital expenditure and the setting of investment limits.

4.02 Functions of the Fund

The functions and responsibilities of the Fund are set out in Part 3 to this Constitution.

4.03 Pension committee and Pension Board Meetings

There are three types of meeting:

- (a) the annual meeting;
- (b) ordinary meetings;
- (c) extraordinary meetings.

and they will be conducted in accordance with the Procedure Rules in Part 4 of this Constitution.

4.04 Responsibility for Functions

The Fund will maintain the tables in Part 3 of the Constitution setting out the responsibility of the Fund's functions as delegated from Wolverhampton City Council.

ARTICLE 5 - CHAIRING PENSION COMMITTEE

5.01 Role and Function of the Chair

The Chair of the Pension Committee and, in his or her absence, the Deputy Chair will have the following roles and functions:

(a) Ceremonial Role

The Chair represents the symbol of the Fund and its employers and members. He or she is seen as the lead Trustee citizen of the Fund and in ceremonial matters will take precedence.

The Chair also represents an expression of social cohesion. He or she will act as a link between the various bodies and organisations and the Fund.

(b) Chairing the Committee Meeting

The Chair of the Fund and his/her deputy, will be nominated by Wolverhampton City Council annually and will have the following responsibilities:

- (i) to uphold and promote the purposes of this Constitution, and to interpret the Constitution when necessary in consultation with the Council's Monitoring Officer;
- (ii) to preside over meetings of the Committee so that its business can be carried out efficiently and with regard to the rights of Trustees and the interests of the Fund's members and employers;

- (iii) to ensure that the Committee meeting is a forum for the debate of matters of concern to the West Midlands
- (iv) to promote public involvement in the Fund's activities;
- (v) to be the conscience of the Fund; and
- (vi) to attend such civic and ceremonial functions as the Fund and he/she determines appropriate.
- (vii) the Deputy Chair will deputise for the Chair whenever the Chairman is unavailable or unable to act.

ARTICLE 6 - SCRUTINY

6.01 Scrutiny Bodies

The scrutiny function is carried out by the following statutory bodies

- the Pensions Regulator
- the Scheme Advisory Board
- the Secretary of State.

6.02 Functions of the Pensions Regulator

The Pension Regulator's statutory objectives are to:

- protect the benefits of pension scheme members
- reduce the risks of calls on the Pension Protection Fund
- promote and improve understanding of the good administration of work based pension schemes
- maximise compliance with the duties and safeguards of the Pensions Act 2008
- minimise any adverse impact on the sustainable growth of an employer

The regulator has a number of regulatory tools including issuing codes of practice to enable it to meet its statutory objectives.

6.03 Functions of the Scheme Advisory Board

The purpose of the Board is to both be reactive and proactive. It will seek to encourage best practice, increase transparency and coordinate technical and standards issues.

It will consider items passed to it from the Department of Communities and Local Government ("DCLG"), the Board's sub-committees and other stakeholders as well as items formulated within the Board. Recommendations

may be passed to the DCLG or other bodies. It is also likely that it will have a liaison role with the Pensions Regulator. Guidance and standards may be formulated for local scheme managers and pension boards.

ARTICLE 7 - JOINT ARRANGEMENTS

7.01 Joint Arrangements

- (a) The Fund may establish joint arrangements with one or more local authorities to exercise functions in any of the participating authorities. Such arrangements may involve the appointment of a joint committee with these other local authorities.
- (c) Details of the Fund's joint arrangements, including delegations under Section 101 of the Local Government Act 1972, are detailed in the scheme of delegations in Part 3 of the Constitution.

7.02 Access to Information

- (a) Access to Information rules are contained in the Access to Information Procedure Rules in Part 4 of the Constitution.

7.03 Delegation to and from Other Local Authorities

- (a) The Fund may delegate their powers and functions to another local authority or, in certain circumstances.
- (b) The decision whether or not to accept such delegation from another local authority shall be reserved to Pension Committee.

ARTICLE 8 - OFFICERS

8.01

- (a) **General.** The Fund may engage such staff (referred to as officers) as it considers necessary to carry out its functions.
- (b) **Officers.** The Fund will engage persons for the following posts.

- (c) The Fund has designated the following posts as shown:

Post	Designation
Strategic Director of Pensions	To manage and administer the scheme on behalf of the Administering Authority
Assistant Director (Investments)	To lead on the Fund's investment strategy and to deputise for the Strategic Director of Pensions as required
Assistant Director (Pensions Administration)	To lead on the administration of the Fund including actuarial valuations and to deputise for the Strategic Director of Pensions as required.
Head of Finance	To act as deputy S151 officer for the Fund
Head of Governance	To ensure the good governance of the fund and the due diligence of decision making.

These posts have the functions described in Article 12.02 - 12.04 below.

- (d) **Structure.** The Strategic Director of Pensions will determine as appropriate and publicise a description of the overall departmental structure of the Fund showing the management structure. This is set out at Part 6 of this Constitution.

8.02 Functions of the Strategic Director of Pensions

- (a) **Discharge of Functions by the Council.** The Strategic Director of Pensions has delegated responsibility for the management and administration of the pension fund.
- (b) **Restrictions on Functions.** The Strategic Director of Pensions may only act in accordance with agreed policy and strategy set by the Pension Committee.

8.03 Functions of the Head of Governance

- (a) **Maintaining the Constitution.** The Head of Governance will maintain an up-to-date version of the Constitution and will ensure that it is widely available for consultation by members, staff and the public. The Head of Governance is given delegated authority to make changes to the Constitution to reflect changes of fact and law, and decisions of the Pension Committee or to reflect changes to the structure of the Pension Fund.

- (b) **Ensuring Lawfulness and Fairness of Decision Making.** After consulting with the Strategic Director of Pensions and the Monitoring Officer, the Head of Governance will report to the Pension Committee if he or she considers that any proposal, decision or omission would give rise to unlawfulness or if any decision or omission has given rise to maladministration. Unless the report relates to a finding of maladministration such a report will have the effect of stopping the proposal or decision being implemented until the report has been considered. The Head of Governance may advise one of the scrutiny bodies of the circumstances to enable scrutiny to consider whether it wishes to conduct a short enquiry.
- (c) **Conducting Investigations.** The Head of Governance will conduct investigations into matters referred as relevant and make reports or recommendations about them to the Pension Committee.
- (d) **Providing Advice.** The Head of Governance will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Trustees. The Head of Governance will be responsible for ensuring that the Access to Information Rules are complied with.

8.04 Functions of the Head of Finance

- (a) **Ensuring Lawfulness and Financial Prudence of Decision Making.** After consulting with the Strategic Director of Pensions and the Head of Finance will report to the Pension Committee if he or she considers that any proposal, decision or course of action will involve incurring unlawful expenditure or is unlawful and is likely to cause a loss or deficiency or if the Fund is about to enter an item of account unlawfully.
- (b) **Administration of Financial Affairs.** The Head of Finance will have responsibility for the proper administration of the financial affairs of the Fund.
- (c) **Contributing to Corporate Management.** The Head of Finance will contribute to the corporate management of the Fund, in particular through the provision of professional financial advice.
- (d) **Providing Advice.** The Head of Finance will provide advice on the scope of powers and authority to take decisions, maladministration, financial impropriety, probity and budget and policy framework issues to all Trustees and will support and advise Trustees and officers in their respective roles.
- (e) **Give Financial Information.** The Head of Finance will provide financial information to the media, members of the public and the community.

8.05 Conduct

Officers will comply with the Employees' Code of Conduct of Wolverhampton City Council and the Protocol on Officer/Member Relations set out in Part 5 of this Constitution.

8.06 Employment

The recruitment, selection and dismissal of officers will comply with the Officer Employment Procedure Rules set out in Part 4 of this Constitution.

8.07 Functions and Delegation

The officers shall be responsible for exercising those delegated functions and responsibilities set out in the Scheme of Delegation in Part 3 of this Constitution.

Unless a decision is specifically reserved in this Constitution to the Pension Committee, the Pension Board or Committee of Trustees it shall be deemed to have been delegated to the relevant officer in accordance with the scheme.

8.07 Statutory Officers

The Fund sits under the Administering Authority of Wolverhampton City Council who together have statutory officers performing a dual role for both bodies.

8.08 The Head of Paid Service

The Head of Paid Service responsibility is currently held by the Managing Director of Wolverhampton City Council.

The duties and responsibilities of the Head of Paid Service are outlined in the constitution of Wolverhampton City Council.

8.09 The Chief Finance Officer

The Chief Finance Officer, also known as the S151 Officer is currently held by the Strategic Director of Finance of Wolverhampton City Council.

The duties and responsibilities of the Chief Finance Officer are outlined in the constitution of Wolverhampton City Council.

8.10 The Monitoring Officer

The Monitoring Officer is currently held by the Strategic Director of Governance of Wolverhampton City Council.

The duties and responsibilities of the Monitoring Officer are outlined in the constitution of Wolverhampton City Council.

The Monitoring Officer will appoint deputy monitoring officers.

ARTICLE 9 - DECISION MAKING

9.01 Responsibility for Decision Making

The Fund will issue and keep up to date a record of what part of the Fund or individual has responsibility for particular types of decisions or decisions relating to particular areas or functions. This record is set out in Part 3 of this Constitution.

9.02 Principles of Decision Making

All decisions of the Fund will be made in accordance with the following principles:

- (a) proportionality (i.e. the action must be proportionate to the desired outcome);
- (b) due consultation and the taking of professional advice from officers;
- (c) respect for human rights;
- (d) a presumption in favour of openness;
- (e) clarity of aims and desired outcomes; and
- (f) explaining what options were considered and giving the reasons for the decision.

9.03 Decision Making by the Pension Committee

The Committee meeting will follow the Standing Orders set out in Part 4 of this Constitution when considering any matter.

9.04 Decision Making by the Pension Board

The Pension Board meeting will follow the Standing Orders set out in Part 4 of this Constitution when considering any matter.

ARTICLE 10 - FINANCE, CONTRACTS AND LEGAL MATTERS

10.01 Financial Management

The management of the Fund's financial affairs will be conducted in accordance with the Financial Procedure Rules set out in Part 4 of this.

10.02 Contracts

Every contract made by the Fund will comply with the Contracts Procedure Rules set out in Part 4 of this Constitution.

10.03 Legal Proceedings

The Monitoring Officer is authorised to institute, defend or participate in any legal proceedings in any case where such action is necessary to give effect to decisions of the Fund or in any case considers that such action is necessary to protect the Fund's interests. The Monitoring Officer may designate nominated officers to carry out this function on his or her behalf.

10.04 Authentication of Documents

Where any document is necessary to any legal procedure or proceedings on behalf of the Fund, it will be signed by the Strategic Director of Pensions or by some other persons authorised by him/her, unless any enactment otherwise authorises or requires, or the Pension Committee has given requisite authority to some other person. The Contract Procedure Rules set out in Part 4 of the Constitution details the threshold for signatures to contracts.

ARTICLE 11 - REVIEW AND REVISION OF THE CONSTITUTION

11.01 Duty to Monitor and Review the Constitution

- (a) The Head of Governance will monitor and review the operation of the Constitution to ensure that the aims and principles of the Constitution are given full effect.
- (b) A key role for the Head of Governance is to be aware of the strengths and weaknesses of the Constitution adopted by the Fund, and to make recommendations for ways in which it could be amended in order better to achieve the purposes set out in Article 1. In undertaking this task the Head of Governance may:
 - 1. observe meetings of different parts of the Trustee and officer structure;
 - 2. undertake an audit trail of a sample of decisions;
 - 3. record and analyse issues raised with him/her by Trustees, officers, the public and other relevant stakeholders; and
 - 4. compare practices in this Fund with those in other comparable authorities, or national examples of best practice.

5. make revisions to the Constitution to reflect decisions taken by the Pension committees and to correct matters of fact or changes in legislation or changes to the Fund structure.

11.02 Changes to the Constitution

Approval.

- (i) the Head of Governance is given delegated authority to make changes to the Constitution to reflect changes of fact and law, and decisions of the Pension Committees.
- (ii) Other changes to the Constitution shall be made by resolution of the Pension Committee

ARTICLE 12 - SUSPENSION, INTERPRETATION AND PUBLICATION OF THE CONSTITUTION

12.01 Suspension of the Constitution

- (a) **Limit to Suspension.** The Articles of this Constitution may not be suspended. The Rules specified below may be suspended by the Pension Committee to the extent permitted within those Rules and the law.
- (b) **Procedure to Suspend.** A motion to suspend any rules will not be moved without notice unless at least one half of the whole number of voting attendees is present. The extent and duration of suspension will be proportionate to the result to be achieved, taking account of the purposes of the Constitution set out in Article 1.
- (c) **Rules Capable of Suspension.** The following rules may be suspended in accordance with Article 16.01:
 - (i) Standing Orders
 - (ii) Budget and Policy Framework Procedure Rules
 - (iii) Financial procedure Rules

12.02 Interpretation

The ruling of the Chair of the meeting as to the construction or application of this Constitution or as to any proceedings of the meeting shall not be challenged at any meeting. Such interpretation will have regard to the purposes of this Constitution contained in Article 1.

12.03 Publication

- (a) The Fund will make available a copy of this Constitution to each Trustee and Pension Board member of the Council upon delivery to him/her of that individual's declaration of acceptance of office on the member first being appointed.
- (b) The Head of Governance will ensure that the Constitution is published on the Fund's website and that copies are available for inspection at the Fund's Offices, and can be purchased by members of the local press and the public on payment of a reasonable fee.

PART 3

SCHEME OF DELEGATION

SECTION 1: Introduction

SECTION 2: Fund Functions

SECTION 3: Bodies Exercising fUND Functions

SECTION 4: Advisory Bodies and Working Parties

SECTION 5: Scheme of Delegation to Staff

SECTION 6: Proper Officer Designations

SECTION 1 - INTRODUCTION

- (i) This part of the Constitution sets out which bodies and individuals are responsible for particular functions of the Fund.
- (ii) These are described in more detail in this part of the Constitution. Also included in this part of the Constitution are details of the membership of boards and committees, the Scheme of Delegation to Officers.

SECTION 2 – PENSION COMMITTEE FUNCTIONS

- 2.1. To exercise all those functions of Wolverhampton City Council which are required to be performed by it in its role as Administering Authority for the Local Government Pension Scheme under the Public Service Pensions Act 2013 (and any associated legislation) adhering to the principles required by Statutory Guidance and the Code of Practice issued by the Pensions Regulator.
- 2.2 Under Section 4 of the Public Service Pensions Act 2013 the Scheme Manager for the Administering Authority shall be the Pensions Committee. The Administering Authority shall at Full Council every year approve the delegation of Scheme Manager under Section 101 of the Local Government Act 1972 to the Pensions Committee and appoint representatives to sit on the Committee for that year.
- 2.3 To exercise all the general powers and duties of the Council granted to the Cabinet and Cabinet Panels and Regulatory or other Committees provided that those parts of the Council's Financial Procedure Rules and Contracts Procedure Rules which relate to the acquisition and disposal of land, Fund Investment transactions, custody of assets, appointment of advisors, approval of expenditure and their related activities, shall not apply in relation to such acquisitions and disposals and expenditure in connection with the Pension Fund.
- 2.4 To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- 2.5 To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters.
- 2.6 **PENSION COMMITTEE TERMS OF REFERENCE**
 - 2.6.1 To adhere to the Fund's financial procedure rules, contract procedure rules and internal financial limits concerning procurement. The Pensions Committee has authority to enter into contracts, procure

services, purchase goods and manage financial investment through the internal controls of the West Midlands Pension Fund and in compliance with all applicable legislation.

2.6.2 The Pensions Committee may call upon the Pension Board to seek assistance on matters to be discussed at the committee meeting. Where such assistance is sought it must be considered as part of the decision making process.

2.6.3 Any reference within the Council's constitution that refers to Council or Cabinet and includes powers relevant to the work of the Pensions Committee should be read to include Pensions Committee, including the setting of the Budget and Policy framework of the Fund.

2.6.4 The Pensions Committee shall adhere to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the preceding delegation.

2.6.5 **Membership**

2.6.5.1 The membership of the Pensions Committee shall consist of 10 Wolverhampton City Council members, 1 Elected Member from each of the 6 District Councils and 4 (non-voting) trade union representatives.

2.6.5.2 The quorum is 8

2.6.5.3 A substitution for any person appointed to the Pension Committee shall follow the Council's procedure

2.6.5.4 The term of office for a person appointed to the Committee shall be for a period no shorter than one year and no longer than eight years or their term of office (where the person is an elected Councillor, whichever is the shortest). This is to ensure a consistency of knowledge within the committee and to assist with the development of knowledge and experience.

2.6.5.5 Should an elected Councillor no longer be a member of their authority, their appointment on the Committee shall cease and a further nomination will be sought from that authority.

2.6.5.6 The Committee shall meet a minimum of quarterly

2.6.5.7 All persons appointed to the Committee will adhere to the Committee's code of conduct

2.6.5.8 Person's sitting on the Committee are expected to make themselves available to attend committee meetings. Person's who fail to attend 3 or more events (to include

committees and training) will be asked to leave the committee 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 committee.

2.6.6 Chairing the committee

2.6.6.1 It will be the first business of the Committee at its annual meeting to receive nominations of a Chair and Vice Chair from Full Council who will sit for the term of one year.

2.6.6.2 In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In the circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

2.6.7 Duties of the Pension Committee

2.6.7.1 The Pensions Committee to act as the Pension Scheme Manager for the Administering Authority in the management and administration of the local government pension scheme for the West Midlands.

2.6.7.2 To adhere to the principles set out in the Statutory Guidance and Codes of Practice issued by the Pensions Regulator and undertake its duties in compliance with the obligations imposed on it.

2.6.7.3 To provide independent assurance to members of the fund of the adequacy of the risk management framework and the associated control environment, responsible for the fund's financial and non-financial performance to the extent that it affects the fund's exposure to risk.

2.6.7.4 To administer all aspects of the West Midlands Pension Fund on behalf of Wolverhampton City Council.

10.6.7.5 To determine staffing structures, changes to vacant posts or the establishment of new posts and to receive reports on matters of staffing and employment of officers within the Fund.

2.6.7.6 To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.

2.6.7.7 To communicate with members of the fund keeping accurate records and publishing information as required about the fund and its work.

2.6.8 Training

In compliance with the requirements of the Public Service Pensions Act 2013 persons appointed to the Committee shall undertake at least 3 training sessions per year. The first training session will be organised within 28 days of their appointment to the Committee with subsequent training scheduled after 3 months of appointment and after 9 months of appointment.

SECTION 3 - BODIES EXERCISING PENSION FUNCTIONS

3.1 Investment Advisory Sub-Committee

Under Section 101 the Pensions Committee has delegated responsibility for Investments to the Investment Advisory Sub-Committee.

All persons appointed to the Sub-Committee will adhere to the Committee's Code of Conduct.

3.2 Membership

- 3.2.1 The membership of the Sub committee shall be drawn from the Pensions Committee in proportionate numbers
- 3.2.2 The quorum shall be 5
- 3.2.3 The substitute for any persons appointed to the Sub Committee shall follow the Council's procedure
- 3.2.4 The Sub Committee shall meet a minimum of quarterly
- 3.2.5 In compliance with the legislative requirements of knowledge and understanding, person's appointed to the Committee are expected to make themselves available to attend committee meetings. Person's appointed who fail to attend 3 or more events (to include committees and training) will be asked to leave the committee 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 committee.

3.3 Chair

- 3.3.1 It will be the first business of the Sub Committee at its annual review to nominate a Chair who will sit for the term of one year.

- 3.3.2 In the event of a tie of votes of any business to be conducted, the Chair will have the casting vote. In the circumstances where the vote is to appoint a new Chair, the outgoing Chair will have the casting vote in the event of a tie.

3.4.1 Role

- 3.4.1 To advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisers to the Fund.
- 3.4.2 To monitor investment activity and the performance of the Fund.
- 3.4.3 To oversee the administrative and investment management functions of the Pension Fund.

3.5 Local Pensions Board

- 3.5.1 The Pension Board is to conduct the duties imposed on it under Section 5 of the 2013 Act and associated legislation together with those duties outlined in the Statutory Guidance.
- 3.5.2 To adhere to the Codes of Practice issued by the Pension Regulator.
- 3.5.3 To assist the Pension Committee, as Scheme Manager, in securing compliance with the legislation relating to the governance and administration of the fund.
- 3.5.4 Undertake any other duties imposed by the Pension Committee from time to time.
- 3.5.6 The Pension Board is not a decision making body.
- 3.5.7 The Pension Board is not a scrutiny function.
- 3.5.8 The Pension Board will be collectively and individually accountable to the Pensions Committee.
- 3.5.9 The Pensions Board shall adhere to the Standing Orders of Wolverhampton City Council and all matters of due process so far as they do not conflict with the business of the board.

3.6 Pension Board Terms of Reference

- 3.6.1 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.

3.6.2 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.

3.6.3 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.

3.6.4 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.

3.6.5 The Pension Board shall have the reporting obligations as set out in the Fund's 'Pension Board Reporting Policy'.

3.6.6 The Pension Board shall adhere to the operational policies of the Fund.

3.7 Membership

3.7.1 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.

3.7.2 Recruitment to the board will follow the Fund's 'Pension Board recruitment policy'

3.7.3 The quorum is 7

3.7.4 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.

- 3.7.5 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.
- 3.7.6 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.
- 3.7.7 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.
- 3.7.8 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.
- 3.7.9 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.

3.8 Chairing the Board

- 3.8.1 It shall be the first business of the Board at its annual meeting to nominate a Chair and a Vice-Chair for that year

- 3.8.2 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.

3.9 Information

- 3.9.1 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.

- 3.9.2 Information detailing the pensions boards terms of reference shall be published on the fund's website together with the any vacancies as they arise.

SECTION 4 - ADVISORY BODIES AND WORKING PARTIES

The Fund may from time to time establish working parties or advisory bodies which include in their membership Trustees, Pension Board Members and/or officers and/or representatives from partner organisations or the local community. These are not constituted as boards or committees and are not authorised to make decisions on behalf of the Fund.

SECTION 5 - SCHEME OF DELEGATION TO STAFF

1. SCOPE OF THE SCHEME

This scheme sets out the extent to which the powers and duties of the Fund are delegated to officers.

2. EXERCISE OF DELEGATED POWERS

- (i) Functions, tasks and responsibilities listed in this scheme of delegation may be exercised by the nominated officer(s) and includes anything which facilitates, or is conducive or incidental to, the discharge of these functions, tasks, or responsibilities.
- (ii) Where an officer has been given delegated authority by this scheme he or she may authorise any member of his or her staff to act on his or her behalf except the signatories to financial documents on matters relating to the Fund's banking.

- (iii) An officer may always refer a delegated matter to the Pension Committee or to one of its Boards or Committees for consultation or decision rather than take the decision him/herself.
- (iv) When exercising delegated powers officers must always have regard to the financial, legal and human resource implications of the decision. When necessary, advice should be taken.
- (v) Before taking a decision under delegated powers, an officer shall notify the Strategic Director of Pensions of any action which is likely to be contentious or politically sensitive.
- (vi) The Strategic Director of Pensions shall keep the Chair informed of the work of their service area.
- (vii) When exercising delegated powers officers shall consult with staff in another service area if the decision is likely to impact on the work of that service area.
- (viii) When exercising delegated powers an officer shall always have regard to the requirements of the Constitution.
- (ix) Officers may authorise one officer to exercise their delegated powers in their absence except the signatories to financial documents on matters relating to the Fund's banking.
- (x) This scheme does not delegate to an officer any matter which:
 - (a) has been reserved to the Pension Committee
 - (b) has been reserved to any board or committee
 - (c) may not by law be delegated to an officer.

3. DELEGATIONS TO THE STRATEGIC DIRECTOR OF PENSIONS

Delegations to the Director of Pensions

Function	Limits or restriction on delegation
<p>West Midlands Pension Fund</p> <p>3.1 The administrative management of matters in connection with Wolverhampton City Council's role as administering authority for the West Midlands Pension Fund.</p>	<p>In accordance with the statutory provisions and any determinations of the Pensions Committee.</p>

<p>3.2 The investment and general management of the Fund in accordance with the Pensions Committee's investment strategy set out in its policy statement.</p>	<p>In accordance with the statutory provisions and any determinations of the Pensions Committee.</p>
<p>3.4 To provide services to the West Midlands Integrated Transport Authority Pension Fund.</p>	<p>In accordance with the agreement between the Council and the ITA.</p>
<p>3.5 The general delegations to Strategic Directors as they relate to the Council's role as administering body and to the following</p>	
<p>3.5.1 Financial Administration</p>	<p>In accordance with the Fund's Financial Procedure Rules</p>
<p>3.5.2 Contracts and tendering</p>	<p>In accordance with the Fund's Contract Procedure Rules</p>
<p>3.5.3 Management of Human Resources</p>	<p>In accordance with the Fund's employee and staffing schedule and only for Fund staff</p>
<p>3.5.4 Day to day administration and operational management</p>	<p>In accordance with the Constitution and any specific restrictions or limitations imposed.</p>
<p>3.5.5 Management of operational land and premises used for service delivery</p>	<p>In accordance with the Fund's financial and contract procedure rules</p>
<p>3.5.6 Compliance with the Health and Safety at Work etc Act 1974 and the Regulatory Reform (Fire Safety) Order 2005.</p>	<p>In accordance with the Council's Health and Safety policies and procedures.</p>
<p>3.5.7 Compliance with the Council's equal opportunities policy and relevant legislation</p>	<p>In accordance with the Council's equal opportunities policies and procedures.</p>
<p>3.5.8 Compliance with the Human Rights Act 1998</p>	
<p>3.5.9 Compliance with the Data Protection Act and the Freedom of</p>	

Information Act 2000.

3.5.10 To maintain written delegations for employee responsibility for their Business Units.

<INSERT SMT STRUCTURE CHART>

PART 4

RULES OF PROCEDURE

4.1: MEETING PROCEDURE RULES

The Fund adheres to the Standing Orders of Wolverhampton City Council as the Administering Authority and all committees and pension board meetings will be conducted in accordance with these rules so far as they do not conflict with the business and duty of the Fund.

A copy of the Standing Orders are available on the City Council's website.

4.2: ACCESS TO INFORMATION PROCEDURE RULES

1. SCOPE

- 1.1 These rules apply to all formal meetings of the Pension Committees and Local Pension Board (together called “meetings”).

2. ADDITIONAL RIGHTS TO INFORMATION

- 2.1 These rules do not affect any more specific rights to information contained elsewhere in this Constitution or the law.

3. RIGHTS TO ATTEND MEETINGS

- 3.1 Members of the public may attend all meetings subject to the exceptions in these rules.

4. NOTICES OF MEETING

- 4.1 The Fund will give at least five clear days notice of any meeting by posting details of the meeting at the Council Offices, Wolverhampton (“the designated office”).

5. ACCESS TO AGENDA AND REPORTS BEFORE THE MEETING

- 5.1 The Fund will make copies of the agenda and reports open to the public available for inspection at the designated office and on the Fund’s website at least five clear days before the meeting except:

5.1.1 Where the meeting is convened at shorter notice, copies of the agenda and report(s) shall be open to inspection from the time the meeting is convened, and

5.1.2 Where an item is added to an agenda copies of which are open to inspection by the public, copies of the item (and of the revised agenda) and copies of any reports for the meeting relating to that item, shall be open to inspection from the time the item is added to the agenda.

6. ITEMS OF BUSINESS

- 6.1 An item of business may not be considered at a meeting unless either:

6.1.1 A copy of the agenda including the item (or a copy of the item) is open to inspection by a member of the public for at least five clear days before the meeting or, where the meeting is convened at shorter notice, from the time the meeting is convened, or

- 6.1.2 By reason of special circumstances, which shall be specified in the minutes, the Chair of the meeting is of the opinion that the item should be considered at the meeting as a matter of urgency.
- 6.2 “Five clear days” excludes the day of the meeting, the day on which the meeting is called, weekends and bank holidays.
- 6.3 “Special circumstances” justifying an item being considered as a matter of urgency will relate to both why the decision could not be made by calling a meeting allowing the proper time for inspection as well as why the item of report could not have been available for inspection for five clear days before the meeting.

7. SUPPLY OF COPIES

- 7.1 The Fund will in the first instance direct an interested person to the Fund’s website where such information is available, but where copies are required the Fund will supply copies of:
- 7.1.1 any agenda and reports which are open to public inspection;
- 7.1.2 any further statements or particulars necessary to indicate the nature of the items in the agenda; and
- 7.1.3 if the designated officer thinks fit, copies of any other documents supplied to Trustees in connection with an item to any person on payment of a charge for postage and any other costs.

8. ACCESS TO MINUTES, ETC AFTER THE MEETING

- 8.1 The Fund will make available copies of the following for six years after a meeting:
- 8.1.1 The minutes of the meeting or records of decisions taken, together with reasons, for all meetings excluding any part of the minutes of proceedings when the meeting was not open to the public or which disclose exempt or confidential information;
- 8.1.2 A summary of any proceedings not open to the public where the minutes open to inspection would not provide a reasonably fair and coherent record;
- 8.1.3 The agenda for the meeting; and
- 8.1.4 Reports relating to items when the meeting was open to the public.

9. BACKGROUND PAPERS

9.1 List of Background Papers

9.1.1 The Proper Officer will set out in every report a list of those documents (background papers) relating to the subject matter of the report which in his/her opinion:

- disclose any facts or matters on which the report or an important part of the report is based; and
- which have been relied on to a material extent in preparing the report;
- but does not include published works or those which disclose exempt or confidential information (as defined in Rule 10).

9.2 Public Inspection of Background Papers

9.2.1 The Fund will make available for public inspection for four years after the date of the meeting one copy of each of the documents on the list of background papers. The documents will also be available on the Council's website.

10. SUMMARY OF PUBLIC'S RIGHTS

10.1 A written summary of the public's rights to attend meetings and to inspect and copy documents must be kept at and available to the public at the Fund Offices Wolverhampton.

11. EXCLUSION OF ACCESS BY THE PUBLIC TO MEETINGS

11.1 Confidential Information - Requirement to Exclude the Public

11.1.1 The public must be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that confidential information would be disclosed.

11.2 Exempt Information - Discretion to Exclude the Public

11.2.1 The public may be excluded from meetings whenever it is likely in view of the nature of the business to be transacted or the nature of the proceedings that exempt information would be disclosed.

11.2.2 Where the meeting will determine any person's civil rights or obligations, or adversely affect their possessions, Article 6 of the Human Rights Act 1998 establishes a presumption that the meeting

will be held in public unless a private hearing is necessary for one of the reasons specified in Article 6.

11.3 Meaning of Confidential Information

11.3.1 Confidential information means information given to the Fund by a Government Department on terms which forbid its public disclosure or information which cannot be publicly disclosed by Court Order.

11.4 Meaning of Exempt Information

Exempt information means information falling within any of the following 7 categories as defined by Schedule 12A of the Local Government Act 1972 (as amended).

(The definition of “the authority” has been slightly abbreviated as it relates to committees and subcommittees)

Description of Exempt Information (defined terms underlined)	Interpretation	Qualification
1. Information relating to any individual		Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information
2. Information which is likely to reveal the identity of an individual		Exempt information if and so long, as in all circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information

WEST MIDLANDS PENSION FUND CONSTITUTION

Description of Exempt Information (defined terms underlined)	Interpretation	Qualification
<p>3. Information relating to the <u>financial</u> or <u>business affairs</u> of any particular person (including <u>the authority</u> holding that information)</p>	<p><u>The authority</u> is a reference to the principal council or, as the case may be, the board, committee or sub-committee in relation to whose proceedings or documents the question whether information is exempt or not falls to be determined</p> <p><u>Financial or business affairs</u> includes contemplated, as well as past or current activities</p> <p><u>Registered</u> in relation to information required to be registered under the Building Societies Act 1986, means recorded in the public file of any building society (within the meaning of the Act)</p>	<p>Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p> <p>Information falling within paragraph 3 is not exempt information by virtue of that paragraph if it is required to be <u>registered</u> under -</p> <p>(a) the Companies Act 1985</p> <p>(b) the Friendly Societies Act 1974</p> <p>(c) the Friendly Society Act 1992</p> <p>(d) the Industrial and Provident Societies Act 1965 to 1978</p> <p>(e) the Building Societies Act 1986</p>
		<p>(f) the Charities Act 1993</p>

Description of Exempt Information (defined terms underlined)	Interpretation	Qualification
<p>4. Information relating to any consultations or negotiations, or contemplated consultations or negotiations, in connection with any <u>labour relations matter</u> arising between <u>the authority</u> or a Minister of the Crown and <u>employees</u> of, or <u>office holders</u> under, the authority</p>	<p><u>The authority</u> is reference to the principal council or, as the case may be, the board, committee or sub-committee in relation to whose proceedings or documents the question whether information is exempt or not falls to be determined</p> <p><u>Employee</u> means a person employed under a contract of service</p> <p><u>Labour relations matter</u> means:</p> <p>(a) any of the matters specified in paragraphs (a) to (g) of Section 218 of the Trade Union and Labour Relations (Consolidation) Act 1992 (matters which may be the subject of a trade dispute, within the meaning of the Act); or</p> <p>(b) any dispute about a matter falling within paragraph (a) above</p>	<p>Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>

WEST MIDLANDS PENSION FUND CONSTITUTION

Description of Exempt Information (defined terms underlined)	Interpretation	Qualification
	<p>(applies to trade disputes relating to office holders as well as employees)</p> <p><u>Office holder</u> in relation to the authority, means the holder of any paid office appointments to which are or may be made or confirmed by the authority or by any joint board on which the authority is represented or by any person who holds any such office or is an employee of the authority</p>	
<p>5. Information in respect of which a claim to legal professional privilege could be maintained in legal proceedings</p>		<p>Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>

Description of Exempt Information (defined terms underlined)	Interpretation	Qualification
<p>6. Information which reveals that <u>the authority</u> proposes -</p> <p style="margin-left: 40px;">(a) to give under any enactment a notice under or by virtue of which requirements are imposed on a person; or</p> <p style="margin-left: 40px;">(b) to make an order or direction under any enactment</p>	<p><u>The authority</u> is a reference to the principal council or, as the case may be, the board, committee or sub-committee in relation to whose proceedings or documents the question whether information is exempt or not falls to be determined [etc]</p>	<p>Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>
<p>7. Information relating to any action taken or to be taken in connection with the prevention, investigation or prosecution of crime</p>		<p>Exempt information if and so long, as in all the circumstances of the case, the public interest in maintaining the exemption outweighs the public interest in disclosing the information</p>
<p>8. Information relating to the personal circumstances of any person</p>		
<p>9. Information which is subject to any obligation of confidentiality</p>		
<p>10. Information which relates in any way to matters concerning national security</p>		

12. EXCLUSION OF ACCESS BY THE PUBLIC TO REPORTS

- 12.1** If the Proper Officer (those acting in the capacity of the Monitoring Officer) thinks fit, the Fund may exclude access by the public to reports which in his or her opinion relate to items during which, in accordance with Rule 11, the meeting is likely not to be open to the public. Such reports will be marked “Not for publication” together with the category of information likely to be disclosed.

13. ADDITIONAL RIGHTS OF ACCESS FOR MEMBERS

13.1 Rights of Trustees

- 23.1.1 All Trustees are entitled to inspect any document which is in the possession or under the control of the Pension Committee or Pension Board or any of its groups and contains material relating to any business previously transacted at a public or private meeting. Where the document contains exempt information falling within paragraphs 1 to 6, 9, 11, 12 and 14 of the categories of exempt information the Trustees will be required to sign a register kept for the purpose of such requests.

13.2 Rights of Pension Board Members

- 13.2.1 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.

4.4: CONTRACT PROCEDURE RULES

Rule	Subject	Page
1:	Introduction	
2:	Value for Money	
3:	Special Circumstances (Waiver and Exemption)	
4:	Framework Agreements	
5:	Types of Contracts	
6:	Contracts to which the Public Procurement Regulations Apply	
7:	Types of Tender	
8:	Submission of Tenders	
9:	Opening and Acceptance of Tenders	
10:	Tender Evaluation and Award of Contracts	
11:	Contract Conditions	
12:	Contract and Performance Management	

1. INTRODUCTION

- 1.1** These Standing Orders are made pursuant to s135 of the Local Government Act 1972.
- 1.2** These Standing Orders set out how the Fund will invite tenders, obtain quotations and award contracts for the supply of supplies, services or works. Their role is to ensure that contracts are appropriate for their purpose, provide the right balance between price and quality and are procured in an open way that demonstrates probity and compliance with the Administering Authority's policies. They apply equally where payment is expected to be received or where payment is to be made by the Fund.
- 1.3** It shall be the responsibility of the Senior Managers to ensure that staff within his or her Service comply with these Standing Orders.
- 1.4** No contract shall be entered into unless adequate budgetary provision has been made for the award of that contract.
- 1.5** Any officer, whether a direct employee of the Administering Authority or engaged through an external organisation or supplier who is engaged to work on behalf of the Fund shall, if they become aware of any relationship (current or past), whether pecuniary or not, with any supplier or potential supplier, make a Declaration of Interest to the Strategic Director of Pensions at the earliest opportunity.
- 1.6** An officer with an interest in a contract shall take no part in advising on the Fund's dealing with that contract. If the officer is present at a meeting when the contract is discussed, he or she shall forthwith declare that interest and withdraw from the meeting while it is under discussion, unless the chair of the meeting invites him or her to remain.
- 1.7** The Compliance and Risk Manager shall record in a book, to be kept for the purposes of recording any notice given by an officer of the Fund, under 1.6 above and/or Section 117 of the Local Government Act 1972 and the book shall be open during office hours to the inspection of any Trustee of the Fund.
- 1.9** Officers should have regard to the Procurement Toolkit provided by the Administering Authority.
- 2.0** Where these Standing Orders refer to the "Fund" this should be read to mean a function of the Administering Authority. The Fund is not a legal entity and all contracts will be entered into in the name of Wolverhampton City Council as the Administering Authority.
- 2.1** Contracts relating to the investment function of the Fund including investment management contracts do not fall under these Standing Orders and are instead determined by governing legislation.

2.2 The fund, in compliance with the Local Authority Transparency Code will publish, on the Administering Authority’s website, details of

- all invitations to tender for goods or services with a contract value over £25,000.
- Contract
- commissioned activity
- framework agreement
- legally enforceable agreement exceeding £25,000

2. AUTHORITY TO ENTER INTO CONTRACTS

Pension Committee has delegated to officers the ability to enter into contracts at the following values and limits. The Head of Finance must approve all expenditure before a contract is entered into.

Value	Officer Approval
Up to £25,000	Head of Finance + 1 other SMT
£25,001 – £50,000	Strategic Director + Head of Finance
£50,001 +	Pension Committee

3. VALUE FOR MONEY

Initial Considerations

- 3.1** The Fund is under a duty to ensure that monies are spent in a way that achieves “value for money” for the Fund. Officers involved in procuring supplies, services or works should be mindful of this duty.
- 3.2** When an officer has identified a need to procure new supplies, services or works, they shall first consider these options in turn:

- 3.2.1 any current arrangements in existence in-house (to include in-house at the Administering Authority);
 - 3.2.2 any existing contracts entered into by the Fund;
 - 3.2.3 any provision available through ESPO; and
 - 3.2.4 any provision available through other third party contracts or framework agreements, where they can be shown to offer value for money for the Fund.
- 3.3 Where the officer determines that no provision is available from the above sources, they shall have regard to these Standing Orders in determining which procurement option is the appropriate one to follow.

4. SPECIAL CIRCUMSTANCES (WAIVER EXEMPTION)

- 4.1 Notwithstanding the provisions of these Standing Orders and subject only to the requirements of statute or regulation:
- 4.1.1 Exemption from any of the provisions of these Standing Orders may be granted by the Chair and Vice Chair of Pension Committee in conjunction with the Strategic Director of Pensions (or where appropriate the Assistant Director), in consultation with the Head of Finance and the Head of Governance, upon it being shown to their satisfaction that there are **special circumstances** justifying such exemption. Such special circumstances shall fall under at least one of the following categories:
 - (a) only one supplier is available for technical or artistic reasons;
 - (b) extreme urgency exists for unforeseen reasons which are not attributable to the Authority and the various time limits cannot be met.
 - 4.1.2 Any request under 4.1.1 above shall be made in writing and be certified by the officers specified in 4.1.1 above.
 - 4.1.3 The Pension Committee shall be informed of the exercise of any authority pursuant to this Standing Order by the Strategic Director and any such report will include confirmation that the officers specified in 4.1.1 have been consulted and such exemption granted
- 4.2 If, in exceptional circumstances, authority is sought to waive these Standing Orders, the report to Pension Committee must give adequate reasons and specify precisely the procedures to be waived and must first be approved by the Strategic Director.

5. FRAMEWORK AGREEMENTS

- 5.1 Where it is determined to use a framework agreement to meet the identified need of the Fund, the officer shall seek the advice of the Administering Authority's Procurement Team and Legal Services in relation to the use of such framework and the contractual arrangements.
- 5.2 When calling-off supplies, services or works under a framework agreement, the selection procedure, including award criteria, from within the framework agreement shall be used. Officers must comply with all rules and regulations set out within a framework agreement in relation to direct call-off of contracts and re-opening of competition between providers appointed on to that framework (mini-competition).

6. TYPES OF CONTRACTS

Initial Considerations

- 6.1 In relation to any contract for the supply of supplies, services or works to the Fund the functions described in Section 17(4) of the Local Government Act 1988 shall be exercised without any reference to any of those matters set out in Section 17(5) of that Act. (Section 17.4 describes the functions to which this legislation applies and Section 17.5 details what is regarded as non commercial issues that must be ignored when entering into a contract for the supply of supplies, services or works). This shall at all times be subject to the provisions of 6.2 below.
- 6.2 In relation to any contract for the supply of services not through an existing framework or existing arrangement, the officer shall have regard to the considerations set out in the Public Services (Social Value) Act 2012. Specifically, the officer must consider how the services might (in addition to the service requirement) improve the economic, social and environmental well-being of the region and how the procurement itself might be conducted to secure that improvement.

Procedures for Determining Which Procurement Option to Follow

- 6.3 When an officer has identified the need to procure supplies, services or works, the relevant Senior Manager shall assess the value of the proposed arrangement.
- 6.4 Whenever possible, purchases should be aggregated to make the best use of purchasing power. Where a recurring pattern of purchases can be identified for similar supplies, services or works, consideration shall be given to whether one or more framework agreements would represent better value in terms of price, service, invoicing or other administrative costs. It is the Senior Manager's responsibility to have due regard to the aggregation of contract values.

- 6.5** The principles of aggregation in EU procurement law are designed to ensure that authorities do not deliberately split contracts which have similar characteristics into separate contracts so that they fall below the relevant thresholds.
- 6.6** Nothing in this rule shall prohibit, where appropriate, the sub-division of procuring supplies, services or works into lots, facilitating access for small and medium enterprises.
- 6.7** When the officer has assessed the value of the proposed arrangement, the appropriate procurement route shall be determined in accordance with the Threshold Table (below).

Threshold Table

Contract Value		Process	Award Procedure based on	Contract Opportunity	Documentation
From	To				
£0	£9,999	Verbal Quotation	Minimum of three verbal quotations	Source from preferred supplier solution in first instance	Employee to record details for Audit purposes
Band A (Minor)					
£10K	£34,999	Written Quotation	Minimum of three written quotations	Source from preferred supplier solution in first instance	Must be based on a written specification provided to the supplier.
Band B (Small)					
£35K	£74,999	RFQ (Request for quotation)	Three written quotations based on a RFQ template with simplified T&C's	Source Admin Authority	Must be based on a written specification provided to the supplier.
Band C (Medium)					
£75K	EU	Formal Tender	Full Tender Process	Source Admin authority Specialist publication if appropriate	PQQ & ITT documentation with sealed bids. Should wherever possible be submitted using WCC tendering process
Band D (Large)					
EU	Above	Formal Tender	Full Tender Process	OJEU Source Admin authority Specialist publication if appropriate	PQQ & ITT documentation with sealed bids. Should wherever possible be submitted using WCC tendering process
Band E (EU)					

Band A (Minor) Contracts

- 6.8** For any single contract, not related to or part of any larger procurement, whose value is less than £10,000, three verbal quotations shall be obtained.
- 6.9** Officers shall first obtain three verbal quotations

6.10 Where officers are seeking verbal quotations:

- 6.10.1 Senior Managers shall ensure that the selection process used is fair and equitable and in accordance with these Standing Orders;
- 6.10.2 officers must select the quotation which offers value for money for the Fund. In most Band A (Minor) contracts, value for money will normally be shown by choosing the most economically advantageous quotation and in assessing this officers should be mindful of price, quality and the added economic, social and environmental benefits that could be obtained by procuring supplies, services or works in a particular way;
- 6.10.3 The Senior Manager shall keep a record for audit purposes, in a form agreed by the Compliance and Risk Manager of:
 - (a) all those contractors that were requested to provide a quotation;
 - (b) the reasons why those particular contractors were selected to provide a quotation;
 - (c) if applicable, the reasons why less than three contractors were selected to provide a quotation; and
 - (d) the reason for selecting the winning quote;
- 6.10.4 in the event that three quotations are not received the Senior Manager can still proceed to award the contract provided that they can demonstrate that it is reasonable to do so and has obtained Strategic Director approval to do the same;
- 6.10.5 notwithstanding where the supplies, services or works sought are a repetition of a previous procurement, subject to the rules above in relation to aggregation, new quotations should be obtained each time, to ensure the prices paid represent value for money for the Fund;

Band B (Small) Contracts

6.11 For any single contract not related to or part of any larger procurement, whose value is more than £10,000, but less than £25,000, the officer shall produce a written specification for the supplies, services or works being sought and three written quotations shall be obtained.

6.12 Where officers are seeking written quotations:

- 6.12.1 Senior Managers shall ensure that the selection process used is fair and equitable and in accordance with these Standing Orders;
- 6.12.2 officers must select the quotation which offers value for money for the Fund. In most, but not all, Band B (Small) contracts, value for money will normally be shown by choosing the most economically advantageous quotation and in assessing this officers should be mindful of price, quality and the added economic, social and environmental benefits that could be obtained by procuring supplies, services or works in a particular way;
- 6.12.3 In the event that three quotations are not received the Senior Manager can still proceed to award the contract provided that they can demonstrate that it is reasonable to do so and has obtained Strategic Director approval to the same;
- 6.12.4 The Senior Manager shall keep a record for audit purposes, in a form agreed by the Compliance and Risk Officer of:
- (a) all those contractors that were requested to provide a quotation;
 - (b) the reasons why those particular contractors were selected to provide a quotation;
 - (c) if applicable, the reasons why less than three contractors were selected to provide a quotation; and
 - (d) the reason for selecting the winning quote;
- 6.12.5 Notwithstanding where the supplies, services or works sought are a repetition of a previous procurement, new quotations should be obtained each time, to ensure the prices paid represent value for money for the Fund.

Band C (Medium) Contracts

- 6.13** For any single contract, not related to or part of any larger procurement, whose value is £25,000 or more, but less than £50,000, the officer shall obtain three written quotations using the relevant form. The Request for Quotation shall be accompanied by a written specification and a set of contract terms, prepared with advice from Legal Services.
- 6.14** Where officers submit a Request for Quotation:
- 6.14.1 the Request for Quotation shall be provided in the format available from the Procurement Toolkit and the Administering Authority's website and shall be open for a minimum of 5 working days or such shorter time as the relevant Senior Manager may determine;

- 6.14.2 Senior Managers shall ensure that the selection process used is fair and equitable and in accordance with these Standing Orders;
- 6.14.3 officers must select the quote which offers value for money for the authority. In some Band C (Medium) contracts, value for money will normally be shown by choosing the most economically advantageous quotation and in assessing this officers should be mindful of price, quality and the added economic, social and environmental benefits that could be obtained by procuring supplies, services or works in a particular way;
- 6.14.4 in the event that three quotations are not received the Senior Manager can still proceed to award the contract provided that he/she can demonstrate that it is reasonable to do so and has obtained Strategic Director approval to the same;
- 6.14.5 the Senior Manager shall keep a record for audit purposes, in a form agreed by the Compliance and Risk Manager of:
- (a) all those contractors that were requested to provide a quotation;
 - (b) the reasons why those particular contractors were selected to provide a quotation;
 - (c) if applicable, the reasons why less than three contractors were selected to provide a quotation; and
 - (d) the reason for selecting the winning quote;
- 6.14.6 Notwithstanding where the supplies, services or works sought are a repetition of a previous procurement, new quotations should be obtained each time, to ensure the prices paid represent value for money for the Fund.

Band D (Large) Contracts

- 6.15** For any single contract, not related to or part of any larger procurement, whose value is £50,000 or more, but below the thresholds set out in the relevant procurement regulations (as amended from time to time), tenders shall be sought in accordance with the procedures under Standing Order 7, below.
- 6.16** The contract opportunity shall be advertised in the format available in the Procurement Toolkit and the Administering Authority's website. Such adverts shall be uploaded by the Procurement Team. Where it is deemed appropriate and proportionate by the officer, the opportunity should also be advertised in relevant specialist publications.

- 6.17** The procuring officer must note that these Standing Orders contain minimum timescales for a procurement exercise and therefore it is imperative that advice is sought from both Legal Services and the Procurement Team well in advance of the commencement of the procurement exercise.
- 6.18** Senior Managers shall be responsible for ensuring that any Band D contracts proposed to be entered into by the Fund in the coming financial year are notified to the Head of Finance by the end of September each year for inclusion in the budget plan.

7. CONTRACTS TO WHICH THE PUBLIC PROCUREMENT REGULATIONS APPLY (BAND E – EU)

- 7.1** For any contract whose value is more than the amounts set out in the thresholds in the Public procurement regulations (as amended from time to time), tenders shall be sought in accordance with those regulations.
- 7.2** Under the Regulations a contract may be tendered under the open, restricted or negotiated procedure or, in the case of complex procurements, under the competitive dialogue procedure.
- 7.3** The procuring officer must note that the Regulations contain minimum timescales for a procurement exercise and therefore it is imperative that advice is sought from both Legal Services and the Procurement Team of the Administering Authority well in advance of the commencement of the procurement exercise.
- 7.4** The provisions of these Standing Orders shall continue to apply to such a contract only to the extent that they do not conflict with the provisions of the Public Procurement Regulations.

8. TYPES OF TENDER

Restricted Tendering

- 8.1** This is a two stage procedure by which a contract is let following publication of an advertisement seeking expressions of interest from tenderers to participate. Following evaluation of the pre-qualifying submissions, no fewer than 5 qualified bidders shall be invited to tender for the contract. This route to the market is particularly suitable where a large response is anticipated.
- 8.2** The advertisement shall:
- 8.2.1 specify details of the supplies, services or works the Fund is procuring;

- 8.2.2 specify the contract duration and proposed commencement date;
- 8.2.3 invite persons or bodies to contact a specific officer to request a Pre-Qualification Questionnaire;
- 8.2.4 specify a contact reference number;
- 8.2.5 specify a time limit, being not less than 30 days from the date of the advertisement within which such expressions of interest are to be received by the Fund.

8.3 In relation to construction works or services only:

- 8.3.1 in the event that 5 bidders cannot be selected the Senior Manager can still proceed to invite between 3 and 5 bidders provided that they can demonstrate that it is reasonable to do so and has obtained Strategic Director approval to do the same;
- 8.3.2 in the event that less than 3 bidders can be selected, an advertisement shall be placed in accordance with 8.2 (above).

8.4 After the expiry of the period specified in the advertisement and following proper evaluation of the returned Pre-Qualification Questionnaires, in accordance with the criteria specified, invitations to tender for the contract shall be sent to:

- 8.4.1 not less than 5 of the persons or bodies who returned a satisfactorily completed PQQ and has been shortlisted, selected by the Fund; or
- 8.4.2 where fewer than 5 persons or bodies have applied or have satisfactorily completed the PQQ, those persons or bodies which the Fund consider suitable.

Open Tendering

8.5 This is a procedure by which a contract is let following publication of an advertisement inviting all those expressing an interest in the contract to submit a bid at the same time. This route to the market is not recommended where a large response is anticipated. This is a one stage procedure.

8.6 The advertisement shall:

- 8.6.1 specify details of the supplies, services or works the Fund is procuring;
- 8.6.2 specify the contract duration and proposed commencement date;
- 8.6.3 invite persons or bodies to contact a specific officer to request an Invitation to Tender;

8.6.4 specify a contract reference number;

8.6.5 specify a date and time, being not less than 52 days from the date of the advertisement, by which such expressions of interest are to be received by the Fund; and

Competitive Dialogue

8.7 This procedure is available for procurements in which the Fund is unable to define the financial, legal or technical elements of the project. This, like the restricted procedure, requires a pre-qualification stage, carried out with a call for competition. This is the most complex route to the market and will only be used in the most exceptional of cases and with the written consent of the Strategic Director in consultation with the Head of Legal Services.

9. SUBMISSION OF TENDERS

Submission of Tenders for Band D (Large) Contracts

9.1 Where in pursuance of these Standing Orders invitation to tender is made, every invitation shall state:

91.1 if the tender process is being conducted electronically via the Administering Authority's e-tendering solution, the process for registering and submitting tenders and the signed Form of Tender; or

9.1.2 if the tender is to be submitted by hard copy, that no tender will be considered unless it is enclosed in a plain sealed envelope which shall bear the word "Tender" - followed by the contract to which it relates but shall bear no other name or mark indicating the sender.

9.2 The tenders shall be returned to the relevant Senior Manager or such other officer of the Fund as may be nominated by that Senior Manager and shall be kept by him or her in a secure place until the time and date specified for their opening.

9.3 No tender received after the time and date specified in the invitation shall be considered under any circumstances.

9.4 Every invitation to tender shall state:

9.4.1 that the Authority is not bound to accept any tender, including the lowest;

9.4.2 the tender evaluation criteria, with full explanation;

- 9.4.3 a statement that the Authority will be obliged to comply with the Freedom of Information regime;
- 9.4.4 closing date and time for receipt of tenders and the name and postal address or the web address to which tenders should be sent; and
- 9.4.5 a requirement that the tenderers accept full responsibility for ensuring compliance with the terms of these Standing Orders and that any failure to do so may render that tender liable to disqualification.

Evaluation Criteria

9.5 Evaluation criteria must be designed to secure an outcome providing value for money for the Authority. The basic criterion shall be one of:

- 9.5.1 Lowest price – where payment is to be made by the Fund;
- 9.5.2 Highest price – where payment is to be received by the Fund;
- 9.5.3 Most Economically Advantageous Tender – where considerations other than just price apply. If relying on this criterion, appropriate sub-criteria must also be included referring to relevant considerations and guidance should be given to tenderers on how their responses will be scored. Further advice can be provided by the Administering Authority's Procurement Team.

9.6 Evaluation criteria must not include:

- 9.6.1 Non-commercial considerations, save as expressly set out in these Standing Orders;
- 9.6.2 Matters which discriminate against suppliers from the European Economic Area;
- 9.6.3 A general provision allowing for the highest mark to be awarded for tenders which exceed the specification.

9.7 Within every invitation to tender there shall be reference made to the requirements on public bodies with regard to the Freedom of Information Act 2000. Such a reference shall include notice to the tenderer that:

- 9.7.1 the Fund has a duty of 'openness' under the act;
- 9.7.2 it is the Fund and not the tenderer who makes the decision on the release of information within a tender;
- 9.7.3 any claim by the tenderer that information within a tender is exempt under the act will be considered by the Fund. However, a simple

assertion that any disclosure would prejudice commercial interests is not sufficient. The assertion must be supported by reasoned argument and where practical, by empirical evidence; any decision to treat all or some information within a tender as exempt may be reviewed if any further requests are received over time;

9.7.4 the Fund will consult with them before making any disclosure;

9.7.5 the Fund has a system for dealing with any appeals under the act.

Submission of Tenders for Band E (EU) Contracts

9.8 Tendering processes shall comply with the procedures described above, together with further requirements in compliance with the Public Contracts Regulations. In the event of a conflict between these Standing Orders and the Public Contracts Regulations, the latter shall take precedence.

9.9 Senior Managers shall be responsible for ensuring that any Band E contracts proposed to be entered into by the Fund in the coming financial year are notified to the Head of Finance by the end of September each year for inclusion in the budget plan.

9.10 The EU procurement regime requires a standstill (or Alcatel) period of a minimum of 10 days from the date on which the outcome of the tender is notified to all the bidders. Should a challenge from an unsuccessful bidder be received during this period, the award of the contract shall be delayed until the challenge is resolved. If no challenge is received within the standstill period, the contract may be awarded in accordance with the Constitution.

9.11 An award notice must be placed in the Official Journal of the European Union within 48 days of contract award. The award notice must be approved by the Procurement Team. In addition, information as to the contract's award and value must be published on the contracts register which is published quarterly by the Fund in compliance with the Local Government Transparency Code.

10. OPENING AND ACCEPTANCE OF TENDERS

10.1 This Rule shall apply to Band D (Large) and Band E (EU) contracts

10.2 Tenders received under these Standing Orders shall be opened at one time and only in the presence of:

10.2.1 the Strategic Director of Pensions or duly appointed representative;

10.2.2 the Head of Finance or duly appointed representative; and

- 10.2.3 the appropriate Senior Manager or duly appointed representative.
- 10.3** Provided that no Senior Manager or any member of his or her staff shall be present if a tender has been submitted in his name.
- 10.4** All tenders received shall be recorded and all officers present shall sign the tender book, maintained by the Compliance and Risk Manager.
- 10.5** A register of all tenders accepted shall be kept and maintained by the Compliance and Risk Manager. Such register shall for each contract specify the name of the contractor, the works to be executed, the services to be supplied or the goods to be supplied and the contract value. The register shall be open to inspection by any member of the fund during normal office hours.
- 10.6** Tenderers shall be notified of the acceptance or rejection of their tenders.

11. TENDER EVALUATION AND AWARD OF CONTRACTS

- 11.1** All tenders shall be properly evaluated by the Strategic Director or nominated officer in accordance with the published award criteria and in accordance with any specific requirements of any relevant EU Directive or English legislation. A member of the Procurement Team shall be invited to participate in the evaluation process.
- 11.2** Any tenderer whose tender is found to contain a qualification which will give that tenderer an unfair advantage over other tenderers will be asked either to withdraw the qualification or withdraw the tender.
- 11.3** A tenderer's error in the computation of the pricing of their tender will be corrected and the tenderer asked by the Strategic Director to stand by the corrected tender or to withdraw the tender.
- 11.4** Post tender negotiations shall only be by exception and in accordance with Public Procurement Regulations. Authorisation to enter into post tender negotiations may only be granted by the Monitoring Officer and the Strategic Director of Pensions. Officers who are authorised to carry out post-tender negotiations shall ensure that there are recorded minutes of all negotiation meetings and that both parties agree actions in writing.
- 11.5** Where award is based on lowest or highest price, a tender other than the lowest tender if payment is to be made by the Fund or the highest tender if payment is to be received by the Fund shall not be accepted except where there are justifiable reasons for doing so, for instance:
- 11.5.1 the procurement of a named product required to be compatible with an existing product, i.e. computer software;

11.5.2 an alternative pre-tender evaluation criteria has been determined;
in such circumstances the Head of Legal Services shall be consulted and written confirmation of their agreement retained for audit purposes.

11.6 If the Director considers the lowest priced tender, highest priced tender or most economically advantageous tender (as appropriate) to be abnormal given the nature of the contract, the tenderer shall be asked to clarify in writing the reasons for its tender and the Fund shall take that explanation into account in deciding which tender will be accepted.

11.7 Contracts shall be awarded by:

11.7.1 Pension Committee and/or

11.7.2 officers (in accordance with the general delegations to be discharged by the Senior Manager and Strategic Director

11.8 All contract awards shall be notified promptly to the Administering Authority's Procurement Team and the Fund's Compliance and Risk Manager.

12. CONTRACT CONDITIONS

12.1 Every procurement shall be a formal contract in writing. The procuring officer should seek the advice of Legal Services at the earliest opportunity in this regard. No contract shall be entered into without the prior approval of the Strategic Director of Pensions or their nominated officer.

12.2 Such contract shall, unless the Strategic Director of Pensions deems it disproportionate,

12.2.1 specify the supplies, services or works to be supplied or executed; the price to be paid together with a statement as to the amount of any discount(s) or other deduction(s); the period(s) within which the contract is to be performed and such other conditions and terms as may be agreed between the parties or specified in these Standing Orders;

12.2.2 where a contract exceeds £200,000 and the Head of Finance deems appropriate, contain a requirement that a contractor give sufficient security for the due performance of the contract provided that this shall not apply where the goods and materials are supplied and payment is not made until completion of works;

12.2.3 include provisions for the termination and recovery of any sums paid where there has been evidence of bribery or corruption or any

breach of the Bribery Act 2010 or section 117(2) Local Government Act 1972;

- 12.2.4 include provisions entitling the Fund to terminate part or all of the contract or to obtain substituted provision of the supplies, services or works to be supplied under the contract in the event of a breach of contract by or the insolvency of the contractor;
- 12.2.5 include prohibitions on the contractor from sub-contracting, assigning or otherwise transferring the contract without the prior written consent of the Fund and providing that the contractor shall remain liable to the Fund for any part of the contract that may be sub-contracted;
- 12.2.6 include provisions securing the contractor's compliance with relevant legislative requirements, including as a minimum in relation to:
 - (a) Health and Safety;
 - (b) Human Rights;
 - (c) Freedom of Information;
 - (d) Data Protection;
 - (e) Workforce transfer regulations;
 - (f) Bribery and corruption; and
 - (g) Equalities and discrimination.
- 12.2.7 provide for indemnities in favour of the Fund for any breach of the above and for the acts and omissions of the contractor in carrying out the contract;
- 12.2.8 provide for compliance with those of the Fund's policies relevant to the provision of the supplies, services or works;
- 12.2.9 provide for the protection of the Fund's intellectual property rights, where appropriate;
- 12.2.10 provide for, where the supplies, services or works require it, appropriate restrictions or conditions precedent in relation to the protection of vulnerable persons, including requiring Criminal Records Bureau checks;
- 12.2.11 provide for the Fund's right to monitor and audit the supplies, services or works under the contract and for the contractor's provision of assistance in such monitoring and in securing improvements in economy, efficiency and effectiveness, as specified in Section 3 of the Local Government Act 1999. Such assistance may include setting performance indicators, benchmarking implementing performance plans and/or periodically reviewing the services;

- 12.2.12 provide for adequate confidentiality and data protection provisions;
 - 12.2.13 be governed by the laws of England and subject to the exclusive jurisdiction of the Courts of England;
 - 12.2.14 comply with the laws of England and any applicable EU legislation or regulation.
- 12.3** Where an appropriate British Standard Specification or British Standard Code of Practice issued by the British Standards Institution is current at the date of the tender, every contract shall require that all goods and materials used or supplied, and all the workmanship shall be at least of the standard required by the appropriate British Standard Specification or Code of Practice.
- 12.4** Every contract for the supply of goods or services which exceeds £250,000 shall be in writing and under the Common Seal of the Authority.
- 12.5** Where a contract exceeds £50,000 in amount or value, provide for the payment of liquidated damages by the contractor where he fails to complete the contract within the time specified, where the appropriate Head of Service considers appropriate.
- 12.6** The provisions of these Standing Orders do not prevent the use of a formal contract for a procurement less than £25,000 where the appropriate Senior Manager considers it appropriate.
- 12.7** It shall be a condition of any agreement between the Fund and any person (not being an officer of the Fund) who is required to supervise a contract between the Fund and a third party on the Fund behalf that, in relation to such contract, he/she shall comply with the requirements of these Standing Orders as if he/she were an officer of the Fund.
- 12.8** In all areas of tendering, negotiating, letting or renewing, performing, reviewing, amending, discharging or terminating any contract to which the Fund is either a party or of which it is a beneficiary, regard shall be had to the requirements of economy, efficiency and effectiveness specified in Section 3 of the Local Government Act 1999.
- 12.9** Ensure compliance with Risk Management Guidelines on insurance levels and require such insurances as the relevant Senior Manager determines appropriate in consultation with the Head of Finance.
- 12.10** Where a main contractor indicates in their tender submission the use of sub-contractors, the officer will ensure that:
- 12.10.1 the main contractor verifies they have vetted the sub-contractor to ensure that they meet the standards in all areas that the main contractor has undertaken to meet in their submission;

12.10.2 the insurance levels of the sub-contractor meet the levels required in the tender document;

12.10.3 the supplies, services or works they have been sub-contracted by the main contractor to provide, remains the responsibility of the main contractor.

12.11 Where a framework agreement is used to meet the Fund's need for supplies, services or works, this Standing Order shall only apply to the extent that the framework's call-off terms do not include these provisions and the framework agreement does not provide for a variation to such terms.

13. CONTRACT AND PERFORMANCE MANAGEMENT

13.1 Contract management arrangements shall be set out in any invitation to tender and incorporated into any subsequent contract.

13.2 A named contract manager shall be appointed for each Band C, D and E contract.

13.3 The Pension Committee may agree the variation or novation of any contract originally awarded by the Strategic Director. The variation or novation of a contract originally awarded by the Pension Committee shall only be agreed by the Pension Committee.

13.4 No contract entered into by the Authority may be extended by duration or value unless:

13.4.1 where the contract is a Band E contract, such extension was provided for in the original OJEU notice and contract documentation;

13.4.2 where the contract is a Band D contract or of lesser value, such extension would not mean that, had it been included in the original contract, the overall value would have exceeded the EU threshold; and

13.4.3 alternative options have been considered and the relevant Senior Manager is satisfied that this option represents value for money and is in the best interests of the Fund in light of the contractor's performance.

13.5 All extensions to Band D and Band E contracts shall be promptly notified to the Procurement Team of the Administering Authority.

13.6 A contract is a live document. Contract managers and officers shall have regard to the provisions of the contract in observing and monitoring performance of the contract, handling disputes and terminating a contract. Where officers are unclear of the provisions or operation of a contract they should promptly seek advice from Legal Services.

4.5 FINANCIAL PROCEDURE RULES (FINANCIAL REGULATIONS)

1. Status of the financial procedure rules

- 1.1. The financial procedure rules apply to all business carried out by or on behalf of West Midlands Pension Fund, whether by councillors, employees, members of the Pensions Committee (including its sub-committees) and Pensions Board, or third parties. They complement the financial procedure rules of the administering authority, City of Wolverhampton Council ('the council').
- 1.2. Failure to comply with the financial procedure rules may lead to disciplinary action in the case of employees, or investigation by the Monitoring Officer and/or the Standards Committee in the case of councillors.
- 1.3. It is the responsibility of managers to ensure that all employees reporting to them, directly or indirectly, are aware of and comply with the financial procedure rules.
- 1.4. Managers must notify the Strategic Director of Pensions or the Head of Finance of any failures to comply with the financial procedure rules as soon as they become aware of them.
- 1.5. Over and above complying with these rules, employees and councillors are expected at all times to demonstrate prudence and good stewardship of the Fund's resources, and to act in the best interests of the Fund.
- 1.6. In particular, employees should always give consideration to the impact of any proposed actions (including decisions about staffing) on the cost per scheme member, which is a critical financial measure for the Fund.
- 1.7. Employees should contact the Head of Finance for advice if they are unclear about any part of these rules.

2. Budget and medium term financial plan

- 2.1. The budget for the Fund's net operating expenses shall be determined on an annual basis, and approved by Pensions Committee no later than 31 March of the preceding financial year.
- 2.2. No expenditure shall be incurred unless that expenditure is provided for in the approved budget.

- 2.3. The Fund's operating expenses will be recharged by the City of Wolverhampton Council directly to the Fund.
- 2.4. Fees payable to external managers of the Fund's investment assets are subject to change with unpredictable movements in the market value of those assets, as a result of which it is difficult to make an accurate estimate of the total cost for budgeting purposes. In respect of these, the normal requirement to remain within the approved budget does not therefore apply, and instead the responsible employees are required to ensure that charges are justifiable in the context of returns, and with reference to other potential means of managing those assets, and should actively pursue all opportunities to reduce charges.
- 2.5. The Head of Finance is responsible for approving transfers of budget during the financial year, so long as such transfers do not cause the total approved budget to be exceeded, and do not represent a significant change to the plans approved by Pensions Committee. Any such transfers will be reported to the Pensions Committee at the next opportunity.
- 2.6. Any proposed actions that would require an increase in the total approved budget (subject to paragraph 2.4) require the approval of Pensions Committee.
- 2.7. The Pensions Committee is responsible for approving the Fund's medium term financial plan. This will be prepared by the Head of Finance and will include financial forecasts in respect of all of the Fund's activities, for a span of no less than five future years.

3. Budget managers

- 3.1. The Strategic Director of Pensions is responsible for designating budget managers.
- 3.2. Budget managers are responsible for incurring expenditure within the approved budget, and for generating any income included in the approved budget.

4. Budget monitoring

- 4.1. The Head of Finance is responsible for preparing regular budget monitoring reports, which will include forecast outturn for the year, with reference to the approved budget, and explanations of any significant variances from budget. These reports will be provided monthly to Senior Management Team, and quarterly to Pensions Committee.

- 4.2. If a budget manager forecasts an unavoidable over spend, or that the Fund has a liability which is not provided for in the approved budget or a relevant provision, they must notify the Strategic Director of Pensions and the Head of Finance of this at the earliest opportunity.
- 4.3. If the Strategic Director of Pensions considers that the consequences of such an over spend or liability are material to the finances of the Fund, he/she shall submit a report to the Pensions Committee.

5. Annual Report

- 5.1. The City of Wolverhampton's Audit Committee is responsible for approving the Fund's statement of accounts.
- 5.2. The Pensions Committee is responsible for approving the Fund's annual report.
- 5.3. The City of Wolverhampton's Section 151 Officer is responsible for certifying the Fund's statement of accounts.
- 5.4. The Head of Finance is responsible for preparing the Fund's annual report, including its statement of accounts.
- 5.5. The Head of Finance shall submit a report to Pensions Committee seeking approval of the annual report no later than the statutory deadline for approval of the annual report. A report shall be submitted for each of the draft and audited annual reports.
- 5.6. The Head of Finance shall submit a report to Pensions Committee on the outturn position with regard to operating budgets. This will include explanations of any significant variances from the budget.

6. Accounting

- 6.1. The Head of Finance shall determine the Fund's accounting policies and, where appropriate, estimation techniques.
- 6.2. The Head of Finance shall ensure that the Fund complies with relevant tax legislation, in conjunction with the council's accounting function.
- 6.3. The Head of Finance will designate the software package(s) that shall be the Fund's definitive accounting record. This will record all of the following:

expenditure and income, commitments, forecast expenditure, the approved budget, balances and cash flows.

- 6.4. No other accounting records shall be created or maintained, except with the approval of the Head of Finance.
- 6.5. Any employee entering data in the definitive accounting record shall be responsible for ensuring the accuracy of that data, including the correct coding.
- 6.6. All accounting records shall be retained in line with the current corporate policy and guidance for document retention, or longer if so determined by the Head of Finance.
- 6.7. The Head of Finance shall be responsible for ensuring that access to accounting systems are controlled and restricted appropriately.

7. Leasing arrangements

- 7.1. Except for those entered into as an investment activity, leasing arrangements require the prior approval of the Head of Finance.
- 7.2. The financial limits in the procurement procedures for approving and reporting on contracts apply to the approval and reporting of leasing arrangements.

8. Treasury management

- 8.1. All investments of money under the Fund's control and borrowings on the Fund's behalf shall be made in the name of the council or the name of nominees approved by Pensions Committee as appropriate.
- 8.2. The Head of Finance shall maintain records of all cash investments and borrowings made by the Fund.

9. Financial implications in committee reports

- 9.1. All reports to Pensions Committee, any sub-committees of Pensions Committee and Pensions Board shall include a statement with reference to the financial implications of the recommendations made by those reports.
- 9.2. A recommendation shall be deemed to have financial implications if, when pursued to a reasonable and logical conclusion, that recommendation could be expected to result in one or more of the Fund's income, expenditure, assets,

liabilities or reserves being higher or lower than if that recommendation were not pursued; or if that recommendation creates, or significantly increases, a risk to the financial resources of the Fund.

10. Write-offs of irrecoverable debt

10.1. All write-offs shall be approved by the Head of Finance, in conjunction with the Head of Pensions Administration where appropriate, and reported to the Pensions Committee.

11. Audit

11.1. The Strategic Director of Pensions shall be responsible for making appropriate arrangements for internal audit of the Fund.

11.2. For audit purposes, the lead internal auditor, the Section 151 Officer, or their authorised representative, shall be entitled, without prior notice, to receive:

- (a) access to any records (both computer and manual), documents and correspondence relating to any financial or other relevant transactions, including documents of a confidential nature.
- (b) access at all times to any Fund premises or land. Where land or premises are in the control of a contractor such access shall be in accordance with the contract;
- (c) the production or identification by any employee of any cash, stores, or other property belonging to the Fund, under the employee's control;
- (d) explanations concerning any matter under examination.

11.3. Wherever any matter arises which involves actual or potential financial irregularities, misappropriations or indications of corruption, the Fund's compliance team and/or the lead internal auditor should be notified immediately and he/she shall take such action as he/she considers necessary by way of investigation, report and referral to the Police. Compliance team and/or lead internal auditor shall, where necessary, consult with the Monitoring Officer concerning referral to the Police and notify the Managing Director and the Fund's external auditor in significant cases of fraud or corruption.

12. Orders and Payment of Accounts

12.1. Purchase orders shall be in a form agreed by the Head of Finance, and issued through the Fund's computerised purchasing system wherever possible.

- 12.2. Where it is not possible to raise a purchase order, suitable documentary evidence must be generated and retained to justify subsequent payments.
- 12.3. Purchase orders must only be issued where there is provision for the expenditure in the approved budget, and the procurement procedures have been fully observed.
- 12.4. Payment of accounts will be approved by the Head of Finance or his/her delegate.
- 12.5. Payment of accounts will be made by electronic bank transfer wherever possible, or if not possible, by cheque. Payment of accounts by cash is specifically prohibited.

13. Salaries and Expenses

- 13.1. The arrangements for payment of salaries and expenses shall be made in line with the council's financial procedure rules.
- 13.2. Managers are responsible for ensuring that the council's payroll function is provided with accurate information to enable the calculation of salaries, other related payments and deductions from salaries, and that the council's policies in respect of these are followed.
- 13.3. Payment of expenses will be by electronic transfer, or if this is not possible, by cheque. Payment of expenses by cash is specifically prohibited.
- 13.4. The Head of Governance, in conjunction with the Head of Finance, will maintain the Fund's staffing establishment, which will be the definitive list of approved posts, and which will be reconciled to the approved budget.
- 13.5. Before committing to any expenditure on salaries or expenses, including payments for any agency staff, managers must ensure that there is provision in the approved budget, and that the post in question is included within the Fund's staffing establishment.

14. Banking Arrangements

- 14.1. Banking arrangements will be approved by the Head of Finance and the Strategic Director of Pensions.

- 14.2. All supplies of banking stationery will be approved by the Head of Finance, who will make appropriate arrangements for the custody and record-keeping in relation to such stationery.
- 14.3. Cheques drawn on the Fund's bank accounts will bear the facsimile signature of the council's Section 151 Officer. Any cheques for amounts in excess of £20,000 require a second signature, which may be provided by the Strategic Director of Pensions, or an Assistant Director of the Fund.
- 14.4. The Head of Finance is responsible for maintaining a list of authorised signatories for the Fund's bank accounts.

15. Cash

- 15.1. Petty cash balances will not routinely be held. Any cash belonging to the Fund in the custody of an employee will be deposited with the Head of Governance, who will make arrangements for the safekeeping of such cash.
- 15.2. All employees receiving cash on behalf of the Fund must ensure that they comply with the council's Anti-Money Laundering Policy and Procedures.
- 15.3. All individual cash payments receipted by the Fund, in excess of the limit specified in the Anti-Money Laundering Policy, shall be reported to the council's Money Laundering Reporting Officer.
- 15.4. Foreign currency cash should only be obtained for the purposes of making payments to suppliers in limited circumstances, and should be banked, and converted back to sterling, at the earliest opportunity.

16. Income

- 16.1. The Head of Finance is responsible for the arrangements for the receipt and allocation of income to the Fund, including the prompt raising of invoices and subsequent monitoring of outstanding balances.
- 16.2. Invoices shall be raised through the Fund's computerised debt management system, and will be in a format approved by the Head of Finance.
- 16.3. Any cash received on behalf of the Fund must be paid into the Fund's bank account as soon as possible, and until such time deposited with the Head of Governance.

16.4. The Head of Finance will determine the payment terms for invoices, in conjunction with the Head of Governance or Pensions Administration where relevant.

16.5. The Monitoring Officer will determine whether legal action should be taken with regard to an outstanding debt.

17. Stocks

17.1. Employees in control of physical assets held on behalf of the Fund for operational purposes, shall make the appropriate arrangements for the safekeeping and recording of such assets, and shall provide the Head of Finance with such information as is required for accounting purposes.

18. Insurances

18.1. Insurance cover shall be arranged by the council in accordance with the council's financial procedure rules, and employees will comply with those rules and any other requirements made by the Section 151 Officer with regard to insurance.

4.6: OFFICER EMPLOYMENT PROCEDURE RULES

Officers of the West Midlands Pension Fund are employed by Wolverhampton City Council and are subject to the City Council's officer employment rules which are available for inspection in the Wolverhampton City Council Constitution.

PART 5

CODES AND PROTOCOLS

**5.1: Code of Conduct of the West Midlands Pension Fund
Local Pension Board**

5.2: Protocol on Member/Officer Relations

5.3: Employees' Code of Conduct

5.4: Compliance and Assurance Framework

5.5: Procedure and Resolution of Complaints/IDRP

**5.6: Outline Roles and Responsibilities for Trustee and
Pension Board Members**

5.1 CODE OF CONDUCT OF THE WEST MIDLANDS PENSION FUND LOCAL PENSION BOARD

This code applies to all persons nominated to the Pension Committee (including its sub committees) and the Pension Board (together Committees) in consideration of the principles set out in the Public Service Pensions Act 2013 and the Codes of Practice issued by the Pensions Regulator.

The Code of Conduct is intended to promote high standards of behaviour amongst those appointed to the Committees and is underpinned by the seven principles of public life adopted by the Administering Authority for its own elected members. These should be borne in mind when interpreting the meaning of the Code.

- (i) **Selflessness** Holders of public office should act solely in terms of the public interest. They should not do so in order to gain financial or other benefits for themselves, their family or their friends.
- (ii) **Integrity** Holders of public office should not place themselves under any financial or other obligation to outside individuals or organisations that might seek to influence them in the performance of their official duties.
- (iii) **Objectivity** In carrying out public business, including making public appointments, awarding contracts, or recommending individuals for rewards and benefits, holders of public office should make choices on merit.
- (iv) **Accountability** Holders of public office are accountable for their decisions and actions to the public and must submit themselves to whatever scrutiny is appropriate to their office.
- (v) **Openness** Holders of public office should be as open as possible about all the decisions and actions that they take. They should give reasons for their decisions and restrict information only when the wider public interest clearly demands.
- (vi) **Honesty** Holders of public office have a duty to declare any private interests relating to their public duties and to take steps to resolve any conflicts arising in a way that protects the public interest.
- (vii) **Leadership** Holders of public office should promote and support these principles by leadership and example.

PART ONE

1.0 GENERAL PROVISIONS

- 1.1 This Code applies to you as a person appointed to the Committees of the West Midlands Pension Fund (The Fund).

1.2 It is your responsibility to comply with the provisions of the Code and ensure all obligations are met.

1.3 In this Code “**Meeting**” means any meeting of any of the Committees within the Fund, any external meeting at which you are a representative of the Fund and any meeting where your behaviour may be perceived as a reflection on the Fund.

2.0 SCOPE

2.1 You must comply with this Code whenever you are conducting the business of the Fund or acting in the capacity of a person appointed to a Committee of the Fund.

3.0 RESPECT

3.1 **You must treat others with respect.**

It is the collective responsibility of all persons appointed to the Committees of the Fund to create a fair, safe and enjoyable environment for Members, Employers and Officers which is free from discrimination, intimidation and abuse.

3.2 **You must not:**

3.2.1 do anything which may cause the Fund to breach the Equality Act 2010;

3.2.1 bully any person;

3.2.3 intimidate or attempt to intimidate any person

3.2.4 do anything which compromises or is likely to compromise the impartiality of those who work for, or on behalf of, the Fund.

4. Confidentiality

4.1 You must not disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:

4.1.1 you have the consent of a person authorised to give it;

4.1.2 you are required by law to do so;

4.1.3 the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or

4.1.4 the disclosure is:

- (aa) reasonable and in the public interest; and
- (bb) made in good faith and in compliance with the reasonable requirements of the Authority.

Any assessment as to (aa) or (bb) above shall be conducted with the Director of Pensions and no decision as to the release of information under these two provision shall be taken until the Director of Pensions has given her agreement to its release.

4.2 You must not prevent another person from gaining access to information to which that person is entitled by law.

5. You must not

5.1 Conduct yourself in a manner which could reasonably be regarded as bringing the Fund into disrepute.

5.2 Place yourself under a financial or other obligation to outside individuals or organisations that might seek to influence you in the performance of your official duties.

5.3 Use or attempt to use your position as a person appointed to improperly confer on, or secure for yourself or any other person, an advantage or disadvantage including providing or offering to provide information as to the Fund's business/transactions or investment or a reference for any candidate for employment or promotion.

5.4 Use or allow to be used Fund resources improperly for political purposes (including party political purposes) and act in accordance with the Fund's reasonable requirements.

6. You must

6.1 When reaching decisions on any matter have regard to any relevant advice provided to you by:

6.1.1 Officers of the Fund

6.1.2 Officers of the Administering Authority,

(where that officer is acting pursuant to his or her statutory duties).

6.1.3 The Pension Board or other Committees within the fund

6.1.4 Any third party appointed by the Fund to provide specialist advice

- 6.2 Give reasons for all decisions in accordance with any statutory requirements and any reasonable additional requirements imposed.
- 6.3 Make all choices, such as making appointments, awarding contracts or recommending individuals for rewards or benefits, on individual and independent merit.
- 6.4 Make all decisions in relations to investments and the financial management of the Fund objectively, in a fair business-like manner with reasonable care skill and caution and with reasonable alert to the interest of members of the Fund.
- 6.4 Be as open as possible about your decisions and actions and the decisions and actions of the Fund and should be prepared to give reasons for those decisions and actions, notwithstanding your other obligations under this Code.

7. Accountability

- 7.1 You are accountable to the members for your decisions and you must co-operate fully with whatever scrutiny is appropriate to your appointment.

PART TWO – CONFLICTS OF INTERESTS

Under Section 5 of the Act the Scheme Manager must be satisfied that persons appointed to the Pensions Board do not have a conflict of interest in matters to be considered.

The Pensions Committee as Scheme Manager has taken this one step further and requires all persons appointed to any committee of the Fund to declare any interest which amounts to a conflict of interest in a matter to be discussed.

The responsibility for ensuring this compliance has been delegated to the Head of Governance.

8.0 Declaring Interests

- 8.1 Subject to paragraph 8.6 (sensitive interests) you must within 28 days of
- (i) this code being adopted or
 - (ii) your appointment to a Committee (where that is later) or
 - (iii) an interest becoming known to you
- notify the Fund's Head of Governance of any matter which may, during the course of your appointment, cause or create a conflict of interest.
- 8.2 Interests which may constitute a conflict include interests of yours, your spouse, a family member or close associate and are usually financial interests, business interests or personal interests which may create bias.

- 8.3 Where such an interest exists and you have not previously notified the Head of Governance, you are required to announce it at the meeting where the conflict arises.
- 8.4 The Head of Governance will retain an interests register.
- 8.5 Where you have an interest which may give rise to a conflict you must not remain in the meeting or participate in the discussions on the matter on which you hold that interest.
- 8.6 Sensitive interests are interests which, if disclosed, could lead to the person appointed being subject to violence or intimidation. Sensitive interests will never be made public and the person appointed is not required to declare the nature of the interest at a public meeting but merely that the interest exists and could give rise to a conflict.

GUIDANCE ON THE CODE OF CONDUCT

In accepting these Obligations you are committed to behaving in a manner that aims to achieve best value for our members and maintain public confidence in this Fund by the character and behaviour you present while acting in the course of your public duty.

To assist the West Midlands Pension Fund has produced a Guidance note on the Code of Conduct, a copy of which can be obtained from the fund's website. Further guidance can be sought from the Fund's Head of Governance.

5.2: PROTOCOL ON TRUSTEE/PENSION BOARD MEMBER/OFFICER RELATIONS

1. INTRODUCTION

1.1 The purpose of this document is to provide a guide to good working relationships between officers, Trustees and Pension Board Members of the Fund.

2. THE RESPECTIVE ROLES

2.1 Trustees are elected to make decisions in the interests of the Fund and to represent its members.

2.2 Officers are employed by and serve the whole Fund. They advise the Fund, its Committee and Sub-committee and the Pension Board. They implement decisions of the Committee, the Pension Board and decision making groups. Officers also make decisions under powers delegated to them.

2.3 Officers are responsible to their line manager and, ultimately their Senior Manager. Senior Managers and the Strategic Director of Pensions are accountable to the Managing Director of the Administering Authority. The Managing Director is accountable to the whole Council. Some senior officers have specific statutory responsibilities, including the Managing Director, as the Head of Paid Service. Other officers also hold statutory posts such as Section 151 Officer under the Local Government Act 1972 for financial legality and the Monitoring Officer who is responsible for overseeing the conduct of councillors and the legality of decisions made by the Committee.

2.4 The Senior Managers and Team Managers have responsibility for delivering their respective services in accordance with the Fund's Policies and the provisions of the Fund's Constitution.

3. OFFICERS' ADVICE AND POLITICAL NEUTRALITY

3.1 Officer advice and support will be provided to:

Committee Meetings;

Meetings of the Committee and any Sub-committee established by it

Pension Board Members

Meetings of Task Groups/Working Parties, etc;

Groups;

Trustees of the Fund on Fund business.

- 3.2** Officers will also provide advice and assistance to individual members in respect of Fund Business, including issues raised by members, where appropriate.
- 3.3** Trustees and Pension Board Members should not discuss matters relating to staffing, establishment or the organisational structure of the Fund or its operational services, with officers other than Senior Managers or the Strategic Director. Officers must not discuss with or advise Trustees on such matters.
- 3.4** Officers must not be requested to advise upon matters of political party business or private matters.
- 3.5** All officers must treat political Groups and individual Trustees in a fair and even-handed manner. Officers must maintain political neutrality and Trustees must respect this.

4. OFFICERS' ADVICE ON DECLARATIONS OF INTEREST

- 4.1** All Pension Board members are required to abide by the Code of Conduct, which sets out standards governing their conduct. The Head of Governance will provide advice and information to members on declarations of interest. However, only the member concerned will know the nature and extent of any interest they may have. It is the member's responsibility, therefore, to decide whether any interest should be declared and whether the interest is one arising to a conflict of interest. Members are normally expected to seek advice prior to a meeting. Raising such issues for the first time at a board meeting or public meeting can place officers in a difficult position, and does not reflect well on the Fund. Officers must, when requested to do so, respect members' confidentiality when providing advice on declarations of interest but may otherwise draw to a member's attention the need to declare a known interest.

5. PERSONAL RELATIONSHIPS

- 5.1** Close personal familiarity between individual trustees/pension boardmembers and officers can damage working relationships and prove embarrassing to the Fund. There is the danger of favouritism being shown. There may be a risk that confidential information will be passed to an outside party.

- 5.2** For these reasons, such personal familiarity is discouraged. Nevertheless, it is recognised that there may be occasions where it is unavoidable, particularly where family relationships or common interests (e.g. a club) arise.

A trustee/pension board member must declare to the Head of Governance and his/her respective any relationship with an officer that might be seen as influencing his/her work for the Fund. This includes a family or close personal relationship. Similarly, the officer concerned should notify his/her Senior Manager and the Strategic Director as appropriate.

6. APPOINTMENT OF OFFICERS

- 6.1** The Constitution of the Administering Authority contains rules of procedure for the appointment of staff. Trustees cannot appoint staff below Assistant Director level. Where Trustees are involved in making appointments, they must not take any part in the appointment of anyone to whom they are:

Married;

A partner;

Otherwise related;

A close friend;

A business associate.

- 6.2** Trustees may be involved in interviewing internal candidates who will be well known to them. On such occasions, members must not allow that knowledge to influence their judgement one way or the other.

7. UNDUE PRESSURE

- 7.1** A member should not apply pressure on an officer to do anything that he/she is not empowered to do, or which is against the officer's professional judgement, or to undertake work outside normal duties or normal hours.

- 7.2** Similarly, an officer must not seek to influence an individual member to make a decision in his/her favour, nor raise personal matters to do with his/her job, nor make claims or allegations about other employees except in accordance with law. Members who receive any such approach from an officer should advise the Chief Executive and/or the appropriate Director immediately. The Council has formal procedures for consultation, grievance and discipline, etc. dealing with these matters.

- 7.3** Members may contact officers for information/advice about matters relating to officers' responsibilities. Members are expected to exercise caution when approaching junior staff who may feel intimidated by such approaches.

Heads of Service (Team Managers) are responsible for organising their staff's workloads and priorities. Members should not ask individual members of staff below Team Manager level to carry out work or research of a particular nature, which might involve staff spending time on matters that may not necessarily form part of the priorities of that particular service. In addition, members must not request individual members of staff to attend meetings or visit particular sites. All such requests must be made to the relevant Team Manager who will decide whether or not the work should be carried out.

- 7.4** Whilst senior officers endeavour to see members without prior appointment this can cause difficulties. Generally speaking, members should make appointments to speak to officers. It can be disruptive to walk in unannounced, and this should be avoided wherever possible. Members should not turn up unannounced with members of the public and must not use their position to secure priority treatment for someone.

8. OFFICERS' REPORTS AND ADVICE

- 8.1** The report author named in a report to the Committee or any part of its formal decision making structure will always be fully responsible for the contents of it. Under scrutiny arrangements, an officer can be held responsible for the contents of his/her reports or advice and be required to answer for the advice given. However, reports will often have been researched and written by other staff who may also be named as 'contact officers' at the end of the report.

9. OFFICER DECISIONS MADE UNDER DELEGATED POWERS

- 9.1** Officers may make decisions under powers delegated to them pursuant to the Scheme of Delegation or by specific authority from the Pension Committee. This may be in consultation with specified Trustees but it is the officer, and not any Trustee, who makes the decision or takes the action and it is the officer who is accountable for it. Officers will not take decisions they believe to be wrong or unlawful.
- 9.2** Officers will at all times exercise delegated powers in accordance with the principles of the scheme of delegation. In particular, they will comply with the requirement to consult relevant members, and will keep ward members informed, where appropriate, of decisions affecting their wards in accordance with any agreement arrangements for doing so.

10. CONSTRUCTIVE CRITICISM/COMPLAINTS

- 10.1** It is important that there should be mutual courtesy between Trustees and officers. It is important that there are reasonable standards of courtesy and no Trustee or officer should seek to take unfair advantage of their position.
- 10.2** Members and officers should not undermine respect for the other at Committee meetings or any other meetings they attend in their capacity as a

Trustee or Fund employee. A personal attack by a Trustee on a member of staff, or on staff generally, at a formal meeting will never be acceptable.

- 10.3** Trustees should not raise matters relating to the conduct or capability of an individual Fund officer or officers collectively at any meeting where members of the public are present, including private meeting with a member of the public.
- 10.4** If a Trustee believes that he/she has not been treated with proper courtesy or has a concern about the conduct or capability of an officer he/she should raise the matter with the relevant Senior Manager. If he/she is not satisfied with the action that has been taken in response to this, he/she may raise the matter with the Strategic Director who will look into the matter afresh. If the Director believes that there is a case to answer, he/she may determine the action to be taken which might include formal disciplinary procedures.
- 10.5** If an officer feels that he/she has not been treated with respect or is concerned about any action or statement relating to him/herself or a colleague by a Trustee, or conduct of a Trustee, he/she should raise the matter with his/her Senior Manager. If he/she is not satisfied with any action that has been taken as a result, he/she should raise the matter with the Strategic Director.
- 10.6** Where an officer or Trustee is concerned about potential unlawful conduct of an officer or Trustee, the Administering Authority's Whistle Blowing Policy may also be relevant.

11. ACCESS TO INFORMATION AND TO COUNCIL DOCUMENTS

- 11.1** Trustees and Pension Board Members (together "members") have the right to inspect and have copies of the reports, minutes and background papers relating to the public part of any agenda of the Committees of the Fund including the meetings of the pension board. However, members do not have an automatic right of access to all documents relating to confidential ("Exempt") items on the agenda. These might include, for instance, information relating to market/investment data.
- 11.2** In respect of such confidential information, members will normally receive, or have access to all papers unless they are of particular sensitivity. A member may have access to such sensitive documentation insofar as it is reasonably necessary to enable him/her to properly perform his/her duties as a member of the Fund. The relevant question to be asked is whether he/she needs to know the information to perform such duties. This would normally include matters relating to particular wards.
- 11.4** Where a member has a private, personal, pecuniary or conflict of interest in a matter, the member will only be entitled to the same rights of access to documentation as would apply to the public generally, although the member would continue to receive the same documentation as is sent to other

members of the body concerned. A member who has a prejudicial/conflict of interest in any matter under the Code of Conduct will not be allowed access to confidential background papers. A member who has such an interest must not seek to obtain such confidential information in relation to that matter.

- 11.5** Any information provided to a member must only be used by the member in connection with the proper performance of the member's duties as member of the Fund. Confidential information should not be disclosed, discussed with or released to any other persons. Such disclosure would be a betrayal of trust. In particular, members should never disclose or use confidential information for the personal advantage of themselves or of anyone known to them, or to the disadvantage or the discredit of the Fund or anyone else.
- 11.6** Any confidential information provided to members should be clearly marked as such prior to its provision.
- 11.7** A member has no general entitlement to inspect draft documents, correspondence or working papers.

12. PUBLIC RELATIONS AND PRESS RELEASES

- 12.1** By law the Fund is prohibited from publishing material which appears to be designed to affect public support for a political party. Press releases are written by officers, but they may contain quotations from a Trustee. Such news releases are issued on behalf of the Fund and it would not, therefore, be appropriate when repeating quotations from Trustees to indicate their party political affiliation. The aim will be for the new releases to be objective, factual and informative. All press releases and media interviews should be conducted in accordance with the Fund's Press Release Protocol. All press releases will be issued by the Fund's Communications Team.
- 12.2** The Council will abide by the National Code of Recommended Practice on Local Authority Publicity.
- 12.3** Pension Board Members have no authority to speak on behalf of the Fund.

13. CORRESPONDENCE

- 13.1** Unless a Trustee/Pension Board Member or officer requests confidentiality, it may be assumed that correspondence (including e-mail) between a them and an officer is not confidential and may be shown to others. Where confidentiality is not requested, Trustees and officers will exercise discretion in determining whether it is appropriate to disclose correspondence to others. The originator of the correspondence must accept that it may be disclosed to others unless confidentiality has been requested. However, both officers and Trustees have a personal responsibility to maintain confidentiality in any matter which appears to be of a personal or confidential nature, whether or

not this has been specifically stated. If, in an officer's view, correspondence on a non-confidential matter between an individual Trustee and an officer is of interest to other members, to keep them fully informed, the original member should be informed when copies are provided to other members.

- 13.2** Where issues are raised by, or with, individual members relating to a matter of general interest in a Fund matter, copies of correspondence may be sent to all Trustees at the discretion of the Strategic Director. An exception will be made where the Trustee specifically requests that correspondence is not copied to other members, or there is a political, or other reason, why this is not appropriate.
- 13.3** Officer letters on behalf of the Fund should normally be sent out in the name of the appropriate officer, rather than in the name of a Trustee. It may be appropriate in certain circumstances (e.g. representations to a Government Minister) for a letter to be signed by a Trustee, such as the Chairman of the Pension Committee, but this should be the exception rather than the norm.
- 13.4** Trustees should ensure that any letters they send out in their own name do not purport to be or give the impression that they are 'official' letters setting out the Fund's position. Nor should Trustees say anything which appears to commit the Fund to a course of action or a position without authority to do so.

5.3: EMPLOYEES' CODE OF CONDUCT

As officers employed by Wolverhampton City Council as the Administering Authority for the West Midlands Pension Fund, they are required to adhere to the City Council's employee code of conduct.

A copy of the employee code of conduct can be found in the City Council's constitution.

5.4: COMPLIANCE AND ASSURANCE FRAMEWORK

<Emma please>

5.5: PROCEDURE FOR RESOLUTION OF COMPLAINTS

5.5.1 Complaints Policy

The West Midlands Pension Fund believes in putting our members first and we are constantly looking at ways we can improve the services we provide through regular feedback and focus groups.

The Fund encourages engagement from members and employers and has found that one of the best ways to obtain a true opinion on the services we provide is through the comments, compliments and complaints we receive.

This policy sets out how the Fund manages and responds to comments, compliments and complaints and details what service members can expect to receive when providing this feedback.

5.5.2. Scope

This policy applies to all correspondence received by the Fund where a member or stakeholder is providing feedback on any aspect of service the Fund provides and should be adhered to by all Fund staff including those representing it (such as Trustees or pension board members).

5.5.3. Comments

Comments are statements provided to the Fund that give an opinion on how we performed or the way the member felt when receiving a service.

Comments can be good or bad and do not necessarily fall into the category of compliment or complaint.

5.5.4. Compliments

Compliments are statements of good opinion. Where the member believes the fund has performed well, are happy with the service they received and want to share that good feeling with others.

5.5.5. Complaints

Complaints are the opposite to compliments and often contain an opinion about an alleged breach of service standards, a failure to answer a member's question or a feeling by the member that the service they received is not good enough.

To assist in determining a complaint, the Fund has created the below list which seeks to cover a broad range of matters a member may complain about

- A failure to provide a service at the level or standard expected by the customer
- A perceived unhelpful/discourteous attitude from a staff member
- Neglect or delay in responding to a request for service
- A failure to follow the Fund's agreed policies, rules or procedures
- A failure to consider all information in coming to a decision
- Malice, bias or unfair discrimination of all natures.

5.5.6. Methods of communication

When seeking feedback the Fund encourages contact through every available medium and will address any comments, compliments or complaints received in any form.

Contact may be made through our customer helpline, verbally on the phone. By letter, email or through feedback forms from one of our events or roadshows.

We also host a feedback form on our website www.wmpfonline.com

5.5.7. Exceptions

While the Fund will always try to address any contact received from customers, there may be occasions where we will not be able to deal with the query under this process either because it is covered by a different policy or because we are unable for reasons of business/commercial sensitivity.

The types of areas that we won't deal with through this process include

- Staff/ex staff complaints about employment matters including grievances or disciplinary hearings
- Cases where legal action has started

- Questions or comments that might lead to the release of commercially sensitive information (where this applies the customer will be informed this is the reason)
- Complaints about Trustees or Pension Board Members
- Where the matter is already being dealt with another way

The Fund will offer support and assistance to anyone wanting to provide feedback on our services and where it is not deemed appropriate to deal with the feedback under this policy, we will try to assist by directing them to a more appropriate channel or procedure.

5.5.8. Process – Comments

Any comment received will be recorded in a central file on Sharepoint (the Fund's intranet) by the individual receiving it and highlighted to the team manager responsible for the service being commented on.

It is not usual for contact to be made with a customer who is providing a comment.

5.5.9. Process – Compliments

When the Fund receives a compliment in any topic relevant to the work of the Fund, it is recorded on a central log on Sharepoint by the individual receiving the compliment (whether about them or not). The Fund's compliance and risk team have access to this log and will report monthly to the Senior Management Team on the number of compliments received in that period. Any department or individual who has received a compliment will receive feedback and recognition for the work they have done in assisting that customer.

5.5.10. Process – Complaints

When dealing with complaints the Fund will always try to resolve a customer's comments in the first instance however we understand that sometimes customers may feel that the response they receive does not address their concerns.

Where we have made a mistake, we will always try to put it right and the way we might do this includes

- Making an apology
- Providing a full explanation of the circumstances that lead to the mistake
- Review our procedures to ensure they are as effective as possible achieving what they are designed to achieve
- Identify training needs amongst staff.

5.5.11 What will happen to your complaint?

To ensure a fair and balanced approach, the fund has created a 3 stage complaints process, each of which progressing in escalation. Under each process the investigating officer is required to highlight any potential training needs or staff development opportunities feeding this back to the manager for the service area involved.

5.5.12 Informal process

Where possible the Fund will always deal with complaints at the first point of contact. Often customers contact the fund via our helpline and it is the responsibility of our call handlers to ensure customers calling to complain are given every opportunity to explain their concerns. Call handlers will try and resolve the matter at this point reducing the need for further action. There will be times when our call handlers are unable to resolve a query raised or the customer requires a further explanation. Where this occurs the formal complaints process will begin and the matter will be formally logged as a complaint and passed to the Fund's compliance and risk team.

Stage One

Where a complaint cannot be resolved in the first instance or is received via email/letter/written correspondence this will start the stage one process which requires the person receiving the complaint to notify the Fund's compliance and risk team. The complaint will be logged on the central system.

Once the compliance and risk team are notified that the complaint has been received, the complainant will receive an acknowledgment that their correspondence has been received and is being reviewed by the Fund's Governance team confirming, the name of the officer appointed to review the complaint.

When investigating the complaint the fund officer will speak to staff members involved and where necessary review members' records.

A response will be issued within 21 days of receiving the complaint. Should this deadline need to be extended in order to provide the opportunity for further investigation, the complainant will be notified before the 21 day deadline.

Stage Two

Where a complaint cannot be resolved under Stage One or the complainant believes their concerns have not been adequately addressed, the matter will progress to Stage Two.

When a complaint progresses to Stage Two, it will be investigated by a Senior Manager at the Fund, usually the Head of Governance, who will review the complaint, review the response provided under Stage One and consider whether the issue has been addressed.

As with Stage One, an acknowledgment will be sent to the complainant confirming their complaint is being considered under the Stage Two process and a full response issued within 21 days.

Stage Three

Should a complaint not be resolved under Stage One or Stage Two, and a member or employer wants to progress further with their complaint, the matter will then progress to Stage Three where the complainant has a right to ask the Strategic Director of Pensions to review their complaint and the responses received.

There may be occasions where a complaint details an event or a circumstance that suggests something has happened that is so serious, it will progress automatically to the Stage Three process.

Under Stage Three the Strategic Director will review all correspondence relating to the complaint and will conduct an investigation as to whether all appropriate action has been taken.

A response will be issued within 21 days.

Local Government Ombudsman

Stage Three is the final stage of the Fund's complaints process. Should a complainant remain unhappy with the response received they do have a right of appeal to the Local Government Ombudsman.

The Local Government Ombudsman does not usually investigate or respond to complaints unless the in-house process has been exhausted. Complainants will therefore need to progress through all 3 stages of the Fund's complaints process before the Ombudsman will become involved.

The Ombudsman may be contacted at the address below
Local Government Ombudsman
PO Box 4771
Coventry
CV4 0EH

Tel: 0300 061 0614
Website: www.lgo.org.uk

5.5.13 Complaints monitoring

As part of the Fund's objective in being a customer focused service, we will review all complaints on a monthly basis as part of the Senior Management Team (SMT) meeting. Where it appears that patterns may be emerging in the complaints being received, either by subject or staff member, SMT will discuss this with the service area responsible implementing a review of process or training needs as determined appropriate.

In addition, the compliance monitoring report is presented at each pension committee meeting and any areas for concern with regards complaints, are highlighted at this meeting.

5.5.14 Officer contacts

Emma Bland, Compliance and Risk Manager
emma.bland@wolverhampton.gov.uk
Tel: 01902 554387

Jennifer Dugmore, Compliance and Risk Officer
Jennifer.dugmore@wolverhampton.gov.uk
Tel: 01902 552092

5.6: INTERNAL DISPUTE RESOLUTION PROCEDURE

The West Midlands Pension Fund believes in putting our members first and we are constantly looking at ways we can improve the services we provide through regular feedback and focus groups.

The Fund encourages engagement from members and employers and has found that one of the best ways to obtain a true opinion on the services we provide is through the comments, compliments and complaints we receive.

This policy sets out the Fund's Internal Dispute Resolution Procedure and details what service you can expect to receive when using this service.

1. Internal Dispute Resolution Procedure (IDRP)

From the day a person starts a job with an employer, to the day when pension benefits are paid, the employer and administering authority have to make decisions (in compliance with the legislation) that affect you as our Member. Where you are notified of a decision, you must check, as far as possible, that the decision is based on the correct information.

If you are not satisfied with a decision made about you, you have the ability to challenge that decision and invoke the Internal Dispute Resolution Process (IDRP). You may also use this procedure if you believe a decision should have been made, but has not been made.

At any stage during the procedure you can contact the Pension Advisory Service for support and assistance, their details are provided in the Useful Contacts section of this document.

Before starting this procedure, we would encourage you to speak to your employer or in-house pension department, often many issues can be resolved without the need for formal processes.

2. Who can make a complaint?

This procedure applies to disagreements or disputes relating to the Pension Scheme, including decisions made or not made.

Persons who can use this policy include

- Active, deferred and pensioner Members of the scheme
- A widow, widower or surviving dependent of a deceased member of the scheme
- Prospective members of the scheme
- Any person who in the previous six months was entitled to be considered as one of the above
- Any person who believes they should be included in one of the above categories

(In this document all of the above category of persons are referred to as "Members".)

You can also ask someone to take your complaint forward on your behalf, this may be a trade union representative, welfare officer, a family member or friend. In order to provide information to a representative, the Fund will require confirmation from you that have appointed them and are happy for them to receive correspondence on your behalf.

3. Exceptions

While the Fund will always try to address any contact received from Members, there may be occasions where we will not be able to deal with the query under this process either because it is covered by a different policy or because the complaint is already being addressed under another route. The types of areas that we won't deal with through this process include

- Staff/ex staff complaints about employment matters including grievances or disciplinary hearings
- Cases where legal action has started
- Complaints about Trustees or Pension Board Members
- Where the matter is already being dealt with another way

4. Time Limits

A member seeking to use this process must do so within six months from the date of the decision or event they wish to complain about.

5. Specified Person

In compliance with the legislation, the Fund has appointed "Specified Persons" to investigate and determine first stage IDRPs. The Specified Person will be the employer or person who made the decision you wish to challenge.

6. Discretionary policies

Under the Scheme rules, employers are entitled to have discretion on how they apply certain aspects of pension legislation. The West Midlands Pension Fund has no authority to request employers to change these policies and when reviewing appeals under the IDRPs process, we can only review them in consideration of the discretionary policy implemented by the employer.

7. What will happen to your complaint?

To ensure a fair and balanced approach, the fund has created a 2 stage IDRPs process.

Methods of communication

When seeking to use this procedure, all correspondence must be in writing and contain the following information

- Name
- Contact details including address, telephone number
- Date of birth
- National insurance number
- The name of any representative acting on your behalf

- Details of the complaint

Stage One

1. On receiving the complaint, the Specified Person will acknowledge its receipt within five working days. Within this acknowledgement will be details of the Pension Advisory Service who are available to assist members and beneficiaries with any difficulties.
2. The Specified Person will then investigate the matter which may include a request for additional information from you and a review of the Scheme rules. The Specified Person will aim to complete their investigation within 4 months. Where an investigation is likely to take longer, you will be notified of the reasons why.
3. On concluding the investigation the Specified Person will issue a decision notice within 15 days of reaching a decision detailing
 - A statement of the decision
 - Any reference to the legislation which supports that decision
 - Whether a discretion has been exercised by the decision-maker when making the decision which is the subject of the complaint
 - Detailing the right to appeal the outcome of the investigation
 - Provide details of the Pension Advisory Service

Appeals – Stage Two

You may appeal against the outcome of the investigation by the Specified Person within 6 months of receiving the notice of their decision. An appeal may also be brought if you have made a challenge under Stage One but it has not been acknowledged or dealt with within the timeframe allowed.

Where you wish to appeal, you must send your appeal to the West Midlands Pension Fund in writing providing

- All of the details provided to the specified person under Stage One
- A copy of the specified person's decision notice
- An explanation of why the Member is unhappy with the decision
- A formal request to review the decision

If an appeal is received after 6 months of the specified person issuing their decision, the Fund may choose not to consider your request for appeal.

Appeal process

1. The Fund will acknowledge the appeal request within five working days providing details of the contact officer investigating the request.
2. The officer will investigate the matter and may request further information from you or the Specified Person. The investigation may take up to four

months to complete; any delay in this timescale will be notified to you with the reasons for the delay.

3. On completing the investigation, the officer will notify you of the outcome providing detail as to
 - The decision reached
 - An explanation of how this decision compares to the decision made under Stage One
 - Any reference to the legislation
 - Whether any discretion has been relied upon
 - Contact details for the Pension Advisory Service
 - Information about the Pensions Ombudsman.

The Appeal investigation will involve the fund reconsidering the matters in dispute and we may take into account new information/evidence not presented under the Stage One process provided such new information/evidence is not so extensive that it creates an entirely new matter to be investigated.

9. Useful contacts

WMPF

Write to us at:

West Midlands Pension Fund

PO Box 3948

Wolverhampton

WV1 1XP

pensionfundenquiries@wolverhampton.gov.uk

Telephone Customer Services on:

0300 111 1665

Visit our website at:

wmpfonline.com

Fax us on:

0845 230 1565

Minicom/Typetalk:

01902 554607

The Pension Advisory Service

TPAS

11 Belgrave Road

London

SW1V 1RB

Fax: 0207 233 8016

Email: enquiries@pensionsadvisoryservice.org.uk

The Pensions Ombudsman

11 Belgrave Road
London
SW1V 1RB

Tel: 0207 834 9144
Fax: 0207 821 0065

Email: enquiries@pensionsombudsman.org.uk
Website: www.pensionsombudsman.org.uk

5.7: ROLES AND RESPONSIBILITIES OF TRUSTEES AND PENSION BOARD MEMBERS

Trustees

Trustees are the decision makers for the Fund and when attending in this capacity must wear a different hat to that of elected councillor for their authority.

When sitting on the pension committee and representing the fund, they must act only in that capacity considering only the interests of members of the fund.

There may be occasions where the information they are privy to or acquire in this role will conflict with their day role but they must only consider the fund when taking decisions.

Pension Board Members

To assist in the good governance of the scheme through the review of administration and operational policies.

Pension Board Members must wear a separate hat to their everyday role and attend meetings in consideration of their role as a pension board member only.

When sitting on the pension board and assisting the fund, they must act only in that capacity considering only the interests of members of the fund.

There may be occasions where the information they are privy to or acquire in this role will conflict with their day role but they must only consider the fund when taking decisions.

All members must sign a letter of appointment which confirms their appointment to the pension board and gives an undertaking from them that you will act in accordance with this duty, in the best interests of our members.

PART 6

FUND STRUCTURE

<Insert structure chart of committee and officers from service plan>

PART 7

POLICIES AND STRATEGIES

Table of policies and strategies

The Fund is required to publish a number of policies and strategies detailing how it manages the Fund and its investments together with strategies for its administration.

Copies of the policies and strategies can be found on the Fund's website and are updated as required reviewed annually by Pension Committee.

Below is a list of the current policies and strategies adopted by the Fund.

WEST MIDLANDS PENSION FUND CONSTITUTION

Name of Policy	Responsible Officer	Frequency of review
Administering Authority Policy Statement	Assistant Director of Pensions	Annually
Communications Policy	Head of Governance	Annually
Compliance with the Stewardship Code for Institutional Investors	Assistant Director Investments/Responsible Investment Officer	Annually
Funding Strategy Statement	Assistant Director of Pensions	Annually
Governance Compliance Statement	Head of Governance	Annually
Pensions Administration Strategy	Assistant Director of Pensions	Annually
Policy on Termination Funding for Employers	Assistant Director of Pensions	Annually
Socially Responsible Investment Statement	Responsible Investment Officer	Annually
Statement of Investment Beliefs	Assistant Director Investments	Annually
Statement of Investment Principles	Assistant Director Investments	Annually
Pension Board Member Conduct Review Policy	Head of Governance	Annually

WEST MIDLANDS PENSION FUND CONSTITUTION

Travel Policy	Head of Governance	Annually
Customer Feedback Policy	Head of Governance	Annually
Freedom of Information and Data Protection	Compliance and Risk Manager	Annually
Customer Engagement Strategy	Head of Governance	Annually
Risk and Assurance Framework	Compliance and Risk Manager	Annually

PART 8

GLOSSARY OF TERMS

GLOSSARY OF COMMON TERMS USED IN THE CONSTITUTION

The Constitution uses a number of words or phrases that have a certain meaning. Some of these are defined in legislation.

Below are plain English definitions for words or phrases referred to within the Constitution. Please refer to the body of the Constitution or the relevant legislation for more detailed descriptions.

Access to Information	By law the public must be given reasonable notice of matters to be discussed at a Council, Committee or Sub-Committee meeting.
Administering Authority	Wolverhampton City Council
Agenda	A document containing reports which sets out the business to be considered at a meeting. The Agenda is published at least five clear working days before the meeting.
Annual Council	The yearly ceremonial meeting of the Council at which the Leader and Chairman of the Council are elected.
Articles	The basic rules governing the Fund business.
Background Papers	Documents on which reports are primarily based. The law says that report authors must list any papers used in compiling a report for decision, and these papers must be available for four years to anyone wishing to inspect them.
Budget	All the financial resources allocated to different services.
Budget and Policy Framework	The plans and strategies adopted by the Fund within which the Fund must operate.
Casting Vote	The Chairman has a casting vote which decides the matter when votes are equally divided.

Chairman	The person appointed to oversee meetings.
Managing Director	The most senior officer, with overall responsibility for the management and operation of the Administering Authority. Also known as the Head of Paid Service.
Chief Finance Officer	The officer responsible for the administration of the Fund's finances. Also known as the Section 151 Officer.
Clear Working Days	All agendas and papers for decision in public must be available five clear working days before the decision is to be taken. A 'working' day excludes Saturdays, Sundays and Bank Holidays. The five 'clear' days does not include the day the papers are sent out or the date of the meeting. So for example, if a meeting is taking place on a Tuesday, the agenda must be published on the Monday in the week before the meeting.
Code of Conduct	A set of rules to guide behaviour.
Committees	May be established by the Fund to assist with functions.
Confidential Information	Information either given to the Fund by the Government on terms which forbid its public disclosure or which cannot be publicly disclosed by Court Order. See also 'Exempt Information' below.
Constitution	A document setting out how the Fund operates, how decisions are made and all the procedures which have to be followed.
Council	The Full Council of Wolverhampton City Council
Trustee	A person nominated by the Administering Authority and the District Authorities to sit on the Pension Committee.
Debate	A discussion on an issue in which different views are put forward.

Declarations of Interest	Trustees have to abide by the Code of Conduct of their Authority, part of which requires them to declare any interests they have which could influence any decisions they make. See also Personal Interest and Prejudicial Interest below.
	Pension Board Members have to abide by the Fund's Code of Conduct and declare interests which may give rise to a conflict.
Delegated Powers	Formal authorisation for a committee or officer to take an action which is the ultimate responsibility of the Pension Committee from the Administering Authority
Deputy Chair	The person appointed to preside in the absence of the Chairman.
Director of Governance	An officer of the Administering Authority responsible for the legal services function
Strategic Director	The officer responsible for the management and administration of the Fund on behalf of the Administering Authority.
Exclusion of the Public	The public are excluded from meetings when exempt or confidential information is being considered.
Exempt Information	Information falling into one of seven categories which usually cannot be publicly disclosed – see the Access to Information Procedure Rules in Part 4 of the Constitution.
Extraordinary Meeting	A meeting convened for a specific purpose.
Head of Paid Service	The most senior officer, with overall responsibility for the management and operation of the Administering Authority; also known as the Managing Director.
Senior Manager	An officer with responsibility for a specific service area within the Fund who reports to the Strategic Director.

Joint Arrangements	Services provided in partnership with other Pension Funds or by or on behalf of those Funds.
Local Authority	Wolverhampton City Council.
Meeting	A meeting of the Pension Committee, a Sub-Committee, or the Pension Board
Pension Board Member	Employer and Member representatives nominated to sit on the pension board by their respective group
Minutes	A public record of decisions taken at meetings of the Fund. Its Committees and Sub-Committees.
Monitoring Officer	The Council officer charged with ensuring that everything that the Council does is fair and lawful. The Monitoring Officer is currently the Director of Governance
Motions	A formal proposal made by a Trustee for the consideration of the meeting.
Notice of Meeting	The public notice stating the date, time and place of a meeting.
Outside Body	An external organisation which has invited the Fund to nominate representative(s) to serve on its management body.
Personal Interest	A Trustee has a personal interest where they are likely to be affected by a decision.
Petition	A formal written request, signed by more than fifteen people, appealing to the Pension Committee.
Point of Order	A question raised to clarify whether the procedural rules are being adhered to.
Political Balance/ Proportionality	Comes from legal rules which dictate that Committees must include elected politicians in proportion to the size of their political groups on the Council as a whole.

Prejudicial Interest	A Trustee has a prejudicial interest where a member of the public knowing the facts would reasonably regard the interest as so significant that it would prejudice their judgement.
Procedure Rules	Rules governing how the Fund operates and how decisions are taken.
Proper Officer	A senior officer of the Adminsitering Authority who is given a set of responsibilities by statute.
Quorum	The minimum number of people who have to be present before a meeting can take place.
Register of Interests	The record of all interests declared by Pension Board members maintained by the Fund. The record of interests declared by Trustees is maintained by the monitoring officer of the Administering Authority..
Scheme of Delegation	Sets out which committee, or officer is responsible for particular functions of the Fund.
Secretary of State	The head of a major government department.
Stakeholder	A person or group that may be affected by a matter.
Statutory	Required by law.
Sub-Committee	A formal decision-making body with functions referred or delegated to it by Pension Committee.
Team Manager	An officer with responsibility for a specific service area who reports to a Senior Manager.
Tendering	The making of an offer by a contractor to carry out work.
Terms of Reference	The description of what a committee, sub-committee or panel may concern itself with.

Virement

Moving budget funds from one area of expenditure to another within a financial year.



Pensions Committee

24 June 2015

Report title	Policy review 2015	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to:

1. Agree and approve the Pension Board Member Conduct Review Policy
2. Agree and approve the Employee Travel Policy
3. Agree and approve the Customer Feedback Policy
4. Agree and approve the Communications Strategy Statement
5. Agree and approve the Internal Dispute Resolution Procedure
6. Note that there are no changes to the Administering Authority Policy Statement
7. Note that there are no changes to the Funding Strategy Statement

1.0 Purpose

- 1.1 To seek agreement from Committee for policies which detail how the Fund proposes to manage and operate certain areas of its business.

2.0 Background

- 2.1 Each year Committee are asked to review and agree the Fund's operational policies. Some of these policies are required by statute. Others are adopted for operational purposes and to provide our members with information.
- 2.2 In conducting the annual review of the Fund's policies, the Fund needs to consider whether the current versions are still relevant to the work of the Fund, whether any new requirements have been imposed by legislation and whether the Fund is conducting its business in the most efficient way securing the best outcomes for our members.

3.0 Pension Board Member Conduct Review Policy (new)

- 3.1 This year, the Fund has seen a number of changes to the Governance structure with the requirement of a new Local Pension Board. With that legislative requirement came the need to draft and publish a protocol for dealing with allegations that pension board members have failed to meet their duties or that they have not declared a conflict of interest in matters they are discussing. (This is similar to the requirement on local authorities to have "Arrangements" for dealing with allegations of Councillor breaches of the Code of Conduct under the Localism Act.).
- 3.2 The policy provides for the Head of Governance to undertake an initial "informal" review of the allegation to consider its merit and the initial evidence. The Head of Governance may meet with the complainant and the pension board member to establish facts or request documentary evidence in support of the claim. Should the matter progress further, the Pensions Committee will be called to review the matter before it is reported to the Pensions Regulator.
- 3.3 Attached at Appendix One is a Pension Board Member Conduct Review Policy which details how the Fund will manage allegations.

4.0 Employee Travel Policy (new)

- 4.1 As the Fund looks to secure effective cost management and reduce investment fees, through becoming more active in its investment capabilities, it has appointed in-house specialists which in turn has created the need for the resumption of overseas travel and therefore a policy to monitor and manage it.

4.2 The policy restricts overseas travel to particular posts (Strategic Director of Pensions, Assistant Director, Investments and Active Investment Portfolio Managers) and imposes a duty on employees to ensure they adhere to the process for overseas travel including insurance, currency and lone working.

4.3 Attached at Appendix Two is an Employee Travel Policy which covers all aspects of travel undertaken by officers of the Fund (including travel for training and conferences).

5.0 Customer Feedback Policy (new)

5.1 This year the Fund has drafted a customer engagement strategy which includes the commencement of Customer Journey Mapping. Part of this engagement is to encourage feedback from our members, employers and stakeholders on the work of the fund and how we are received.

5.2 In light of this work it became apparent that the Fund also needed a Customer Feedback Policy which provided information to our customers on how they can contact the Fund to compliment, comment or complain about the service they have received. The policy sets out timetables for officers responding to this contact and how a customer can appeal a decision they don't agree with. The Fund also adheres to the City Council's policy on Persistent/Vexatious Complainants.

5.3 A copy of the Customer Feedback Policy is attached at Appendix Three.

6.0 Communications Strategy Statement (update)

6.1 The Local Government Pension Scheme (Amendment) (No.2) Regulations 2005 provide the statutory framework from which the Authority is required to prepare a Communication Policy Statement.

6.2 An administering authority (or the Fund on its behalf) must prepare, maintain and publish a written statement which sets out its policy concerning communication with:

- members;
- representatives of members;
- prospective members; and
- scheme employers.

6.3 This year the Fund has begun its channel shift towards electronic working and the policy has been updated to reflect this move.

6.4 A copy of the policy is attached at Appendix Four.

7.0 Internal Dispute Resolution Procedure (IDRP) (update)

- 7.1 The Pensions Act 1995 (as amended) requires pension schemes to have in place an internal resolution procedure to manage disagreements or disputes relating to the pension scheme, its managers or Trustees and includes decisions made about a member or a decision not made that the member feels should have been made.
- 7.2 The West Midlands Pension Fund has had in place a policy for dealing with IDRP for a number of years and this has been updated to make it clearer for our members to use and follow.
- 7.3 A copy of the policy is attached at Appendix Five.

8.0 Other West Midlands Pension Fund policies

- 8.1 Every year as part of its policy review, the Fund considers whether there have been any changes or events that require the amendment to our policies. Apart from those changes outlined in reports, there are no amendments to the Fund policies.

9.0 Integrated Transport Authority Pension Fund Policies

- 9.1 Following the delegation in January from the Integrated Transport Authority (ITA) to WMPF Pension Committee to undertake decisions with regards the management and administration of the ITA Pension Fund, Committee must also approve those policies and strategies drafted on behalf of ITA.
- 9.2 Due to the delegation, the ITA Governance Statement and ITA Communications Strategy have been removed and are replaced by WMPF's Governance Statement approved by Committee in March 2015 and by WMPF's Communications Strategy appended to this report.
- 9.3 The Funding Strategy Statement and the Compliance with Myners Principles statement are unchanged for this year.
- 9.4 The Fund is in the process of reviewing the Statement of Investment Principles with Mercers and this will be brought to Committee at its next meeting.

10.0 Financial implications

- 10.1 There are no financial implications.

11.0 Legal implications

- 11.1 The Fund is required under regulations to produce, publish and keep under review various strategies and policy statements. These are designed to establish best practice and accountability in the management of the Fund's assets.

12.0 Equalities implications

12.1 There are no equalities implications.

13.0 Environmental implications

13.1 There are no environmental implications.

14.0 Human resources implications

14.1 There are no human resources implications.

15.0 Corporate landlord implications

15.1 There are no corporate landlord implications.

16.0 Schedule of background papers

16.1 None.

17.0 Schedule of appendices

17.1 Appendix One: Pension Board Member Conduct Review Policy.

17.2 Appendix Two: Employee Travel Policy.

17.3 Appendix Three: Customer Feedback Policy.

17.4 Appendix Four: Communications Strategy Statement.

17.5 Appendix Five: Internal Dispute Resolution Procedure.

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Pension Board Member Conduct Review Policy

1. Context

This policy sets out how a person may make a complaint that a Pension Board Member (“The Member”) has failed to comply with the Pension Board Member’s Code of Conduct, and sets out how the fund will deal with allegations of a failure to comply with that Code.

All Pension Board members are required to adhere to a Code of Conduct when undertaking their duties in this capacity.

2. The Code of Conduct

The Fund’s Pension Committee has adopted a Code of Conduct for Members of the Pension Board, which is available for inspection on the Fund’s website and on request from Reception at the Fund’s Offices.

3. Making a complaint

If you wish to make a complaint, please complete the form on the Fund’s website and post or email to:

Rachel Howe
Head of Governance
West Midlands Pension Fund
P O Box 3948
Wolverhampton
WV1 1XP

Or:

Rachel.howe@wolverhampton.gov.uk

The Head of Governance is a senior officer of the fund who has responsibility for maintaining the register of members’ interests and who is responsible for administering the system in respect of complaints of member misconduct.

In order to ensure that all the information required is available with the complaint, the complainant will be asked to provide their name and a contact address or email address together with any relevant documents in support of their complaint.

The Head of Governance will acknowledge receipt of the complaint within 5 working days of receiving it.

Where an anonymous complaint is received or the complainant wishes to remain anonymous it will be at the Head of Governance's discretion as to whether the complaint proceeds. Consideration will be given to the public interest and whether the complaint can be justified or determined without the complainant's participation.

4. What happens to my complaint?

The Head of Governance will review every complaint received and take a decision as to whether it merits further examination. This decision will normally be taken within 14 days of receiving the complaint.

Once the Head of Governance has taken a decision, they will inform the complainant of that decision and the reasons for that decision.

Where a complaint is determined to be merit further examination, the subject member will be notified of the complaint at the earliest opportunity and requested to attend a meeting with the Head of Governance to review the complaint and present their side of the case.

Where they require additional information in order to come to a decision, the Head of Governance may refer back to the complainant for such information, and may request information from the member against whom the complaint is directed.

In appropriate cases, the Head of Governance may seek to resolve the complaint informally, without the need for further review. Such informal resolution may involve the member accepting that his/her conduct was unacceptable and offering an apology, or other remedial action by the fund. Where the member or the fund make a reasonable offer of local resolution, but the complainant or subject member are not willing to accept that offer, the Head of Governance may take account of this in deciding whether the complaint merits further examination.

5. What if Informal Resolution is not appropriate/successful?

In cases where Informal Resolution is not appropriate or successful the Head of Governance may conduct a fact-finding exercise to establish the groundwork for the complaint. The fact-finding exercise is to satisfy the initial tests of:

- (a) it is a complaint against one or more named members of the pension board;
- (b) the named member was appointed to the pension board at the time of the alleged conduct and the Code of Conduct was in force at the time;
- (c) the complaint, if proven would be a breach of the Code under which the Member was operating at the time of the alleged misconduct.

If on conducting the fact-finding exercise, there are no facts determined or the complaint is deemed to be frivolous/vexatious, the Head of Governance will notify the complainant and the subject member that there is “no case to answer” and the matter will cease. There is no right of review of this decision unless new evidence is presented in support of the complaint. It will be at the discretion of the Head of Governance to determine whether such new evidence substantiates further examination.

Where facts are established the Head of Governance in conjunction with the Strategic Director of Pensions will prepare a report for the Pensions Committee who will determine the further steps to be taken in relation to the complaint. The report will detail all steps taken by the Head of Governance prior to the Committee.

The Committee is subject to the normal Committee rules in relation to public meetings and it will take a decision at the start of the meeting to determine whether it is appropriate to hold the meeting in closed session.

The complainant and the Subject Member will not be present at the meeting but their views will have been sought prior to the meeting to enable their opinions to be presented.

If, on assessment of the facts, the Pension Committee determines that no further action is required or there is no case to answer, this will be reported back to the complainant and the subject member who may be given leave by the Committee to appeal the decision. Such appeal will only be granted where there is new evidence in relation to the complaint.

There may be instances where the Pension Committee consider the action of the subject member to be so serious as to warrant criminal investigation. In such circumstances, the Pension Committee will instruct the Head of Governance to refer the matter to the appropriate body for investigation.

Should the Committee determine that the matter warrants a detailed investigation, the Head of Governance will appoint an Investigating Officer, who may be another senior officer of the Administering Authority, an officer of another authority or an external investigator. The Investigating Officer will decide whether he/she needs to meet or speak to the complainant to understand the nature of the complaint and will provide an opportunity for the complainant to explain their understanding of events and suggest what documents the Investigating Officer needs to see, and who the Investigating Officer needs to interview.

In exceptional cases, where it is appropriate to keep identities confidential or disclosure of details of the complaint to the member might prejudice the investigation, the Head of Governance can delete names and addresses from the papers given to the member, or delay notifying the member until the investigation has progressed sufficiently.

At the end of his/her investigation, the Investigating Officer will produce a draft report and will send copies of that draft report, in confidence, to the complainant and to the member concerned, to give them both an opportunity to identify any matter in that draft report with which they disagree or consider requires more consideration.

Having received and taken account of any comments, the Investigating Officer will send his/her final report to the Head of Governance.

6. What happens if the Investigating Officer concludes that there is no evidence of a failure to comply with the Code of Conduct?

On completing their investigation the Investigating Officer will present their report to the Pensions Committee who will take into account the facts and evidence produced.

The Pensions Committee is subject to the normal Committee rules in relation to public meetings and it will take a decision at the start of the meeting to determine whether it is appropriate to hold the meeting in closed session.

If satisfied that the Investigating Officer's report is sufficient, the Pensions Committee will accept the findings of the report and request the Head of Governance to write to the complainant and to the member concerned notifying them that they are satisfied that no further action is required, and provide a copy of the Investigating Officer's final report. If the Head of Governance is not satisfied that the investigation has been conducted properly, they may ask the Investigating Officer to reconsider his/her report.

There may be instances where the Pensions Committee wishes to ask questions of the complainant and the subject member in order to fully understand the circumstances of the complaint. Where this is requested by the Committee, the meeting will be adjourned to enable the attendance of all parties. In such a situation, the Committee will be conducted in a manner similar to court proceedings where each party may present their arguments.

At the end of the Committee the Chair will ask the subject member whether they are happy for the outcome of the matter to be published through public notice/press statement. It will be at the discretion of the subject member whether such action is taken.

7. What happens if the Investigating Officer concludes that there is evidence of a failure to comply with the Code of Conduct?

Where the investigating officer has determined that there is a breach of the code of conduct they will present their report to the Pensions Committee.

The Head of Governance will conduct a "pre-hearing process", requiring the member to give his/her response to the Investigating Officer's report, in order to identify what is likely to be agreed and what is likely to be in contention at

the hearing, and the Chair of the Pensions Committee may issue directions as to the manner in which the hearing will be conducted.

At the Pensions Committee, the Investigating Officer will present his/her report, call such witnesses as he/she considers necessary and make representations to substantiate his/her conclusion that the member has failed to comply with the Code of Conduct. For this purpose, the Investigating Officer may ask the complainant to attend and give evidence to the Committee. The member will then have an opportunity to give his/her evidence, to call witnesses and to make representations to the Committee as to why he/she considers that he/she did not fail to comply with the Code of Conduct.

The Committee, with the benefit of any advice from the Head of Governance, may conclude, in disagreement with the investigation officer that the member did not fail to comply with the Code of Conduct, and so dismiss the complaint. If the Committee concludes that the member did fail to comply with the Code of Conduct, the Chair will inform the meeting of this finding and the Committee will then consider what action, if any, should be taken as a result of the member's failure to comply with the Code of Conduct. In doing this, the Committee will give the member an opportunity to make representations to the Panel and will consult the Strategic Director of Pensions (and if appropriate the representative body – employer or trade union), but will then decide what action, if any, to take in respect of the matter.

8. What action can the Pensions Committee take where a member has failed to comply with the Code of Conduct?

The Council has delegated to the Pensions Committee such of its powers to take action in respect of individual members as may be necessary to promote and maintain high standards of conduct. Accordingly the Committee may:

- Issue a formal letter to the member found to have breached the Code.
- Impose Formal censure.
- Remove the member from the pension board and other appointments associated with that role.
- A press release and other appropriate publicity.
- Recommend Training.
- Report to the Pensions Regulator

9. What happens at the end of the hearing?

At the end of the hearing, the Chair will state the decision of the Committee as to whether the member failed to comply with the Code of Conduct and as to any actions which the Committee resolves to take.

As soon as reasonably practicable thereafter, the Head of Governance shall prepare a formal decision notice in consultation with the Chair of the Committee, and send a copy to the complainant, to the member.

10. Revision of this policy

The Fund may agree to amend these arrangements, and has delegated to the Head of Governance in consultation with the Strategic Director of Pensions the right to depart from this policy where he/she considers that it is expedient to do so in order to secure the effective and fair consideration of any matter.

13. Appeals

The Pension Committees have authority to allow, or not, a right of review following the Committee's determination of the complaint. The process follows one similar to the court process, where Members be given leave to appeal a decision taken on their matter. That in order to avoid frivolous appeals, a stance of "unless new evidence is submitted/provided there will be no review".

Such requests for a review to be received within 28 days of the decision by the relevant Committee.

WEST MIDLANDS PENSION FUND

EMPLOYEE TRAVEL POLICY

The West Midlands Pension Fund is one of the largest Local Government Pension Funds in the UK. It manages a proportion of its investments in-house and has a number of portfolio managers responsible for both active and passive investments.

As the Fund becomes more active in its investment capabilities it has appointed in-house specialists which in turn has created the need for overseas travel.

Pension Committee each year approve the budget for employee travel (as part of the operating budget) and this is managed by the Head of Finance.

Travelling on business for the Fund

As an employer, Wolverhampton City Council (WCC) has a responsibility to its officers to ensure their safety and well-being while undertaking work on behalf of the Fund, whether that work is undertaken at the office, at another location or abroad.

WCC has a duty of care for its officers and must ensure reasonable controls are in place to minimise risk. The individual employee also has a duty to adhere to this policy regarding any travel on the Fund's behalf and should take their own reasonable steps to avoid any potential risks.

No travel will be permitted by employees unless approval has been given in the appropriate form.

In all cases employees will travel by public transport as a first option unless it is unviable or better value for private (employee's own) transport to be permitted. Groups of employees need to consider best value in determining whether individual travel on public transport is more or less beneficial to the fund than travelling in a group in one private vehicle. Two or more employees travelling to the same location will generally not be permitted to travel in individual private vehicles, unless a case for doing so can be made (i.e. individuals travelling live too far a distance from each other to make car sharing viable).

Employees are required to notify their manager of arrival at their destination where travel is outside the UK and must text at the end of each day where the travel is for a period of 2 days or longer. Failure to meet this requirement may result in action being taken to find/locate the employee; any cost incurred in doing so as a result of this failure may result in costs being recovered from the employee.

Who is authorised to travel

Any employee of the Fund is authorised to travel within the UK in order to perform their duties or engage in conferences or undertake training. Approval to travel in the UK must be given by the relevant Senior Manager once details of the purpose for travel and the cost has been provided.

Travel outside the UK may only be authorised for the following roles within the Fund

- Strategic Director of Pensions
- Assistant Director Investments
- Active Investment Portfolio Managers

Authority to travel outside the UK may only be given by the Strategic Director of Pensions, whose own travel must be approved by the relevant line manager.

Standard of Travel/Accommodation

All travel will be funded at economy class level. Should an employee secure travel at a higher class for the same cost, this may be approved by the Senior Manager for UK travel or the Strategic Director for travel outside the UK.

Should an employee wish to subsidise the cost of travel in upgrading class, this may be approved by the Senior Manager for UK travel or the Strategic Director for travel outside the UK.

Where it is necessary to book accommodation, executive or superior rooms will only be approved where health and safety may be issue. Such circumstances to be discussed and agreed with the Strategic Director.

Where an employee wishes to subsidise the cost of accommodation in upgrading class, this may be approved by the Senior Manager for UK travel or the Strategic Director for travel outside the UK.

All travel and accommodation must be booked through the Fund's Events Co-ordinator (detailed below **Travel Booking**).

Where authorised to travel

Employees are only authorised to travel to locations required to perform their duties. Approval will not be given for extended periods of stay for personal reasons.

Before travel arrangements are confirmed employees must refer to the Travel Advice section of the Foreign & Commonwealth Office (FCO) website at the following link:

<http://www.fco.gov.uk/en/travel-and-living-abroad/travel-advice-by-country/>

The website categorises according the level of risk:

1	FCO advises against ALL travel to a country
2	FCO advises against ALL travel to parts of a country
3	FCO advises against ALL BUT ESSENTIAL travel to a country
4	FCO advises against ALL BUT ESSENTIAL travel to parts of a country

Please note that employees will NOT be insured for travel to a destination listed under categories (1) or (2) and the Fund will not permit travel under these circumstances.

Travel to a destination listed under categories (3) or (4) may be covered under Employer insurance but checks but first be made with WCC to confirm this, if WCC do not confirm the insurance cover the employee will not be permitted to travel. Should permission be given, the Fund requires that the individual registers with the British Embassy or Consular Office on arrival.

It is also advised that travellers refer to the European Union's banned airline list which can be found at http://ec.europa.eu/transport/air-ban/list_en.htm

Risk Assessment

The Fund requires all staff travelling outside the UK on Fund business to complete a Risk Assessment (form attached) which details any potential risks identified and the mitigation required to reduce such risk.

The risk assessment form must be completed, signed by the Strategic Director and a copy provided to the Fund's Compliance and Risk Manager. A copy must be retained by the employee when travelling.

A detailed itinerary must be completed as part of the risk assessment with a copy provided to the Compliance and Risk Manager.

Contact details for the employee while travelling must also be provided detailing both personal contact information and contact information for the destination of travel (hotel, persons being visited).

The completion of a risk assessment form ensures that the authoriser and the traveller have fully considered the risk on whether travel to a higher risk area is appropriate, and what action can be taken in the event of an incident or emergency.

In addition, the Fund requires a copy of the employee's passport to be kept with the risk assessment. If a passport is lost or stolen while travelling, the Fund can provide this copy to the British Embassy to provide assistance.

Vaccines, Visas and Medical Cover

- 1) Visas and Passports – it is advised to check on visa requirements for the proposed country of travel well in advance. Some countries will also dictate that passports must be valid for a period of at least six months after travel. It is the employee's responsibility when arranging travel outside the UK to check these arrangements and provide confirmation of their compliance to the Compliance and Risk Manager.
- 2) Pre-existing medical conditions – please note that there is currently no requirement to disclose pre-existing medical conditions prior to travel. However, you should also be aware that travelling against medical advice will invalidate your insurance.
- 3) Contact details – the Fund requires that where possible important contact details / insurance details are saved to your mobile phone and/or a paper copy carried with you. In the event of an incident these details will be much easier to retrieve.

Other useful websites

Visa Requirements

<http://www.uk.cibt.com/>

Health

http://www.bbc.co.uk/health/healthy_living/travel_health/

<http://www.masta-travel-health.com/>

<http://www.who.int/en/>

General

<http://www.direct.gov.uk/en/TravelAndTransport/Foreigntravel/index.htm>

Insurance

Insurance for employees travelling outside the UK will only be provided through prior arrangement with the City Council.

On notifying the Events Co-Ordinator of the need to make travel arrangements the employee is required to notify WCC Insurance and Claims Manager of their travel and confirm insurance is in place. Only the individual employee can make these arrangements due to the need to provide personal information.

Confirmation of the insurance will need to be provided with the Risk Assessment before approval will be given.

Expenses

While undertaking travel, employees may recover their expenses from the fund in line with the Employee Expenses Policy relating to subsistence and travel. Receipts will be required for all such expenses detailing what was purchased and for what purpose before any reimbursement is made. Receipts must be provided within 2 weeks of return of travel.

The cost of any vaccinations will be reimbursed on production of a valid receipt.

The Fund has approval to exempt certain employees from the City Council's expenses policy depending on specific job roles. These include the Member Relationship Officers and the Event's Co-Ordinator from the reduced 25p per mile fuel reimbursement where their own car has been used. These roles are entitled to 45p per mile fuel reimbursement as agreed with WCC.

Foreign Currency and Use of Corporate Credit Cards Abroad

In limited circumstances it may be necessary for employees to use a Corporate Credit Card while travelling outside the UK; whether that use is for the purchase of goods or for the withdrawal of monies, approval must be sought from the Head of Finance at least 3 weeks before travel is undertaken and such use is made. Corporate credit cards require international activation and will not be permitted for use if this notice is not given.

Authorisation to use the corporate credit card for the withdrawal of money will only be given where it is considered to be of best value and not prohibitively onerous in terms of cost.

Cash will only be used as a last resort when no other payment options are available.

Employees wishing to take foreign currency on travel outside the UK must apply at least 3 weeks in advance of the date of travel detailing how much foreign currency is required and what it will be used for. Any currency not used must be returned to the Head of Finance on the day the employee returns to the office.

All cash transactions must be accounted for in full on the individual's return to work, supported by receipts and authorised by the line manager (as for credit card expenditure). The Fund will seek to recover from the employee any expenditure not supported by an appropriate receipt, or which, in the judgement of the Strategic Director, represents poor value for money

Travel Booking

All required travel outside the UK must be arranged by the Fund's Events Co-ordinator. Employees needing to travel outside the UK must inform the Events Co-ordinator at least one month in advance of the travel date confirming where they are travelling, their itinerary for travel, duration of travel and any airport transfer arrangements.

The Event's Co-ordinator will be responsible for making booking arrangements and providing details to the employee at least 2 weeks in advance of the travel date.

IT requirements when travelling, including telephone use

Employees needing to travel outside the UK must inform the Communications Officer of any data roaming requirements for iPads or iPhones at least one month in advance of travel to enable adequate time for arrangements to be made with WCC ICTS.

When travelling abroad employees remain bound by the reasonable use policy for IT equipment, personal calls may be permitted to confirm arrival and departure, any further calls must be kept to a minimum. Local calls connected to work are permitted.

Travel with Spouse/Dependents/Non-employees

Under no circumstances will travel with spouse or dependents or persons not employed by the Fund be permitted when employees are travelling for Fund business.

PROCESS FOR APPROVAL

1. Employee identifies that travel is required
2. Travel is discussed with the line manager. Where travel is inside the UK, this is authorised by email by the Senior Manager.
3. Where travel is outside the UK, the employee must provide an overview of the purpose for travel and estimated cost to the Strategic Director of Pensions before any further steps are taken such approval must be sought at least 4 weeks in advance of the travel date.
4. The Strategic Director will give an “in-principle” approval to the travel subject to the completion of the following steps.
5. Following the “in-principle” approval the employee must alert the Events Co-ordinator to the proposed travel and date of travel giving at least 4 weeks’ notice of the intended travel. The Events Co-Ordinator will source travel arrangements and accommodation as required and inform the employee of the options for travel. The Events Co-Ordinator will not book any travel until the employee has agreed with the proposed arrangements.
6. The Employee must contact the City Council’s Insurance and Claims Manager to arrange appropriate travel insurance 4 weeks in advance of the intended date of travel. Confirmation of the insurance must be supplied with the Risk Assessment form.
7. The employee must complete the attached Risk Assessment form and undertake research as to any Visa/Passport/Vaccination requirements confirming these (or not) on the form.
8. The Head of Finance must be alerted to the proposed travel and any requests for foreign currency/use of credit card made at the earliest opportunity but at least 3 weeks in advance of the travel.
9. The Communications Officer must be alerted to any requirements for data roaming IT at least 4 weeks in advance of the travel.
10. Once all information is collected, the employee must submit the following documentation to the Strategic Director for approval. No travel is permitted without such approval being given.
 - Risk Assessment Form, to include vaccine details, a photocopy of the employee’s passport, confirmation of insurance
 - Detailed Itinerary confirming contact details for each location
 - Contact details for employee while travelling and of next of kin/emergency contact details in the UK
11. On returning from the travel the employee must give to the Head of Finance any unused currency on the day they return to the office together with all receipts.

12. The employee must also complete the Post trip report form detailing whether the travel achieved its objectives and whether any unknown/unforeseeable circumstances arose.
13. Any expense claims must be submitted to the Head of Finance within 2 weeks of return from travel and include all receipts for expenses claimed.

WEST MIDLANDS PENSION FUND

CUSTOMER FEEDBACK POLICY

1. Purpose

The West Midlands Pension Fund believes in putting our members first and we are constantly looking at ways we can improve the services we provide through regular feedback and focus groups.

The Fund encourages engagement from members and employers and has found that one of the best ways to obtain a true opinion on the services we provide is through the comments, compliments and complaints we receive.

This policy sets out how the Fund manages and responds to comments, compliments and complaints and details what service members can expect to receive when providing this feedback.

2. Scope

This policy applies to all correspondence received by the Fund where a member or stakeholder is providing feedback on any aspect of service the Fund provides and should be adhered to by all Fund staff including those representing it (such as Trustees or pension board members).

3. Comments

Comments are statements provided to the Fund that give an opinion on how we performed or the way the member felt when receiving a service.

Comments can be good or bad and do not necessarily fall into the category of compliment or complaint.

4. Compliments

Compliments are statements of good opinion. Where the member believes the fund has performed well, are happy with the service they received and want to share that good feeling with others.

5. Complaints

Complaints are the opposite of compliments and often contain an opinion about an alleged breach of service standards, a failure to answer a member's question or a feeling by the member that the service they received is not good enough.

To assist in determining a complaint, the Fund has created the below list which seeks to cover a broad range of matters a member may complain about

- A failure to provide a service at the level or standard expected by the customer
- A perceived unhelpful/discourteous attitude from a staff member
- Neglect or delay in responding to a request for service
- A failure to follow the Fund's agreed policies, rules or procedures
- A failure to consider all information in coming to a decision
- Malice, bias or unfair discrimination of all natures.

6. Methods of communication

When seeking feedback the Fund encourages contact through every available medium and will address any comments, compliments or complaints received in any form.

Contact may be made through our customer helpline, verbally on the phone, by letter, email or through feedback forms from one of our events or roadshows.

We also host a feedback form on our website www.wmpfonline.com

7. Exceptions

While the Fund will always try to address any contact received from customers, there may be occasions where we will not be able to deal with the query under this process either because it is covered by a different policy or because we are unable for reasons of business/commercial sensitivity.

The types of areas that we won't deal with through this process include

- Staff/ex staff complaints about employment matters including grievances or disciplinary hearings
- Cases where legal action has started
- Questions or comments that might lead to the release of commercially sensitive information (where this applies the customer will be informed this is the reason)
- Complaints about Trustees or Pension Board Members
- Where the matter is already being dealt with another way

The Fund will offer support and assistance to anyone wanting to provide feedback on our services and where it is not deemed appropriate to deal with the feedback under this policy; we will try to assist by directing them to a more appropriate channel or procedure.

8. Process – Comments

Any comment received will be recorded in a central file on SharePoint (the Fund's intranet) by the individual receiving it and highlighted to the team manager responsible for the service being commented on.

It is not usual for contact to be made with a customer who is providing a comment.

9. Process – Compliments

When the Fund receives a compliment in any topic relevant to the work of the Fund, it is recorded on a central log on SharePoint by the individual receiving the compliment (whether about them or not). The Fund's compliance and risk team have access to this log and will report monthly to the Senior Management Team on the number of compliments received in that period.

Any department or individual who has received a compliment will receive feedback and recognition for the work they have done in assisting that customer.

10. Process – Complaints

When dealing with complaints the Fund will always try to resolve a customer's comments in the first instance however we understand that sometimes customers may feel that the response they receive does not address their concerns.

Where we have made a mistake, we will always try to put it right and the way we might do this includes

- Making an apology
- Providing a full explanation of the circumstances that lead to the mistake
- Review our procedures to ensure they are as effective as possible achieving what they are designed to achieve
- Identify training needs amongst staff.

What will happen to your complaint?

To ensure a fair and balanced approach, the fund has created a 3 stage complaints process, each of which progressing in escalation.

Under each process the investigating officer is required to highlight any potential training needs or staff development opportunities feeding this back to the manager for the service area involved.

Informal process

Where possible the Fund will always deal with complaints at the first point of contact. Often customers contact the fund via our helpline and it is the responsibility of our call handlers to ensure customers calling to complain are given every opportunity to explain their concerns. Call handlers will try and resolve the matter at this point reducing the need for further action.

There will be times when our call handlers are unable to resolve a query raised or the customer requires a further explanation. Where this occurs the formal complaints process will begin and the matter will be formally logged as a complaint and passed to the Fund's compliance and risk team.

Stage One

Where a complaint cannot be resolved in the first instance or is received via email/letter/written correspondence this will start the stage one process which requires the person receiving the complaint to notify the Fund's compliance and risk team. The complaint will be logged on the central system.

Once the compliance and risk team are notified that the complaint has been received, the complainant will receive an acknowledgment that their correspondence has been received and is being reviewed by the Fund's Governance team confirming, the name of the officer appointed to review the complaint.

When investigating the complaint the fund officer will speak to staff members involved and where necessary review members' records.

A response will be issued within 21 days of receiving the complaint. Should this deadline need to be extended in order to provide the opportunity for further investigation, the complainant will be notified before the 21 day deadline.

Stage Two

Where a complaint cannot be resolved under Stage One or the complainant believes their concerns have not been adequately addressed, the matter will progress to Stage Two.

When a complaint progresses to Stage Two, it will be investigated by a Senior Manager at the Fund, usually the Head of Governance, who will review the complaint, review the response provided under Stage One and consider whether the issue has been addressed.

As with Stage One, an acknowledgment will be sent to the complainant confirming their complaint is being considered under the Stage Two process and a full response issued within 21 days.

Stage Three

Should a complaint not be resolved under Stage One or Stage Two, and a member or employer wants to progress further with their complaint, the matter will then progress to Stage Three where the complainant has a right to ask the Strategic Director of Pensions to review their complaint and the responses received.

There may be occasions where a complaint details an event or a circumstance that suggests something has happened that is so serious, it will progress automatically to the Stage Three process.

Under Stage Three the Strategic Director will review all correspondence relating to the complaint and will conduct an investigation as to whether all appropriate action has been taken.

A response will be issued within 21 days.

Local Government Ombudsman

Stage Three is the final stage of the Fund's complaints process. Should a complainant remain unhappy with the response received they do have a right of appeal to the Local Government Ombudsman.

The Local Government Ombudsman does not usually investigate or respond to complaints unless the in-house process has been exhausted. Complainants will therefore need to progress through all 3 stages of the Fund's complaints process before the Ombudsman will become involved.

The Ombudsman may be contacted at the address below

Local Government Ombudsman
PO Box 4771
Coventry
CV4 0EH

Tel: 0300 061 0614

Website: www.lgo.org.uk

11. Complaints monitoring

As part of the Fund's objective in being a customer focused service, we will review all complaints on a monthly basis as part of the Senior Management Team (SMT) meeting. Where it appears that patterns may be emerging in the complaints being received, either by subject or staff member, SMT will discuss this with the service area responsible implementing a review of process or training needs as determined appropriate.

In addition, the compliance monitoring report is presented at each pension committee meeting and any areas for concern with regards complaints are highlighted at this meeting.

12. Officer contacts

Emma Bland, Compliance and Risk Manager

emma.bland@wolverhampton.gov.uk

Tel: 01902 554387

Jennifer Dugmore, Compliance and Risk Officer

Jennifer.dugmore@wolverhampton.gov.uk

Tel: 01902 552092



West Midlands Pension Fund
Communications Strategy Statement 2015
April 2015

Background

The West Midlands Pension Fund is one of the largest pension funds in the United Kingdom with over 275,000 members, in excess of 450 individual employers and over £11bn invested. To maintain a high level of customer service success, it is vital for the Fund to understand the needs of our customers as well as their views on the services and products that we provide. This will assist in maintaining the high level of industry reputation that the Fund holds. The Fund achieves this understanding by ensuring regular dialogue with our stakeholders is established and maintained as part of day-to-day business.

In April 2006, the Local Government Pension Scheme (LGPS) regulations were amended to state that each pension fund administering authority is required to prepare, publish and review regularly its communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

1. Communicating with scheme members;
2. Member self-service (the web portal);
3. Communicating with members' representatives;
4. Communicating with prospective members;
5. Communicating with employing authorities;
6. Customer engagement strategy.

1. Communicating with scheme members

Annual Benefit Statement

An annual benefit statement is made available online for all active and deferred members who are contributing to the Fund or have not received payment of their deferred benefits at the previous financial year. These statements are made available through the Fund's web portal self-service facility. Benefit statements can be issued in paper form on written request.

If there is an instance where a benefit statement cannot be made available, due to incomplete or inaccurate data, we will notify members of this by letter.

wmpfonline.com

The Fund maintains an extensive online resource at wmpfonline.com containing information about the scheme and the details about the current activities of the Fund. There are also links to other relevant partner organisations.

Scheme literature

An extensive range of scheme literature is produced and updated by the Fund for all categories of member. Copies of scheme literature are made available at the Fund's website, wmpfonline.com.

Twitter account

The West Midlands Pension Fund has a twitter account (@wmpfonline) where we provide short information updates.

Telephone helpline – 0300 111 1665

A dedicated low-call rate telephone customer service telephone line is provided for scheme members and is publicised in all outgoing communications.

Pension roadshows

The Fund stages information events in members' places of work. In addition to these roadshows at district council offices, additional events can be held on request, particularly when there may be organisational changes occurring which have pensions implications.

Pensioner pay advice slip and Club Together

All fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In the months of May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March).

Scheme pensioners can also register to use the Fund's web portal application where pay advice information can be viewed electronically and printed at any time following the payment date.

Mailed with the April combined pay advice slip / P60 is a lifestyle newsletter called Club Together. **Club Together** is provided by Paymaster (1836) Limited on behalf of the Fund.

2. Member self-service (the web portal)

An online portal gives members secure access to their Local Government Pension Scheme (LGPS) records.

The facility provides members with the opportunity to update with their personal details, ask questions about their benefits, view annual benefit statements and run pension estimate calculations. Members in receipt of pension are also able to view and change UK bank details via the portal.

3. Communicating with members' representatives

Materials available to members are also available on request to their representatives or through wmpfonline.com.

4. Communicating with prospective members

Scheme booklet and website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets. The website also provides information in order that members are able to make an informed decision about contributing to the Local Government Pension Scheme (LGPS) and how to opt-out of the scheme.

Corporate Induction Courses

Fund officers will attend corporate induction events in order to present to prospective scheme members the benefits of joining the LGPS.

Trade Unions

We work with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request, and efforts will be made to ensure that all pension-related issues are communicated effectively with the trade unions.

5. Communicating with scheme employers

eNewsletter

An electronic newsletter, entitled Employer's Briefing Note is issued on a bi-monthly basis to all employers. This is used to communicate the activities of the Fund and inform of any regulatory changes which may impact on the employer's function or their members' pension benefits.

wmpfonline.com and web portal

The Fund maintains a dedicated area of its website for scheme employers containing news, learning materials and other electronic resources.

Each employer can request to join the Fund's web portal. This allows them secure access to the membership details of their current employees. The portal provides employers with the ability to make changes to member records including working hours and personal details. The web portal also provides the facility to calculate early retirement estimates and any associated early retirement costs.

Dedicated Telephone Helpline - 0300 111 6516

A dedicated low-call rate employer customer service line was introduced during in 2010. This allows the Fund to respond to employer generated telephone calls at peak times.

Annual General Meeting and Mid-Year Review for Employers

The Fund invites each employer to our annual general meeting each winter. This event is used to communicate strategic issues, performance, legislation changes and triennial valuation matters. In addition to this the Fund also holds a similar employer event each summer where employers are kept up-to-date with important issues through presentations and roundtable discussions.

Employer Peer Group

A group consisting of a cross-section of Fund employers meet quarterly to provide feedback on the communication initiatives planned by the Fund for fellow employers.

6. Customer Engagement Strategy

In addition to this document, the West Midlands Pension Fund also publishes a Customer Engagement Strategy.

The document aims to detail:

- who are our customers?
- what is customer engagement to the West Midlands Pension Fund?
- when should customer engagement be considered?
- what types of engagement activities do we undertake?
- how do we use the outputs from customer engagement activities?
- how do we feed back to our customers results and actions from their engagement with us?

The document provides some principles for customer engagement for the West Midlands Pension Fund and as we aim to tailor our strategy to individual customers the document should be viewed as a guide and not as an exhaustive list of engagement activities.

Our Customer Engagement Strategy is updated annually and is available from wmpfonline.com

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WEST MIDLANDS PENSION FUND

INTERNAL DISPUTE RESOLUTION PROCEDURE

The West Midlands Pension Fund believes in putting our members first and we are constantly looking at ways we can improve the services we provide through regular feedback and focus groups.

The Fund encourages engagement from members and employers and has found that one of the best ways to obtain a true opinion on the services we provide is through the comments, compliments and complaints we receive.

This policy sets out the Fund's Internal Dispute Resolution Procedure and details what service you can expect to receive when using this service.

1. Internal Dispute Resolution Procedure (IDRP)

From the day a person starts a job with an employer, to the day when pension benefits are paid, the employer and administering authority have to make decisions (in compliance with the legislation) that affect you as our Member.

Where you are notified of a decision, you must check, as far as possible, that the decision is based on the correct information.

If you are not satisfied with a decision made about you, you have the ability to challenge that decision and invoke the Internal Dispute Resolution Process (IDRP). You may also use this procedure if you believe a decision should have been made, but has not been made.

At any stage during the procedure you can contact the Pension Advisory Service for support and assistance, their details are provided in the Useful Contacts section of this document.

Before starting this procedure, we would encourage you to speak to your employer or in-house pension department, often many issues can be resolved without the need for formal processes.

2. Who can make a complaint?

This procedure applies to disagreements or disputes relating to the Pension Scheme, including decisions made or not made.

Persons who can use this policy include

- Active, deferred and pensioner Members of the scheme
- A widow, widower or surviving dependent of a deceased member of the scheme
- Prospective members of the scheme
- Any person who in the previous six months was entitled to be considered as one of the above
- Any person who believes they should be included in one of the above categories

(In this document all of the above category of persons are referred to as “Members”.)

You can also ask someone to take your complaint forward on your behalf, this may be a trade union representative, welfare officer, a family member or friend. In order to provide information to a representative, the Fund will require confirmation from you that have appointed them and are happy for them to receive correspondence on your behalf.

3. Exceptions

While the Fund will always try to address any contact received from Members, there may be occasions where we will not be able to deal with the query under this process either because it is covered by a different policy or because the complaint is already being addressed under another route.

The types of areas that we won't deal with through this process include

- Staff/ex staff complaints about employment matters including grievances or disciplinary hearings
- Cases where legal action has started
- Complaints about Trustees or Pension Board Members
- Where the matter is already being dealt with another way

4. Time Limits

A member seeking to use this process must do so within six months from the date of the decision or event they wish to complain about.

5. Specified Person

In compliance with the legislation, the Fund has appointed “Specified Persons” to investigate and determine first stage IDRPs complaints.

The Specified Person will be the employer or person who made the decision you wish to challenge.

6. Discretionary policies

Under the Scheme rules, employers are entitled to have discretion on how they apply certain aspects of pension legislation. The West Midlands Pension Fund has no authority to request employers to change these policies and when reviewing appeals under the IDR process, we can only review them in consideration of the discretionary policy implemented by the employer.

7. What will happen to your complaint?

To ensure a fair and balanced approach, the fund has created a 2 stage IDR process.

Methods of communication

When seeking to use this procedure, all correspondence must be in writing and contain the following information

- Name
- Contact details including address, telephone number
- Date of birth
- National insurance number
- The name of any representative acting on your behalf
- Details of the complaint

Stage One

1. On receiving the complaint, the Specified Person will acknowledge its receipt within five working days. Within this acknowledgement will be details of the Pension Advisory Service who are available to assist members and beneficiaries with any difficulties.
2. The Specified Person will then investigate the matter which may include a request for additional information from you and a review of the Scheme rules. The Specified Person will aim to complete their investigation within 4 months. Where an investigation is likely to take longer, you will be notified of the reasons why.
3. On concluding the investigation the Specified Person will issue a decision notice within 15 days of reaching a decision detailing
 - A statement of the decision
 - Any reference to the legislation which supports that decision

- Whether a discretion has been exercised by the decision-maker when making the decision which is the subject of the complaint
- Detailing the right to appeal the outcome of the investigation
- Provide details of the Pension Advisory Service

Appeals – Stage Two

You may appeal against the outcome of the investigation by the Specified Person within 6 months of receiving the notice of their decision. An appeal may also be brought if you have made a challenge under Stage One but it has not been acknowledged or dealt with within the timeframe allowed.

Where you wish to appeal, you must send your appeal to the West Midlands Pension Fund in writing providing

- All of the details provided to the specified person under Stage One
- A copy of the specified person's decision notice
- An explanation of why the Member is unhappy with the decision
- A formal request to review the decision

If an appeal is received after 6 months of the specified person issuing their decision, the Fund may choose not to consider your request for appeal.

Appeal process

1. The Fund will acknowledge the appeal request within five working days providing details of the contact officer investigating the request.
2. The officer will investigate the matter and may request further information from you or the Specified Person. The investigation may take up to four months to complete; any delay in this timescale will be notified to you with the reasons for the delay.
3. On completing the investigation, the officer will notify you of the outcome providing detail as to
 - The decision reached
 - An explanation of how this decision compares to the decision made under Stage One
 - Any reference to the legislation
 - Whether any discretion has been relied upon
 - Contact details for the Pension Advisory Service
 - Information about the Pensions Ombudsman.

The Appeal investigation will involve the fund reconsidering the matters in dispute and we may take into account new information/evidence not presented under the Stage One process provided such new

information/evidence is not so extensive that it creates an entirely new matter to be investigated.

9. Useful contacts

WMPF

Write to us at:
West Midlands Pension Fund
PO Box 3948
Wolverhampton
WV1 1XP

pensionfundenquiries@wolverhampton.gov.uk

Telephone Customer Services on:
0300 111 1665

Visit our website at:
wmpfonline.com

Fax us on:
0845 230 1565

Minicom/Typetalk:
01902 554607

The Pension Advisory Service

TPAS
11 Belgrave Road
London
SW1V 1RB
Fax: 0207 233 8016

Email: enquiries@pensionsadvisoryservice.org.uk

The Pensions Ombudsman
11 Belgrave Road
London
SW1V 1RB

Tel: 0207 834 9144
Fax: 0207 821 0065

Email: enquiries@pensionsombudsman.org.uk
Website: www.pensionsombudsman.org.uk



Pensions Committee

24 June 2015

Report title	Trustee Training 2014/2015	
Originating service	Pension Services	
Accountable employee(s)	Rachel Howe	Head of Governance
	Tel	01902 552091
	Email	Rachel.howe@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. A summary of trustee training activity in the year ending 31 March 2015.

1.0 Purpose

- 1.1 To update Trustees on the training strategy for 2014/2015 detailing the total hours achieved and topics presented.

2.0 Background

- 2.1 The Public Service Pensions Act 2013 provides for the regulation of the LGPS by the Pensions Regulator, and accordingly, the increased emphasis on Trustee training, knowledge and understanding. The Pension Fund Trustee Training Policy is approved each year by Pensions Committee and as part of the policy, training activity undertaken is recorded and reported.
- 2.2 By undertaking Trustee training, Committee members are in a stronger position to make better, more informed decisions and consequently will be able to comply with the increased requirements of the Pensions Regulator.

3.0 Training Policy

- 3.1 A major factor in the governance arrangements of the Fund is to ensure that Committee members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Six areas of knowledge and skills have been identified as core technical requirements for those members 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

- 3.2 Arrangements for regular training are in place, with training delivered through a number of means including external seminars and events, training delivered at Committee meetings, as well as briefings and research material. Training activity undertaken is recorded and quarterly training returns are sent out to all trustees asking them to record additional activity such as online training or reading.

4.0 Training sessions attended during 2014/2015

4.1 In the period 2014/15, training included

- Induction training for all new and returning Committee members
- Employer Mid-Year review covering actuarial valuation; next steps, investment strategy and performance, responsible investment, Governance reform and the importance of data security and quality
- Employer AGM covering
 - Understanding finance and pensions accounting
 - Update on Governance reforms
- Report and Accounts
- Implementing Governance reform
- External conferences, (LAPFF, etc.)
- Investment related training including:
 - Asset allocation
 - Equity management
 - Investment risk
 - Behavioural finance
 - Indirect property funds
 - Fixed interest investment
 - Private equity
 - Opportunities for infrastructure investment
 - Responsible investment

4.2 The Fund hosts an induction session for new Trustees at the start of each municipal year. For the year 2014/15, most Trustees (both new and current) attended the induction course.

4.3 As highlighted above, the Fund is a member of LAPFF, which is an investor membership body consisting of 64 UK public sector pension funds that engages with investee companies on issues such as climate change, child labour and breaches of the Combined Code. The Chair of the Pensions Committee regularly attends LAPFF meetings and its activities are reported on a quarterly basis to other members of the Pensions Committee. LAPFF also advises on other areas including best practice and members receive presentations from managers specialising in ESG investment.

4.4 LAPFF holds an annual two day conference which Committee members attend. Issues addressed at the 2014 were themed around Productive Investment: Public funds and public purpose and included:

- What kind of Infrastructure Investment do we need?
- Mergers and acquisitions
- Rt Hon the Lord Heseltine CG, No Stone unturned, urban regeneration
- International activism
- LGPS issues
- Building cities for the future
- Executive pay: Alignment or Intrinsic value
- Board diversity and director competencies
- How better business practice can drive both market and social returns

4.5 Details of the training reports and presentations provided to the Pensions Committee and Investment Advisory Sub-Committee during 2014/15 are as follows:

Local Government Pension Scheme reform	25 June 2014
Performance and Risk Measurement	24 September 2014
Proposed changes in listed equities structure and management arrangements	10 December 2014
Investment management costs and long term performance	18 March 2015

4.3 A copy of the recorded training hours is attached at Appendix One.

5.0 Financial implications

5.1 There are no financial implications.

6.0 Legal implications

6.1 As outlined in the report, Trustees have a duty to ensure they meet the CIPFA Skills and Knowledge requirements, failure to meet this duty may result in the Fund being challenged on its ability to take decisions.

7.0 Equalities implications

7.1 There are no Equalities Implications.

8.0 Environmental implications

8.1 The report contains no direct environmental implications.

9.0 Human Resources implications

9.1 The report contains no direct human resources implications.

10.0 Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 None.

12.0 Schedule of appendices

12.1 Appendix One: Summary of training hours.

Appendix A

Summary of recorded trustee training by member 01.04.14 to 31.03.15					
Name	Structured training	Committee	Conference and seminars	Reading and additional development	Total
Afzal	0.00	2.00	15.00	0.00	17.00
Arif	3.50	3.75	25.50	0.00	32.75
Bilson	0.00	2.00	23.00	0.00	25.00
Brookfield	6.00	2.75	15.00	20.00	43.75
Cantello	12.50	2.00	64.00	111.00	189.50
Clift	0.00	2.75	9.00	0.00	11.75
Evans	0.00	1.75	0.00	0.00	1.75
Gannon	0.00	1.75	0.00	0.00	1.75
Harris	3.00	2.25	17.50	0.00	22.75
Heap	0.00	0.75	3.00	0.00	3.75
Hevican	9.50	3.00	19.00	0.00	31.50
Jaspal	12.50	1.00	23.00	0.00	36.50
McGregor	3.50	0.75	3.00	6.00	13.25
P Singh	8.00	1.75	16.50	0.00	26.25
Page	8.00	1.75	19.00	0.00	28.75
Rebeiro	6.00	3.00	28.00	176.00	213.00
Samuels	3.50	0.00	0.00	0.00	3.50
Shah	0.00	1.75	0.00	0.00	1.75
Silvester	9.00	2.75	28.50	0.00	40.25
Smith	0.00	2.00	28.50	13.00	43.50
T Singh	10.00	3.75	31.00	0.00	44.75
Turner	0.00	3.75	28.50	0.00	32.25
Total	95.00	47.00	397.00	326.00	865.00



Pensions Committee

24 June 2015

Report title	Risk and compliance monitoring 1 January – 31 March 2015	
Originating service	Pension Services	
Accountable employee(s)	Emma Bland Tel Email	Compliance and Risk Manager 01902 554387 emma.bland@wolverhampton.gov.uk
Report has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to:

1. Note the risk register for West Midlands Pension Fund.
2. Note the changed approach to risk and compliance monitoring.
3. Note that no significant compliance issues have arisen during the quarter.

1.0 Purpose

- 1.1 To provide the Pensions Committee with the revised risk register, feedback on the quarterly compliance monitoring programme and to explain the changed approach to risk and compliance monitoring.

2.0 Background

- 2.1 At the 18th March 2015 Pensions Committee, the Compliance and Risk Team presented the top ten risks identified within the Fund and stated that the full risk register would be presented to this 24th June Committee. Since then the team has undertaken a review of the risks and associated compliance tests as it was felt that the current system for monitoring was no longer suitable to the Fund's more proactive way of working.

3.0 Risk register

- 3.1 To ensure all risks were captured, the team involved all staff from across the Fund and attended individual sections' management meetings. In addition a staff briefing was given to raise awareness of the register and staff were given the opportunity to comment on the register.
- 3.2 In addition to this, the team referred to CIPFA guidance and spoke to four of the Fund's investment managers to find out how they monitor risk including engaging with staff and carrying out compliance testing.
- 3.3 Following these discussions with staff and external bodies, the team has decided to focus on a top 20 list of risks, shown in Appendix 1. These risks are assessed using a 5 x 5 scoring matrix to decide how likely they are to occur and how much of an impact they would have; the matrix is shown in Appendix 2.
- 3.4 The top 20 risks are split between the Fund's four sections (finance, governance, investments and pensions administration) and may change from time to time depending on any circumstances that arise. This makes the risk register a live document which will be monitored through quarterly engagement with each section of the Fund.
- 3.5 Additionally a risk workshop will be held as part of the induction training for trustees on 22nd July which all Trustees are asked to attend.

4.0 Compliance monitoring programme

- 4.1 The Fund has in place a programme, which aims to ensure its internal and external operations meet acceptable standards and where possible best practice. External operations include those of the custodian, investment managers and other third parties such as Civica. Internal operations cover areas such as in-house investment management, finance, governance and administration of members' benefits.

4.2 The programme has been reviewed and amended where necessary to ensure it is now directly linked to the top 20 risks; testing the effectiveness of the controls in place to manage and mitigate these risks.

4.3 Some tests which were linked to “low risks” have been deleted and replaced with new tests to monitor the top 20. The new tests which have been introduced are summarised below:-

4.3.1 Investments

- More in-depth testing around monitoring of the custodian, for example ensuring that the custodian’s reconciliation to investment manager valuations is within tolerable limits and where this isn’t the case, that the custodian has followed up and rectified discrepancies where appropriate.
- Whilst the Compliance and Risk Team previously tested personal dealing and front-running, following the recent introduction of in-house active equities management, the Team, in liaison with the Investments Team, has introduced more robust monitoring in these areas.

4.3.2 Pensions Administration

- More in-depth testing around covenant strength has been introduced, ensuring that all employers’ covenant strengths have been assessed and risk rated and that where there are concerns, employers have been contacted as appropriate.
- Regarding data quality, that common and conditional data reports (which identify issues) are run regularly, that an action plan is put in place to address these issues and progress against this.

4.3.3 Governance

- More in-depth testing of the business continuity plan to ensure third parties are able to meet the Fund’s requirements in an incident.
- More in-depth testing to ensure that staff access levels across all Fund systems are appropriate in relation to their seniority and duties.

4.3.4 This programme is shown in Appendix 3 (as an exempt item), again split by section.

5.0 Reporting

5.1 In the past the risk register has been presented to Pensions Committee annually and compliance monitoring presented quarterly.

5.2 To align the compliance monitoring with the risk register, both will be brought together to Committee each quarter.

6.0 Monitoring programme – January to March 2015

6.1 The tests carried out by the Compliance and Risk Team for the January to March 2015 quarter, along with any findings, are outlined below:-

6.2 Under Pensions Administration, testing to ensure;

- Contributions were received from employers by the deadline.
- Any new employers in the quarter have a suitable guarantee in place.
- Notification of death benefits were sent out timely and accurately and that payments made were in accordance with the scheme rules.
- That where the Fund was notified of changes to members' details, the changes were acknowledged by the Fund and carried out in accordance with the notification.
- The common data report (which identifies data quality issues) was run monthly.

There are no issues to report. Some minor issues regarding death benefits had already been rectified with no impact on the member's record.

6.3 Under Governance, testing to ensure that;

- The correct staff have access to Rota (the Fund's working hours recording system) and that those staff have the appropriate level of access for their seniority and duties.
- All known breaches were recorded in the breaches register and reported to the Council's Information Governance Team.
- The four freedom of information requests received during the quarter were recorded and responded to within statutory timescales.
- The business continuity plan was tested.
- The contracts register was updated for any new contracts.
- The Fund published information required under the Local Government Transparency Code 2015.
- Gifts and hospitality were recorded and dealt with in accordance with the Fund's Gifts and hospitality policy
- The recommended 22 hours of training was undertaken by each trustee and that training was provided to address any training needs identified.

Rota access was fully revised and amended during the quarter. This forms part of a wider information governance programme to review staff access levels across all Fund systems.

There was one breach during the quarter where personal data was sent to the wrong address. The affected member was contacted and the team reminded to take care when entering data into the pensions system.

64% of trustees undertook 22 hours or more of training during 2014/15. At the end of each training session, trustees are given the opportunity to suggest other training which they feel would be beneficial. To improve training going forward, the Trustee Management Officer is investigating the use of a training needs analysis.

- 6.4 Under Finance, testing to ensure that;
- Payments were processed within the Fund's stipulated timescales.
 - That minimum and maximum levels of cash were not exceeded without valid reason.

Transfer out payments within ten days were below target, due to the majority of transfer outs still having to be processed manually outside the pensions system, as calculations are implemented on the system. There are no other issues to report.

- 6.5 Under Investments, testing to ensure that;
- Corporate actions were processed appropriately.
 - Investment manager invoices were accurate.
 - Holdings were accurately recorded on the Fund's accounting system.
 - The actual asset allocation complies with investment regulations and the strategic asset allocation.
 - Best execution was achieved for a sample of purchase and sale transactions.

There are no issues to report.

7.0 Financial implications

7.1 The compliance monitoring Programme ensures has not identified any areas of high concern.

7.2 The only area to note is regarding delays in transfer out payments (aforementioned in 6.4). However in comparison to the size of the Fund, this is not significant in financial terms and therefore there are no financial implications arising from this report.

8.0 Legal implications

8.1 The need for effective risk management is reflected throughout guidance and regulation in the LGPS, notably in Regulation 12(2) of the *Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009*.

8.2 The Pensions Committee, as the body charged with governance of the administering authority's pensions operations, takes the responsibility for ensuring that there is effective risk management over those operations.

9.0 Equalities implications

9.1 This report contains no direct equal opportunities implications.

10.0 Environmental implications

10.1 This report contains no direct environmental implications.

11.0 Human resources implications

11.1 The report contains no direct human resource implications.

12.0 Corporate Landlord

12.1 There are no corporate landlord implications.

13.0 Schedule of background papers

13.1 Agenda item no. 12 at the 18th March 2015 Pensions Committee: *Pension Services – risk register review, which can be found at:-*

<http://wolverhampton.moderngov.co.uk/ieListDocuments.aspx?CId=186&MId=4115&Ver=4>

14.0 Schedule of Appendices

14.1 Appendix 1 – West Midlands Pension Fund Risk Register

Appendix 2 – Impact and likelihood key

Appendix 3 – West Midlands Pension Fund Compliance Monitoring - **EXEMPT**

PENSIONS ADMINISTRATION RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Pensions Administration	PA1	The Pensions Administration Strategy (PAS) is not complied with by employers.	<ul style="list-style-type: none"> The PAS is not enforced Employers are unaware of their responsibilities under the PAS 	<ul style="list-style-type: none"> Customer detriment Reduced cash flow Inability to exert authority 	High (4)	Very high (5)	High (20)	<ol style="list-style-type: none"> Communication with employers at the Annual General Meeting (AGM) to ensure they understand the PAS and their requirements under it. The PAS is also sent out to employers for consultation. Employers adherence to the PAS is monitored. PAS regularly reviewed and cleared by committee. Monthly monitoring of contribution payments by Finance. 	<ol style="list-style-type: none"> Implemented Implemented Implemented Implemented 	<ol style="list-style-type: none"> 100% 33% 100% 100% 	High (4)	High (4)	High (16)	<ol style="list-style-type: none"> Annually Annually Annually Monthly 	<ol style="list-style-type: none"> Dec 15 Apr 16 Mar 16 Jun 15 	Head of Pensions Administration
In Top 20	To improve our funding level	Pensions Administration	PA2	Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing.	<ul style="list-style-type: none"> Employer covenant is not strong enough and/or no suitable guarantor is in place. 	<ul style="list-style-type: none"> Increase in liabilities for existing employers. 	High (4)	High (4)	High (16)	<ol style="list-style-type: none"> All new employer bodies need to have a suitable guarantee/covenant in place prior to being admitted into the scheme Monitoring is carried out on existing employers and the covenant strength is assessed and each employer is risk rated. Higher risk employers are monitored closely by the Employer Team Where there are concerns, the Fund opens dialogue with the relevant employers and where possible, arranges face-to-face meetings to explore their situation in more detail. Once the Fund has a more detailed understanding of the situation, it will discuss the possibility of the provision of additional security by those organisations to further strengthen their covenant. 	<ol style="list-style-type: none"> Implemented In progress In progress In progress 	<ol style="list-style-type: none"> 100% 60% 100% 15% 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Quarterly Quarterly Quarterly Quarterly 	<ol style="list-style-type: none"> Jun 15 	Head of Pensions Administration
In Top 20	To provide excellent customer service	Pensions Administration	PA3	Pension benefits are calculated with inaccurate or incomplete data.	<ul style="list-style-type: none"> Member records have not been accurately maintained or are missing key data Data provided from external sources is inaccurate 	<ul style="list-style-type: none"> Overpayment of pensions Reputational damage Censure from regulators 	Medium (3)	Very high (5)	High (15)	<ol style="list-style-type: none"> Robust process in place to ensure accuracy of calculations, including officer checking. Induction training to ensure officers are suitably skilled, as well as regular staff training to raise awareness of the importance of data quality. Data quality reviews of common and conditional data in place and reported to Committee quarterly. The PAS sets out expectations and requirements of employers in relation to data quality. Communication with employers at AGM to stress the importance of complete and accurate data. Data validation checks undertaken:- <ol style="list-style-type: none"> by actuary at valuation through National Fraud Initiative through Millenium Halo Web portal in place for members to input their details Bulk data import in place for employers to load their joiners data straight to the Fund's system - reviewed at Employer Peer Group Bulk data import in progress for employers to load their member changes data straight to the Fund's system - reviewed at Employer Peer Group Bulk data import to enable employers to load their early leavers data straight to the Fund's system has been put on hold. The Fund provided a specification for this to Civica, but then found that Civica are producing a standard product which is likely to be cheaper - reviewed at Employer Peer Group Individual member changes and individual early leavers data can be loaded straight to the Fund's system by employers. 	<ol style="list-style-type: none"> Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented Implemented 	<ol style="list-style-type: none"> 100% 100% 100% 100% 100% 100% 100% 100% 95% 0% 100% 	Medium (3)	High (4)	Medium (12)	<ol style="list-style-type: none"> Quarterly On-going Quarterly Annually Annually Triennially Every 2 years Monthly On-going Quarterly Quarterly Quarterly 	<ol style="list-style-type: none"> Jun 15 N/A 24 Jun 15 Mar 16 Dec 15 Mar 16 Mar 16 May 15 N/A 21 May 15 21 May 15 21 May 15 	Head of Pensions Administration

WEST MIDLANDS PENSION FUND RISK REGISTER
As at 31 March 2015

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To improve our funding level	Pensions Administration	PA4	Payment of pensions are not made.	<ul style="list-style-type: none"> Failure of payroll system (Civica) Poor cash flow management Unavailability of system due to incident at premises 	<ul style="list-style-type: none"> Reputational damage Potential interest charges May need to sell assets at unattractive times 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Ensure contingencies are put in place to cover the pensions payroll - e.g. Civica could be notified to repeat the previous month's payments. Monthly cash flow monitoring is conducted by the Finance team with regular reports to Investment Management Team (IMT) meetings. Fund holds liquid assets. Business continuity plan in place including ability to access systems from home. 	1. Implemented	100%	High (4)	Low (2)	Medium (8)	1. Annually	Feb 16	Head of Pensions Administration
											2. Implemented	100%				2. Monthly	Jun 15	
											3. Implemented	100%				3. Monthly	Jun 15	
											4. Implemented	100%				4. Annually	Feb 16	
In Top 20	To provide excellent customer service	Pensions Administration	PA5	The Fund does not complete the GMP reconciliation.	<ul style="list-style-type: none"> The reconciliation is too work intensive to achieve within the HMRC stipulated timescales. 	<ul style="list-style-type: none"> Customer detriment Reputational damage Possible impact on valuation results 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> A project is underway to achieve this by July 2016. 	1. In progress	10%	High (4)	Low (2)	Medium (8)	Monthly	Jun 15	Head of Pensions Administration
In Top 20	To provide excellent customer service	Pensions Administration	PA6	The Scheme is not administered in line with regulations and policies (e.g. revaluation of CARE benefits for active members, LGPS 2014)	<ul style="list-style-type: none"> Regulations are not fully understood or are implemented incorrectly. Necessary system enhancements required to support the change are delayed. 	<ul style="list-style-type: none"> Reputational damage. Potential compensation claims for underpaid benefits or losses from overpaid pensions. 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Technical team in place to help translate regulations and to ensure new systems meet regulatory requirements. 	1. In progress	70%	High (4)	Low (2)	Medium (8)	Fortnightly	W/c 5th May 2015	Head of Pensions Administration
										<ol style="list-style-type: none"> Robust testing process for any system changes. 	2. In progress							
										<ol style="list-style-type: none"> Use of other Fund's (that use UPM) knowledge. 	3. In progress							
										<ol style="list-style-type: none"> Civica have enhanced their specialist LGPS knowledge and can challenge any changes which do not adhere to the regulations. 	4. In progress							
										<ol style="list-style-type: none"> Communication that there may be a short period where turnaround times may not meet performance measures due to desire to maintain accuracy during the period of change. 	5. Implemented							
										<ol style="list-style-type: none"> Manual (rather than automated) calculation of pensionable service and associated benefits. 	6. Implemented							
In Top 20	To provide excellent customer service	Pensions Administration	PA7	Scheme members are not protected from Pensions Liberation fraud/Freedom of choice.	Inadequate transfer out process. Insufficient information to members to warn them of Pension Liberation Fraud/Freedom of choice.	<ul style="list-style-type: none"> Reputational damage. Censure from regulator. Increased number of transfers out. Possible claims from transferred out members. 	Medium (3)	Medium (3)	Medium (9)	<ol style="list-style-type: none"> Transfer out process reviewed to ensure it meets the requirements of the Pension Regulator and LGE. 	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Jun 15	Head of Pensions Administration	
										<ol style="list-style-type: none"> Appropriate Liberation Fraud information is issued to all members requesting a transfer. 	2. Implemented	100%						
										<ol style="list-style-type: none"> Customer services staff trained to identify possible cases and to send them for review as applicable. 	3. Implemented	100%						
										<ol style="list-style-type: none"> Management review step in transfer out process and cheque has to be signed by the Strategic Director of Pensions with confirmation of management review step. 	4. Implemented	100%						

INVESTMENT RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To achieve target investment returns	Investments	11	Investment strategy is implemented poorly.	<ul style="list-style-type: none"> The Funding Strategy Statement (FSS) and Statement of Investment Principles (SIP) have not been considered or consulted when implementing the investment strategy. Inadequate planning and management. 	<ul style="list-style-type: none"> Financial loss Reputational damage Regulatory risk 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Planning by staff. The asset allocation/strategy are reviewed annually with reference to the FSS and SIP, to ensure that they continue to reflect each other. Pension Committee (PC), Investment Advisory Sub-Committee (IASC) and Investment Advisory Panel (IAP) oversight. 	Implemented	100%	High (4)	Low (2)	Medium (8)	<ol style="list-style-type: none"> Annually Annually Quarterly 	Jun 15 Jun 15 Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	12	Fund does not achieve investment returns.	<ul style="list-style-type: none"> Poor market returns Unexpected volatile markets 	<ul style="list-style-type: none"> Increase in funding deficits 	High (4)	High (4)	Medium (16)	<ol style="list-style-type: none"> Diversified portfolio. Monthly monitoring of investment manager performance at IMT meetings. Regular monitoring of market conditions. 	Implemented	100%	High (4)	Low (2)	Medium (8)	Monthly	Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	13	The Fund has an inappropriate asset allocation.	<ul style="list-style-type: none"> Trustees and officers do not receive appropriate investment advice and/or are not suitably skilled to make the decisions they are tasked with. 	<ul style="list-style-type: none"> The fund investment strategy does not deliver growth in line with expectations which has an adverse impact on the funding level. Increase in funding deficit 	High (4)	Medium (3)	Medium (12)	<ol style="list-style-type: none"> Asset allocation is reviewed alongside Asset Liability Modelling (ALM) and the Funding Strategy Statement (FSS). Investment specialists give presentations at Pensions Committee and Trustees are provided with regular training. Support and guidance from professional and experienced staff. Structure in place for the setting and approval of the asset allocation. The Fund has independent advisors and an Investment Advisory Panel (IAP) to oversee investment management. 	Implemented	100%	Medium (3)	Low (2)	Medium (6)	<ol style="list-style-type: none"> Annually Annually Monthly Monthly N/A 	Jun 15 Jun 15 Jun 15 Jun 15 N/A	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	14	Poor fund manager selection.	<ul style="list-style-type: none"> Inadequate due diligence carried out on prospective opportunities 	<ul style="list-style-type: none"> Financial loss Reputational damage 	Low (2)	High (4)	Medium (8)	<ol style="list-style-type: none"> Due diligence is carried out on all investment managers prior to agreeing to invest. Any investment is approved by the Assistant Director - Investments and the Strategic Director of Pensions. Manager performance is monitored at monthly Investment meetings. 	Implemented	100%	Low (2)	Medium (3)	Medium (6)	Adhoc Monthly	N/A Jun 15	Assistant Director - Investments
In Top 20	To achieve target investment returns	Investments	15	Investment Managers/custodian internal control arrangements expose the Fund to loss of assets.	<ul style="list-style-type: none"> Insufficient due diligence and monitoring results in failings not being identified Inadequate record keeping of assets Lack of reconciliation of assets held No oversight of fund assets held by third parties 	<ul style="list-style-type: none"> Loss of assets or value Reduced investment income 	Medium (3)	Medium (3)	Medium (9)	<ol style="list-style-type: none"> Annual review of AAF/Internal Control reports for managers. Compliance questionnaires sent out to managers bi-annually. Compliance visits to managers where issues are identified Internal control arrangements reviewed in due diligence process on manager selection. Monthly reconciliations of assets is conducted. Annual review of custodian. Regular valuation and benchmarking exercises carried out. Use of a highly respected global custodian for safekeeping of assets and entitlements. Trained and experienced staff. Regular reconciliations of assets including physical reconciliation of ownership documentation. Collateral collected prior to all stock lending arrangements and the collateral received is greater than that lent out. Reputable custodian 	<ol style="list-style-type: none"> Implemented In progress Implemented Implemented 	100%	Medium (3)	Low (2)	Medium (6)	<ol style="list-style-type: none"> Annual Monthly 7 - 9. Annually Quarterly 	Jun 15 Jun 15 Feb 16 Jun 15	Assistant Director - Investments Assistant Director - Investments Assistant Director - Investments

GOVERNANCE RISKS

Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To become a top performing fund	Governance	C1	The Fund breaches Information Security and Data Quality regulations.	<ul style="list-style-type: none"> Poor data quality or insufficient training and security arrangements in place for Fund information. 	<ul style="list-style-type: none"> Reputational damage Possible censure from regulators 	Medium (3)	Very high (5)	High (15)	1. Staff training for all staff on data protection	1. Implemented	100%	Medium (3)	High (4)	Medium (12)	Annually	Dec 15	Head of Governance
										2. In-depth training for senior managers on information governance	2. Implemented	100%						
										3. There is an information governance project underway in preparation for an information governance audit in December.	3. In progress	50%						
										4. Data encryption and password protection	4. Implemented	100%						
										5. Use of file transfer protocol	5. Implemented	100%						
										6. All information security breaches are reported and any systemic issues are identified and corrected.	6. Implemented	100%						
										7. The Fund publishes quarterly it's tenders, contracts, spend over £500 and staff credit card spend.	7. Implemented	100%						
										8. System back-up to protect against data loss.	8. Implemented	100%						
In Top 20	To become a top performing fund	Governance	C2	Elected members and pension board representatives do not maintain appropriate levels of independence from their authorities	<ul style="list-style-type: none"> Members are not fully aware of their duties as trustees Undue pressure from employers represented on the Pensions Committee to achieve beneficial outcomes 	<ul style="list-style-type: none"> Lower contribution rates could be set that put future solvency at risk Reputational damage 	High (4)	High (4)	High (16)	1. Full trustee induction training is provided to members on joining the Pensions Committee and Pensions Board to inform them of their duties and responsibilities.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)	Quarterly	24 Jun 15	Head of Governance
										2. There are sufficient numbers on the Committee to ensure that the Fund's interests are put before individual authorities.	2. Implemented	100%						
										3. Members are bound by codes of conduct.	3. Implemented	100%						
										4. Conflicts of interest policy in place for Pensions Committee and Pensions Board	4. Implemented	100%						
In Top 20	To become a top performing fund.	Governance	C3	There is insufficient independence between the Fund and the Administering Authority.	No clear delegation of powers. Unequal representation from employer groups on the Pensions Committee.	Undue influence from Administering Authority could detriment other scheme employers. Reputational damage.	High (4)	High (4)	High (16)	1. All districts are represented and have voting powers.	1. Implemented	100%	High (4)	Medium (3)	Medium (12)	Quarterly	24 Jun 15	Head of Governance
										2. Clear delegation of authority within the Council and the Fund's separate constitutions, setting out the roles and responsibilities of the Fund.	2. Implemented	100%						
										3. Conflicts of interest policy in place for Pensions Committee and Pensions Board.	3. Implemented	100%						
In Top 20	To provide excellent customer service	Governance	C4	The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	<ul style="list-style-type: none"> Inability of WCC to be able to recover data or to provide the Fund with adequate systems following a disaster recovery incident. 	<ul style="list-style-type: none"> The Fund cannot continue to operate and deliver its priority services. 	High (4)	Medium (3)	Medium (12)	1. Business continuity plan in place for incidents which deny access to Mander House. Includes ability to access systems from home. The plan is regularly reviewed and tested.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Feb 16	Head of Governance
										2. WCC has 2 servers at a primary site (the Civic Centre) and 2 servers at a secondary site (Stafford County Council). The Fund's data is mirrored at both sites.	2. Implemented	100%						
										3. Testing of the business continuity plan by WCC is in the early stages. Compliance and Risk Team to liaise with WCC's IT department, to ensure testing takes place.	3. In progress	10%						
In Top 20	To become a top performing fund	Governance	C5	Fund processes are subject to fraud.	<ul style="list-style-type: none"> Suitable controls are not in place within Fund processes and systems Processes are not adequately documented 	<ul style="list-style-type: none"> Financial loss and reputational damage. 	High (4)	Medium (3)	Medium (12)	1. Pensions system has built in controls which require segregation of duties.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Jul 15	Head of Governance
										2. Regular external and internal audit reviews carried out on Fund systems and processes.	2. Implemented	100%						
										3. Annual undertaking for all staff in relation to conduct and behaviour.	3. Implemented	100%						
										4. The fund is included in WCC's Fraud programme.	4. Implemented	100%						
In Top 20	To provide excellent customer service	Governance	C6	Failure to replace key officers who leave the Fund.	<ul style="list-style-type: none"> No formal succession planning or contingency plans. Unable to recruit and retain staff 	<ul style="list-style-type: none"> Remaining staff do not have the skills to pick up their areas of work. Inability to authorise payments without 	Medium (3)	Medium (3)	Medium (9)	1. Staffing structure and training/development plans of the Fund are such that a certain degree of natural succession is available.	1. Implemented	100%	Medium (3)	Low (2)	Medium (6)	Annually	Jul 15	Head of Governance
										2. Exit plans are in place for officers when they leave to ensure that key tasks etc. are picked up.	2. Implemented	100%						
										3. Signatory lists are reviewed regularly.	3. Implemented	100%						

FINANCE RISKS																		
Top 20	Objective at risk	Details of risk, including consequences					Assessment of risk (Assume NO controls in place)			Control	Status (e.g. implemented, in progress, proposed)	% Complete	Assessment of risk (Control measures in place)			Review frequency	Date of next review	Risk owner
		Area at risk	Risk ref.	Risk event	Cause	Effect	Impact	Likelihood	Risk rating				Impact	Likelihood	Risk rating			
In Top 20	To provide excellent customer service	Finance	E1	Payments are delayed	<ul style="list-style-type: none"> Increase in workloads e.g. due to influx of retirements/deaths New staff who are not fully trained on the systems and processes 	<ul style="list-style-type: none"> Reputational damage Potential interest payments Possible regulatory censure 	Low (2)	High (4)	Medium (8)	1. Processes in place for checking and making payments promptly. 2. Increase in communication between departments.	1. Implemented 2. Implemented	100% 100%	Low (2)	Medium (3)	Medium (6)	Monthly	Jun 15	Head of Finance
In Top 20	To become a top performing Fund	Finance	E2	Inability to settle trades due to inadequate cash flow.	<ul style="list-style-type: none"> No dialogue between Investments and Finance about requirements Poor management of cash flow 	<ul style="list-style-type: none"> Reputational impact Possible interest charges 	Medium (3)	High (4)	Medium (12)	1. Monthly cash flow monitoring is conducted by the Finance team with regular reports to IMT. 2. Fund holds liquid assets, the levels of which it reviews at monthly IMT meetings. 3. Constant dialogue between investments and finance setting out investment intentions early.	1. Implemented 2. Implemented 3. Implemented	100% 100% 100%	Medium (3)	Low (2)	Medium (6)	1. Monthly 2. Monthly 3. Monthly	Jun 15 Jun 15 Jun 15	Head of Finance

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The Fund uses a 5-point scoring system to assess likelihood and impact of the risks it identifies.

Likelihood	Definition	Scale	Value
Very high	Extremely likely to occur	71-99% chance	5
High	Fairly likely to occur	51-70% chance	4
Medium	Possible it may occur	31-50% chance	3
Low	Low but not impossible	11-30% chance	2
Very low	Very low but not impossible	Up to 10% chance	1

Impact Score	Impact Rating	General Description	Financial Impact	Regulatory Impact	Reputational Impact	Customer Impact
1	Very Low	Potential that one or a combination of risk exposures have no or very little impact on the Fund's objectives. Could impact day to day operational objective accomplishment / operating processes, but are very unlikely to affect overall achievement of the Fund's business objectives.	Less than £10m	<ul style="list-style-type: none"> No known regulatory impact 	<ul style="list-style-type: none"> No known reputational impact 	<ul style="list-style-type: none"> No known customer impact
2	Low	Potential that one or a combination of risk exposures could have a minor impact on the achievement of tactical/programme level objectives, could impact day to day operational level objective accomplishment/operating processes, but are less likely to affect overall achievement of the Fund's business objectives in the medium or long term.	£10m - £25m	<ul style="list-style-type: none"> Issue is isolated and no formal enquiry by regulator 	<ul style="list-style-type: none"> Informal rumours Issue kept internal Litigation unlikely 	<ul style="list-style-type: none"> Remediation action required for individual members Stakeholder disgruntlement
3	Medium	Potential that one or a combination of risk exposures could have a major impact on the achievement of tactical/programme level objectives, could impact day to day operational level objective accomplishment/operating processes, but are less likely to affect overall achievement of the Fund's business objectives in the medium or long term.	£25m - £100m	<ul style="list-style-type: none"> Isolated breaches of a Regulatory Compliance obligation, but no systemic issues identified. Formal notification given to the regulator which may trigger fines. 	<ul style="list-style-type: none"> Unlikely external media coverage Issue kept largely internal Litigation unlikely 	<ul style="list-style-type: none"> Remediation and compensation required on a group of members affected but issue can be resolved in short term.
4	High	Potential that one or a combination of risk exposures could have a fundamental impact on the Fund's achievement of tactical/programme, project level or operational business objectives, performance plans, and execution of operating processes. If left uncorrected, risk exposure (s) may have the potential to affect strategic achievement of business objectives in the short, medium or long term.	£100m - £500m	<ul style="list-style-type: none"> Isolated breaches of a Regulatory Compliance obligation, but no systemic issues identified. Invokes a formal enquiry by a regulator. 	<ul style="list-style-type: none"> Localised media coverage. Likely to affect turnover by less than 10%. Limited potential for litigation 	<ul style="list-style-type: none"> Spike of incoming complaints.
5	Very High	Potential that one or a combination of risk exposures could have an extreme impact on the Fund's achievement of strategic business objectives, performance plans and/or external reputation with key stakeholders and the business environment in the short medium term.	Over £500m	<ul style="list-style-type: none"> Systemic breaches of a Regulatory Compliance obligation. Invokes formal regulatory investigation or enquiry. Investigation leading to fines and review of licence retention. 	<ul style="list-style-type: none"> Widespread trade press media coverage that questions financial/ethical health of the Fund Potential for litigation if not adequately addressed. 	<ul style="list-style-type: none"> Majority of clients affected with long term implications Large scale customer loss Record level of incoming complaints

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Pensions Committee

24 June 2015

Report title	Draft Annual Report and Accounts 2014/15 (Including Operating Budgets Outturn 2014/15)	
Originating service	Pension Services	
Accountable employee(s)	David Kane Tel Email	Head of Finance 01902 554423 david.kane@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 geik.drever@wolverhampton.gov.uk

Recommendation(s) for action or decision:

The Committee is recommended to approve:

1. The draft annual report for the year ending 31 March 2015;

The Committee is recommended to note:

2. The outturn against operating budgets, which is an under spend of £3.7 million, and performance for the year against the Fund's key performance indicators;
3. That the draft accounts have been certified by the Section 151 Officer as required by regulations;
4. That the draft annual report and accounts will now be subject to audit by the Fund's external auditors, PricewaterhouseCoopers, with the final version, including their audit opinion, to be reported to the Committee in September.

1.0 Purpose

- 1.1 The purpose of this report is to seek the Committee's approval of the draft annual report for the year ending 31 March 2015, and to inform Committee of the outturn against operating budgets and performance against key performance indicators (KPIs) for the year.

2.0 Background

- 2.1 Local Government Pension Scheme (LGPS) funds are required by law to produce an annual report and statement of accounts. These must be subject to external audit, and published no later than 30 September (accounts) and 1 December (annual report).
- 2.2 In preparing their annual report and accounts, funds must have regard to proper practice, and to any guidance which has the effective standing of 'statutory guidance'. These are:
- for the statement of accounts, 'The Code of Practice on Local Authority Accounting in the United Kingdom 2014/15' (CIPFA) ('the Code');
 - for the annual report, 'Preparing the Annual Report: Guidance for Local Government Pension Scheme Funds' (CIPFA).
- 2.3 As well as being published in the Fund's own annual report, its accounts must be included in the statement of accounts of the administering authority (in this case, the City of Wolverhampton Council). It is important to note that the transactions and balances of the Fund are completely separate and not combined with those of the authority.
- 2.4 The draft accounts are required to be certified by the Section 151 Officer on or before 30 June following the year-end. This certification was given by the City of Wolverhampton Council's Director of Finance on 2 June 2015.
- 2.5 The Committee will receive a further report in September, which will present the final version of the annual report and accounts for publication, and the findings of the external auditor's work, including their audit opinion. Under the City of Wolverhampton Council's constitution, formal approval of the audited statement of accounts rests with its Audit Committee; this does not apply to the other parts of the annual report, which will be presented to Pensions Committee for approval.
- 2.6 The KPIs and operating budgets were approved by the Committee on 26 March 2014 as part of the Service Plan 2014-2019, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

3.0 Accounts Closure and Preparation of the Annual Report

3.1 This has been a year of significant change with regard to the Fund's annual report and accounts, including:

- The publication of new CIPFA guidance on the annual report, which introduced a number of new detailed requirements in order to promote consistency between funds and thereby support the compilation of a national, scheme-wide annual report;
- The publication of new CIPFA guidance on the reporting of management costs, which set out a new, three-heading classification for management costs, and clarified that investment management fees should be accounted for on a 'gross cost' basis where not separately invoiced;
- The implementation of a new general ledger system (Agresso);
- The transfer of responsibility for all Fund accounting, including preparing the statement of accounts, from the City of Wolverhampton Council's Strategic Finance team to the Fund's own Finance team.

3.2 Notwithstanding these significant changes and potential obstacles, the Fund has succeeded in preparing its draft annual report and accounts earlier than ever. This is due to careful planning, resource management and close monitoring.

3.3 With effect from 2017/18, the accounts closure timetable will be brought forward significantly, with certification of draft accounts required by the end of May, and the audited accounts to be published by the end of July. The Fund is well-positioned to make the transition to these timescales.

4.0 Draft Annual Report 2014/15

4.1 The draft annual report (Appendix 1) has been reformatted from the 2013/14 report, to follow the requirements specified by the new CIPFA guidance. The contents of the annual report are:

- Introduction
- Management and Financial Performance
- Investment Policy and Performance
- Scheme Administration Report
- Actuarial Report
- Governance Arrangements
- Statement of Accounts
- Pensions Administration Strategy
- Funding Strategy Statement
- Statement of Investment Principles
- Communications Policy Statement
- Further Information

4.2 The annual report provides a thorough review of the Fund's activities during the year, and notes some particular successes, including:

- Reducing the cost of administration, oversight and governance per member from £19.16 to £18.70;
- Achieving a return on investments of 15.2%, compared to a benchmark of 11.6%;
- Streamlining portfolio management arrangements, resulting in savings on investment management fees;
- Appointing a Responsible Investment Officer, and playing a key role, both through the Local Authority Pension Fund Forum, and the United Nations Principles for Responsible Investment, in advancing the responsible investment agenda;
- Successfully managing the on-going implementation of the LGPS 2014 regulations;
- Being a national forerunner in establishing and recruiting a local Pensions Board;
- Winning the Local Government Chronicle Investment Award for Skills and Knowledge, for its trustee training programme;
- Continuing to develop the Fund's electronic business model, including a rise in the number of members registered with its web portal to over 23,000.

5.0 Draft Statement of Accounts 2014/15

5.1 The purpose of the statement of accounts is to report the Fund's financial performance for the year, and its balances and reserves at the year-end. There are two primary statements: the Fund Account, which is concerned with transactions during the year, and the Net Assets Statement, which reports balances at the year-end. These are supplemented by a series of notes to the accounts, which expand on items in the primary statements, or provide further information about the Fund.

5.2 During 2014/15, the Fund grew in value by £1.3 billion. The main reasons for this were:

- Net contributions receivable/pensions payable (£17.2 million);
- Investment income receivable (£160.5 million);
- Net gains in the value of investment assets (£1,501.2 million);

Net of:

- Net transfer of members out of the Fund (£252.0 million).
- Management expenses charged to the Fund (£107.3 million);

5.3 The net transfer out of the Fund is comprised almost entirely of one bulk transfer: £246.0 million to Greater Manchester Pension Fund in respect of the Staffordshire and West Midlands Probation Trust, for which responsibility transferred on 1 June 2014.

5.4 Net assets of the Fund at 31 March 2015 stood at £11.5 billion, up from £10.1 billion at 31 March 2014. This comprised investment assets of £11.4 billion, and working balances of £51.2 million.

5.5 The Fund has taken the option under the Code to disclose the present value of its pensions liabilities in a note to the accounts. This value, calculated on an IAS 19 basis, stood at £17.3 billion at 31 March 2015. This is an increase on the 31 March 2014 figure of £14.7 billion, primarily due to the reduction in returns available on corporate bonds during the year.

6.0 Outturn against Operating Budget 2014/15

6.1 The following table sets out the outturn for the year, compared with the Fund's operating budget. The overall position was a saving of £3.7 million against budget.

Budget Heading	Approved Budget 2014/15 £000	Outturn 2014/15 £000	Variance £000
Employees	4,512	3,833	(679)
Premises	344	321	(23)
Transport	69	42	(27)
Communications and Computing	740	528	(212)
Investment Management and Advice*	11,173	9,020	(2,153)
Other	2,287	2,302	15
Support Services	523	487	(36)
Service Development	350	-	(350)
Total Expenditure	19,998	16,533	(3,465)
Miscellaneous Income	(380)	(583)	(203)
Net Expenditure	19,618	15,950	(3,668)

*Note: In line with the approved operating budget, this line includes invoiced external fees only.

- 6.2 The main reason for the variance is a saving of £2.2 million on external investment management fees, reflecting some of the portfolio restructuring that has taken place during the year. In addition, there were savings of £1.5 million across other operating budgets, of which £538,000 arose on staffing budgets due to vacancies during the year. The following table sets out in full the reasons for the variance from budget.

Reason for Variance	Variance 2014/15 £000
Staffing Vacancies	(538)
Service Development Budget	(350)
Reduced Expenditure on Computer Equipment and Licences	(251)
Training Budget	(142)
Re-negotiated Custodian Fees	(94)
Stationery, Postage and Printing	(73)
Savings against Conference and Travel Budgets	(62)
Various Net Savings across Premises Budgets	(31)
Professional Services	(26)
Estimated Cost of Support Services from City of W'ton Council	52
Sub Total Before Investment Management Fees	(1,515)
Investment Management Fees	(2,153)
Total	(3,668)

- 6.3 Cost-per-member is a critical measure for the Fund of its cost-effectiveness, particularly for benchmarking with other funds. The table below sets out the implications of the above for cost-per-member figures, in the new three-category format required by CIPFA guidance (these are stated as for West Midlands Pension Fund, after taking account of the £150,000 recharge to the ITA Fund).

	2013/14 Actual	2014/15 Budget	2014/15 Outturn
Total Administration Costs (£000)	3,153	3,454	3,059
Administration Cost per Member (£)	11.66	12.46	11.02
Total Investment Management Costs (£000)	10,815	13,878	10,608
Investment Management Cost per Member (£)	40.01	50.05	38.22
Total Oversight and Governance Costs (£000)	2,026	2,136	2,132
Oversight and Governance Cost per Member (£)	7.50	7.70	7.68

- 6.4 Information about the outturn for 2014/15 has been reflected where appropriate in the updated forecasts for 2015/16 (see separate agenda item).
- 6.5 Appendix 2 sets out the Fund's performance against its KPIs for 2014/15. As this shows, generally targets have been achieved or exceeded. Performance against some pension administration objectives was below target due to the large increase in manual calculations required while LGPS 2014 system upgrades were being developed by the Fund's software provider. Nonetheless, performance against these objectives improved as the year progressed, and is anticipated to return to former levels once the upgrades have been completed.

7.0 Financial implications

- 7.1 The financial implications are discussed in the body of the report.

8.0 Legal implications

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

9.0 Equalities implications

- 9.1 This report has no equalities implications.

10.0 Environmental implications

- 10.1 This report has no environmental implications.

11.0 Human resources implications

- 11.1 The report has no human resources implications.

12.0 Corporate landlord implications

- 12.1 This report has no corporate landlord implications.

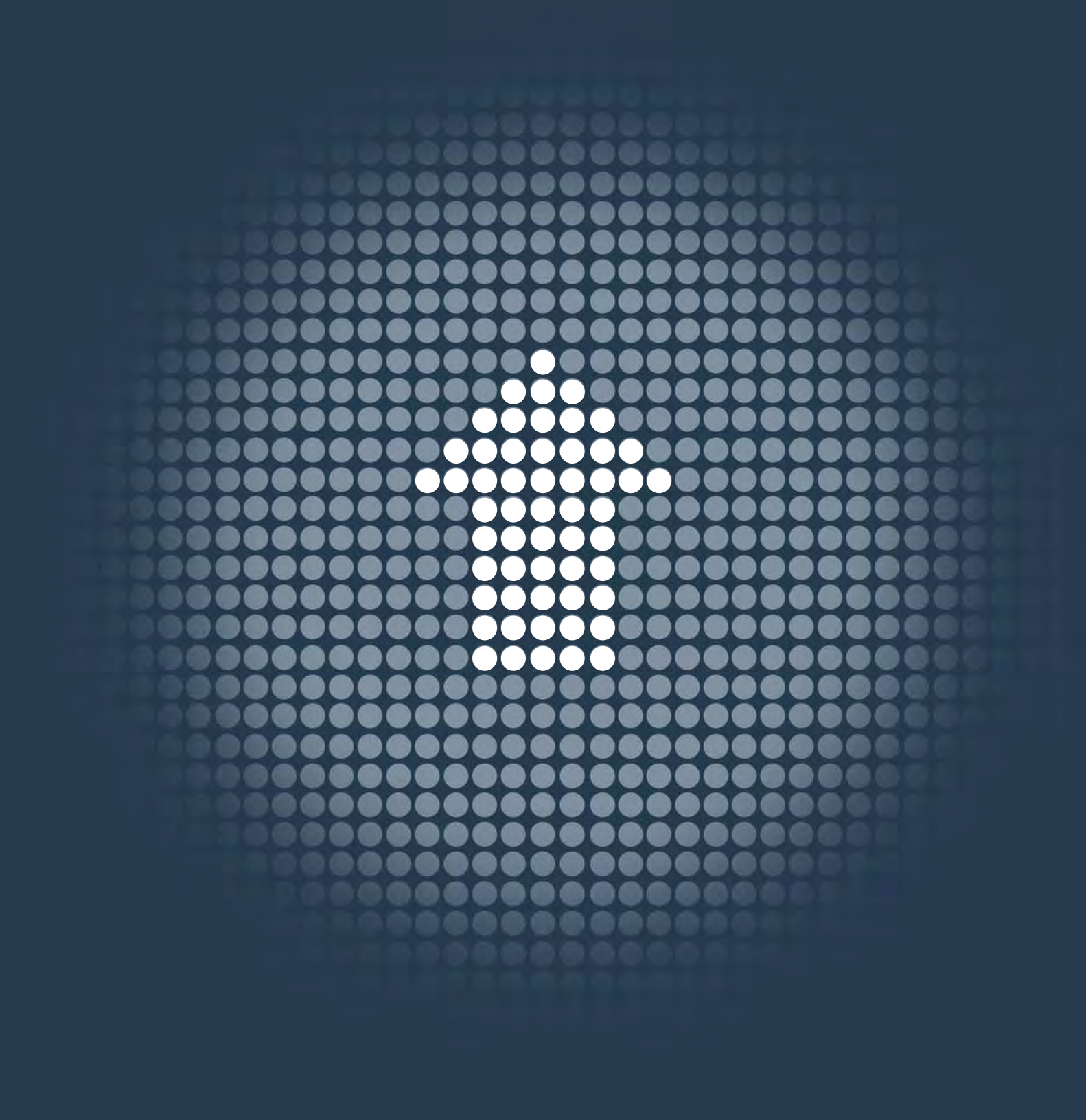
13.0 Schedule of background papers

- Service Plan 2014-19, Report to Pensions Committee, 26 March 2014

14.0 Schedule of Appendices

14.1 Appendix 1 – West Midlands Pension Fund Annual Report 2015 (Draft)

14.2 Appendix 2 - KPI Monitoring



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Introduction

Introduction from the Chair of the Pensions Committee and the Strategic Director of Pensions

Councillor Thomas (Bert) Turner
Chair Of Pensions Committee



This has been a year of dramatic change for the Local Government Pension Scheme (LGPS). The year began with the biggest change in local government pensions for a generation: the switch to pensions being based on career-average salaries instead of final salaries. We worked hard to prepare for this change during the preceding year, and that work paid off as – despite the need to make major changes to IT systems, to train staff and communicate the changes to members and employers, not to mention the added complexity of effectively operating four different benefit schemes – we were able to continue providing pensions to over 80,000 pensioners, and supporting another 195,000 active and deferred members to provide for their retirement.

The agenda of regulatory change has not let up during the year, with new governance arrangements being introduced for all public sector pension schemes. For the LGPS, this has meant the establishment of local pensions boards (with effect from April 2015), and a national Scheme Advisory Board. We are proud to have been a forerunner in establishing and recruiting our own local Pensions Board, and are pleased with the knowledgeable and committed individuals we have attracted to this important role.

Wider changes in the pensions industry also continue to impact upon us. The newly-introduced ability to access pension savings more flexibly from April 2015, including the ability to withdraw a cash lump-sum, could apply to members of our Fund. Whilst we believe that the LGPS offers an excellent means of providing for an income in retirement, and one that is not easy to match, we are mindful of, and planning for, any potential impact.

This has been a good year for our investments, with total returns amounting to 15.1%, compared to a benchmark return of 11.6%. The main contributors to the outperformance were good relative performances from the private equity and absolute return portfolios. Over the last five years, annualised returns have amounted to 8.0%, significantly ahead of both inflation and pay growth.

We are acutely aware of the need to demonstrate effective cost control, particularly at a time where many of our employers are experiencing significant budget pressures. During the year, we undertook a restructure of our investment portfolio, withdrawing from arrangements which did not meet our strategy or offer the best value for money. We have also strengthened our in-house investment management team, and are excited to be launching a new in-house actively-managed global equities portfolio during the forthcoming year. Taken alongside other restructuring activities in the recent past, and planned for the near future, these initiatives will have generated savings of almost £25 million per year on investment management fees. These savings are crucial, because ultimately they will go towards paying members' pensions, and alleviate the pressure on employers' budgets.

The cost of administration is also a key focus for us. As a result of tight financial controls, we have been able to reduce the cost of administration and governance per member from £19.16 in 2013/14 to £18.70 in 2014/15. This is particularly noteworthy given the continued growth in the number of employers during the last year – up from 420 to 471 – as well as an increase in scheme members of more than 7,000.



One of the key ways in which we are keeping administration costs down is through our focus on developing an electronic business model. During the year, we have continued to promote our online web portal for members, with the number of registrations rising to 23,157 by the end of the financial year. We have also redesigned and modernised our website, which has resulted in pleasing feedback from users, and next year we will be introducing automatic electronic compilation for remittance of contributions. We are grateful to all of our employers and members for embracing this medium of transacting.

Introduction

Geik Drever Strategic Director of Pensions



Responsible investment sits at the heart of our approach to managing our members' funds, and we have further strengthened this with the recruitment of a Responsible Investment Officer this year. Where companies do not meet the high standards that we and fellow investors expect, we challenge them. We believe in an approach that combines three key elements: voting globally, engagement through partnerships and shareholder litigation.

We are a founder member and active participant of the Local Authority Pension Fund Forum, which is a significant and influential player in the responsible investment arena. Our Assistant Director of Investments also plays a crucial role on the Board of the United Nations-backed Principles for Responsible Investment. In December 2014, we enhanced governance in this area, further still, by introducing a *Statement of Investment Beliefs*.

We were delighted to win the Local Government Chronicle Investment Award for Skills and Knowledge this year for our trustee training programme. We are also proud to have achieved and maintained Customer Service Excellence and Investors in People awards: two accreditations that unambiguously reflect our focus on providing a high quality service to our members and employers, and on investing in the skills and knowledge of our staff and trustees.



We are particularly pleased to note that trustees achieved a combined total of 865 hours of training during the year.

In general, this has been a good year for the Fund, which has seen us rise to the numerous challenges placed before us, and leaves us well-positioned to face the challenges of the future. There will be many such challenges, including the ongoing focus on the cost of the LGPS, further regulatory changes both to the LGPS and in the wider pensions industry, the impact of declining cashflow and market returns and, last but not least, the issue of the pensions deficit and the funding strategy to make good that deficit.

We would like to take this opportunity to thank the members of the Pensions Committee, the Investment Advisory Sub-Committee and the Joint Consultative Forum for their work during the year, and whose advice, support and challenge have been invaluable. We would also like to extend our thanks to the Fund's staff, whose professionalism and dedication to the service of our members throughout a period of change has been unfaltering and truly impressive.

Councillor Thomas (Bert) Turner
Chair Of Pensions Committee
Date: June 2015

Geik Drever
Strategic Director of Pensions
Date: June 2015

Introduction

277,558

TOTAL SCHEME MEMBERS*

473

ACTIVE SCHEME EMPLOYERS

£11.5bn

NET ASSETS OF THE FUND

£500.2m

TOTAL CONTRIBUTIONS

82,110

PENSIONER MEMBERS

104,250

CONTRIBUTING MEMBERS

91,198

DEFERRED MEMBERS

*includes unpaid/unclaimed refunds and beneficiaries

The Fund's Core Objectives

- to be a top-performing fund;
- to achieve target investment returns;
- to provide excellent customer service;
- to meet our funding strategy

The figures shown in the following section, which do not form the statutory accounts of West Midlands Pension Fund, have been extracted from the full accounts of the City of Wolverhampton Council. You can obtain a copy of the full accounts of the City of Wolverhampton Council by contacting the City of Wolverhampton Council team or through the Council's website. Contact details can be found on page 7 of these stand-alone annual report and accounts.



Introduction

Drivers of Change

The Fund has identified the following eight key drivers of change that will impact on its operating environment over the medium term.

1) LGPS Reforms

Significant changes to the governance of the Fund and of the LGPS generally take effect from April 2015. These include the establishment of a Pensions Board at the Fund, whose role will be to assist in the good governance of the scheme. In addition, there will be a national Scheme Advisory Board, and two cost control mechanisms which will seek to monitor and contain the overall cost of the LGPS at a national level. Further LGPS reforms are awaited in terms of greater LGPS collaboration and investment management.

2) Actuarial Valuation 2016

The next regular valuation of the Fund's projected pension liabilities, which will determine employer contributions from April 2017 onwards, is due to be reported in 2016/17. Due to the increasing number of employers and the financial constraints faced by the public sector generally, the valuation process is expected to increase in challenge and complexity.

3) The Impact of Declining Cashflow on Investment Strategy

At present, the Fund receives more in contributions and investment income than it pays out in benefits; however, as it continues to mature, the ratio of pensioners to actively-contributing members will increase, meaning that the cash surplus will decrease and eventually reverse. This will have profound implications for the Fund's investment strategy, which will need to adapt to reflect and accommodate the changing liquidity requirements.

4) Implementing an Electronic Business Model

The Fund is keen to increase the extent to which it uses information technology to offer an enhanced service to both members and employers, whilst also delivering operational efficiencies and securing improvements in data quality.

5) The Effect of Declining Returns on the Fund's Pensions Liability

The prospects for market returns on investments are generally low, and this will impact on the maturing profile of our pension liabilities. It will be critical for the Fund to configure its investment assets in such a way as to monitor and respond to the risks associated with this.

6) Risk Management

Given the financial constraints currently faced by the public sector as a whole, and the local government sector in particular, the risk of employers facing critical financial hardship is inevitably heightened. Monitoring, and providing support to employers, will be key to managing this. In essence, we look to provide investment solutions for the Fund's liability profile, based on employers' risk appetite and covenant strength.

7) Data Quality

With the increasing complexity of LGPS regulations, the importance of the Fund holding accurate, up-to-date information about its members is greater than ever. The Fund will be working with employers to ensure that appropriate systems are in place to provide the requisite assurances around data quality.

8) Employer Base Expansion

The Fund is currently experiencing a major increase in the number of employers, primarily due to local schools converting to academy status. This has resulted in additional administration requirements and complexity for the Fund, and managing these without adversely impacting on the efficiency of its activities will be a key challenge over the medium term.



Management and Financial Performance

- Scheme Management and Advisors (as at 31 March 2015)
- Risk Management
- Financial Performance
- Administrative Management Performance
- Corporate Responsibility



Management and Financial Performance

Part A: Scheme Management and Advisors as at 31 March 2015

Pensions Committee 2014/15

CITY OF WOLVERHAMPTON COUNCIL

City of Wolverhampton Council
Civic Centre
St. Peter's Square
Wolverhampton
WV1 1SH

Email: city.direct@wolverhampton.gov.uk
General enquiries: 01902 551155
Switchboard: 01902 556556
Minicom: 01902 555554
Fax: 01902 551195

- Councillor TH Turner* Chair
- Councillor L McGregor Vice-Chair
- Councillor Z Shah
- Councillor P Bilson*
- Councillor V Evans
- Councillor J Jaspal
- Councillor M Heap*
- Councillor I Brookfield
- Councillor P Page
- Councillor T Singh*
- Councillor S Samuels
- Councillor P Singh

*Denotes member of Investment Advisory Sub-Committee

DISTRICTS

- Councillor M Afzal*
Birmingham City Council
- Councillor M Arif
Walsall MBC
- Councillor D Gannon*
Coventry City Council
- Councillor R Harris*
Dudley MBC
- Councillor A Rebeiro
Solihull MBC
- Councillor S Eling
Sandwell MBC (*resigned*)
- Councillor S Hevican
Sandwell MBC (*from March 2015 - previously substitute member*)

OBSERVER MEMBERS

- M Cantello Unison
- M Clift Unite
- I Smith Unite (*retired*)
- V Silvester Unite

ADMINISTERING AUTHORITY OFFICERS

- K Ireland
Managing Director
- G Drever
Strategic Director of Pensions
- M Chaloner
Assistant Director (Investments)
- S Taylor
Acting Head of Pensions Administration
- R Howe
Head of Governance
- D Kane
Head of Finance
- A Lowbridge-Ellis
Communications Officer
- K O'Keefe
Monitoring Officer
- M Taylor
Section 151 Officer

MAIN EXTERNAL ADVISERS AND SERVICE PROVIDERS

- Investments
Hymans Robertson LLP
- Property
CBRE Global Investors
- Pension Scheme Registration Number
10079176
- Actuary
Mercer Human Resource Consulting Ltd
- Custodian of Assets
HSBC Global Investment Services
- Banker
National Westminster Bank plc
- Independent Auditor
PricewaterhouseCoopers LLP
- AVC Providers
Prudential Assurance Company Ltd
Equitable Life Assurance Society
- Corporate Governance
Pensions & Investment
Research Consultants (PIRC)

HMRC REFERENCES

- SCON number: S2700178F
- ECON number: E3900002R
- PSTR number: 00329946RE
- PSTR sub-number: 49/16109

Joint Consultative Forum (JCF)

The subjects considered by the panel during 2014/2015 included the following:

- Governance reform
- Responsible investment activities (1 January 2014 to 31 March 2015)
- LGPS 2014 – update on progress
- Pensions administration report

Management and Financial Performance

Part B: Risk Management

The Fund has to manage a wide range of risks and evaluate how this will be achieved. It is done through regular review, analysis, effective controls and management action, both proactive and reactive.

The Fund's objectives are achieved through a risk management framework.

The key elements are:

- Annual risk management review involving senior officers and use of a detailed template designed to cover all significant Fund activities. This is supported by the work of internal audit and specialist expertise engaged regularly in respect of operational investment risks supported by the use of the compliance testing programme.
- The external audit of the Fund's accounts and activities through experienced private sector staff supported by experienced pension partners combined with an actuarial expertise.
- Analysis of key processes enabling appropriate internal control procedures to be developed and maintained.
- A robust process for developing, monitoring and managing the investment strategy, and associated risk budget.

A key element to risk management is the structured delegation of powers from the Council to the Pensions Committee and then to the Strategic Director of Pensions, supported by senior officers. To complement the delegation, there is extensive and detailed accountability back to Committee on how these delegations have been exercised on a regular basis, with the Director submitting an *Annual Assurance Report*. The purpose of the *Annual Report* is to demonstrate that the Fund is meeting its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices (when appropriate) and has high customer service functions satisfaction. In particular, risk management arrangements are robust and the reports to Pensions Committee have given that assurance.

Investment risk is significant and recognised as falling into distinct areas: market risk (beta) and manager skill (alpha). Investment strategy is devised and implemented with regard to these risks and is designed with the support of external expert advice.

Details are contained in the *Statement of Investment Principles* and the *Funding Strategy Statement*. The operational management of the investment strategy is covered by a compliance testing programme, designed with the help of Deloitte, leading to quarterly reports to the Pensions Committee. This provides continual monitoring and review of investment activity and associated risks. The Fund's approach to risk is regularly assessed, the Fund's investment strategy is reviewed annually by the Pensions Committee supported by the Fund's investment advisor, the latest being 2014/15.

The investment strategy is monitored weekly by officers, enabling appropriate corrective action to be taken if deemed necessary. A quarterly report is submitted to the Investment Sub-Committee covering the current asset allocation relative to the benchmark, investment performance and the actions taken during the quarter to implement the Pensions Committee's investment policy. Any positions outside the strategic risk ranges are reported and explained. In addition, an Investment Advisory Panel became operational from April 2015. Its role is to provide further assurance and robust governance. One of its key duties is to review the investment risks taken by the Fund, monitoring how the risks are managed and making recommendations on actions required to address investment risks.

Risks associated with the operational payment of benefits and recording of pensioner records produces a complex set of risks, which are mitigated with the use of an IT system that is thoroughly and regularly tested, combined with the checking of output by pension staff.

It is recognised that Fund services are very dependent upon third party contracts ranging from IT through to investment managers. All are subject to regular review and monitoring, with compliance visits targeted at the more significant risk areas.

Management and Financial Performance

Part B: Risk Management

The Fund's key risks identified as part of the risk management process, together with actions to mitigate them, are detailed in the table below:

Risk identification	Cross reference to the annual report	Risk impact	Mitigating factors
Inability to settle trades or pay pensions on the due date through inadequate cashflow.	Note 24 The nature and extent of risks arising from financial instruments	Reputational impact, possible interest charges and regulatory censure	Regular cashflow monitoring is conducted by the Finance team with frequent reports to the Senior Management Team.
The Fund publishes inaccurate financial information or bases decisions around inaccurate information.	Risk management	Poor decisions made in relation to the investment strategy. Inaccurate information provided to regulators and trustees.	Financial statements are produced annually. A new Finance team is in place consisting of fully-qualified accountants. A new finance system was put in place in April 2014 with up-to-date monitoring now being undertaken.
The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	Risk management	The Fund cannot continue to operate and deliver its priority services.	A business continuity plan is in place for incidents which deny access to offices. Regular testing and review of the plan is conducted. The Fund is currently in discussions with the administering authority to ensure that it is adequately covered in the authority's recovery plan.
Loss of external data providers impacts on the Fund's ability to carry out work.	Risk management	Customer detriment and possible financial loss.	Regular reviews will be carried out on third party providers' continuity provision. This will form part of the due diligence process for any new third party providers.
Investment strategy is inappropriate (not aligned with Funding Strategy Statement or Statement of Investment Principles).	Note 24 The nature and extent of risks arising from financial instruments	Reputational damage and regulatory risk.	All key documents are reviewed on annual basis to ensure consistency between them.

Risks arising from third parties are detailed in the above table. In addition, risks arise from:

- Employers failing to make their payment of contributions within legislated timescales. The Fund monitors contribution receipts on a monthly basis and produces a key performance indicator which details the collection rate as a percentage of contributions due and also identifies the employers who have failed to make payment on time. This is reported to the Senior Management Team and action is taken to pursue arrears. Where there is ongoing failure to make payment, the option is available to charge interest on the balance in accordance with legislation.
- Investment managers, whose internal controls arrangements are not under the direct control of the Fund, and may not be effective, which could indicate that the Fund's assets are at risk. To mitigate such risk, the Fund obtains and reviews internal controls reports (AAF 01/06 and SSAE16) produced by the individual investment managers' reporting accountants. The Fund's review will identify any weaknesses in individual investment managers' control arrangements as identified by the reporting accountants and these exceptions will be recorded by the Fund's Compliance team and addressed in meetings with the investment managers. In addition, where investment managers do not produce internal control reports, the Fund will review the manager's arrangements through the completion of a detailed questionnaire.

Management and Financial Performance

Financial Services Report

Introduction

The primary functions of the Finance team are to make payments to pensioners and suppliers, to collect income due to the Fund, and to account for all of the Fund's activities, including its investments.



Part C: Financial Performance

Getting the most from our money is a key focus for the Fund, and it is with this in mind that we are pleased to note a fall in the cost of administration, oversight and governance per member from £19.16 in 2013/14 to £18.70 in 2014/15. This represents the successful deployment of strong financial controls, and the embedding of a culture of challenging unnecessary expenditure across the Fund. It is particularly remarkable given the continuing increase in the number of employers, which has risen by a further 12% during the last year.

In April 2014, the Fund, in conjunction with the City of Wolverhampton Council, introduced a new finance system, covering accounts payable, accounts receivable, banking and the general ledger. Already, we have re-designed some of our processes to make the most of the enhanced flexibility, speed of processing, and reporting capabilities offered by the new system. This work will continue into next year, to support one of the Fund's key priorities, to develop an electronic business model.

Looking to the future, it will be critical for us to continue to demonstrate efficiency and cost-effectiveness to our members and employers.

The Finance function will support this by ensuring that planning and forecasting is timely and complete, that management information is accurate and relevant, and that all expenditure decisions are carefully scrutinised.

Outturn 2014/15: Operating Budgets

The following table sets out the Fund's outturn for 2014/15 compared to budget. The net position was a saving of £3.7 million, the main reasons for this being:

- Savings on investment management fees following portfolio restructuring (£2.2 million);
- Staffing vacancies (£538,000);
- Balance of service development budget not used in 2014/15 (£350,000);
- Lower than budgeted expenditure on computer hardware and licences (£251,000);
- Supplemented by other savings across supplies and services and premises budgets of over £350,000.

	Approved budget 2014/15 £000	Outturn 2014/15 £000	Variance £000
Employees	4,512	3,833	(679)
Premises	344	321	(23)
Transport	69	42	(27)
Communications and computing	740	528	(212)
Investment management and advice (see note)	11,173	9,020	(2,153)
Other	2,287	2,302	15
Support services	523	487	(36)
Service development	350	-	(350)
Total expenditure	19,998	16,533	(3,465)
Miscellaneous income	(530)	(733)	(203)
Net expenditure	19,468	15,800	(3,668)

Note: for the purposes of the operating budget, this line refers to invoiced investment management costs only, and is therefore lower than the figure disclosed in the Fund account.

Management and Financial Performance

Part C: Financial Performance

Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The table below sets out the cost-per-member in 2014/15, compared to budget and last year, using the new three-category format specified by CIPFA in June 2014. The key measure kept under review as part of the Fund's service plan monitoring is the combined cost of administration, oversight and governance, which has fallen from £19.16 in 2013/14 to £18.70.

	2013/14 actual	2014/15 budget	2014/15 outturn
Total administration costs (£000)	3,153	3,454	3,059
Administration cost per member (£)	11.66	12.46	11.02
Total investment management costs (£000)	10,815	13,878	10,608
Investment management cost per member (£)	40.01	50.05	38.22
Total oversight and governance costs (£000)	2,026	2,136	2,132
Oversight and governance cost per member (£)	7.50	7.70	7.68

Outturn 2014/15: Whole Fund

Across the Fund, the year-end position was £763.8 million better than forecast. The main reasons for this were:

- Investment returns (including income) being significantly better than the prudent returns assumed in the forecast (at 15.2% vs 6%) (£945.6 million);
- Contributions income being higher than forecast, mainly due to an increase in contributions due from employers on early retirement (£26.9 million), and higher than forecast contributions across the Fund (£20.0 million) which resulted from the prudent assumptions about membership used in the forecast;
- Offset by net transfers out of £252.0 million, almost all of which was represented by the transfer of the Staffordshire and West Midlands Probation Trust to Greater Manchester Pension Fund in June 2014 (£246.0 million).

	2014/15 forecast £m	2014/15 actual £m	2014/15 variance £m
Contributions receivable	(450.3)	(500.2)	(49.9)
Other income	(16.6)	(15.7)	0.9
Benefits payable	496.6	498.2	1.6
Other payments	0.3	0.4	0.1
Net transfers in/out	-	252.0	252.0
Net cost of pensions	30.0	234.7	204.7
Investment income	(141.2)	(160.5)	(19.3)
Gains in value of investments	(464.0)	(1,409.6)	(945.6)
Return on investments	(605.2)	(1,570.1)	(964.9)
Management expenses (operating budget) - see footnote	19.4	15.8	(3.6)
Net increase in the Fund	(555.8)	(1,319.6)	(763.8)
Opening Fund balance	10,144.4	10,144.4	-
Closing Fund balance	10,700.2	11,464.0	(763.8)

Footnote: for the purposes of the operating budget, this line refers to invoiced investment management costs only, and is therefore lower than the figure disclosed in the Fund account.

Management and Financial Performance

Part C: Financial Performance

Medium-Term Forecasts: Operating Budgets

The following tables set out the Fund's medium-term forecasts for its operating budgets, and express these in terms of cost-per-member. Over the medium term, the costs of administration, oversight and governance per member are forecast to remain broadly stable. Oversight and governance is significantly influenced by the triennial actuarial review, which causes the spikes in 2016/17 and 2019/20. The cost of investment management per member is forecast to grow; however, this solely reflects anticipated growth in the value of the Fund's assets.

	2015/16 budget £m	2016/17 forecast £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m
Employees	4,797	5,067	5,196	5,314	5,420
Premises	328	325	331	337	343
Transport	60	61	62	63	64
Other	1,923	2,211	2,000	2,039	2,339
Investment management and advice (see footnote)	9,559	10,133	10,741	11,385	12,068
Service development	350	350	350	350	350
Communications and computing	702	716	730	744	758
Support services	454	463	472	481	490
Miscellaneous income	(155)	(155)	(155)	(155)	(155)
Net budget	18,018	19,171	19,727	20,558	21,677

Footnote: for the purposes of the operating budget, this line refers to invoiced investment management costs only, and is therefore lower than the figure disclosed in the Fund account.

	2015/16 budget	2016/17 forecast	2017/18 forecast	2018/19 forecast	2019/20 forecast
Total administration costs (£000)	3,621	3,785	3,874	3,959	4,037
Administration cost per member (£)	12.83	13.12	13.14	13.15	13.12
Total investment management costs (£000)	11,975	12,637	13,299	13,995	14,727
Investment management cost per member (£)	42.43	43.80	45.12	46.50	47.86
Total oversight and governance costs (£000)	2,422	2,749	2,554	2,604	2,913
Investment management cost per member (£)	8.58	9.53	8.66	8.65	9.47

Management and Financial Performance

Part C: Financial Performance

Medium-Term Forecasts: Whole Fund

This table sets out forecasts for the whole Fund, over the period to 2019/20.

	2014/15 actual £m	2015/16 forecast £m	2016/17 forecast £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m
Contributions receivable	(500.2)	(484.7)	(506.1)	(524.1)	(536.8)	(549.9)
Other income	(15.7)	(15.9)	(16.2)	(16.5)	(16.8)	(17.1)
Benefits payable	498.2	511.1	536.2	562.1	588.9	616.6
Other payments	0.4	0.4	0.4	0.4	0.4	0.4
Net cost of pensions	(17.3)	10.9	14.3	21.9	35.7	50.0
Net transfers (in)/out	252.0	-	-	-	-	-
Investment income	(160.5)	(158.5)	(169.1)	(178.7)	(188.7)	(199.0)
Gains in value of investments	(1,409.7)	(521.0)	(555.8)	(587.3)	(620.2)	(654.1)
Return on investments	(1,570.1)	(679.5)	(725.0)	(766.1)	(808.9)	(853.2)
Management expenses (operating budget) - see footnote	15.8	18.0	19.2	19.7	20.6	21.7
Net increase in the Fund	(1,319.6)	(650.6)	(691.5)	(724.5)	(752.6)	(781.5)
Opening Fund balance	10,144.4	11,464.0	12,114.6	12,806.1	13,530.6	14,283.2
Closing Fund balance	11,464.0	12,114.6	12,806.1	13,530.6	14,283.2	15,064.7

Footnote: for the purposes of the operating budget, this line refers to invoiced investment management costs only, and is therefore lower than the figure disclosed in the Fund account.

Comparisons of Operating Costs With Other Funds

The Government collects information from all LGPS funds – on their administration and fund management costs – on a yearly basis. The latest figures are for 2013/14 and these show the following comparison:

	2013/14 administration costs £ (psm*)	2013/14 Fund management costs £ (psm*)
West Midlands Pension Fund	19.21	39.91
Average for LGPS:		
- Metropolitan funds	22.38	47.74
- All English authorities	34.52	123.94

*per scheme member

Management and Financial Performance

Part C: Financial Performance

Pension Overpayments

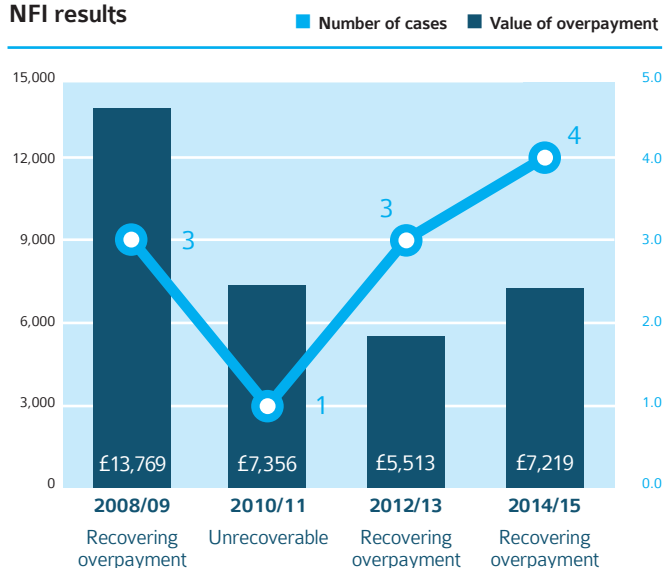
The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The following table sets out overpayments for the last five years.

Year	Pension overpayment (£)	% of gross pension
2010/11	118,864.39	0.04
2011/12	182,531.21	0.06
2012/13	168,539.52	0.05
2013/14	235,970.78	0.06
2014/15	234,743.68	0.06

Minimising Fraud

The Fund participates in the National Fraud Initiative (NFI), which is a biennial process undertaken in conjunction with the Audit Commission. The last initiative was undertaken in 2014/15 and the necessary recoveries arising from identified overpayments are being pursued. The results from previous years are shown in the following chart.

NFI results



Timeliness of Contributions

The receipt of contributions is monitored and reported to the Strategic Management Team on a monthly basis in the form of a key performance indicator (KPI). The table below details the KPI during 2014/15; this shows the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employers' payroll. The Fund has set itself the target of collecting 98% of contributions by value on time; as can be seen, performance was above target throughout the year.

Month	KPI % for individual months contributions
April 2014	99.3
May	98.7
June	99.0
July	98.8
August	99.8
September	99.7
October	99.9
November	99.5
December	99.2
January 2015	99.6
February	97.5
March	99.2
Total for year	99.2

Note that the Fund did not use the option to levy interest on any overdue contributions during 2014/15, as the value of the late payments did not form a material risk to the Fund.

David Kane
Head of Finance
West Midlands Pension Fund
Date: June 2015

Management and Financial Performance

Part C: Financial Performance

Contributions Receivable

Employer	Employer's contributions (£)	Employee's contributions (£)
Birmingham City Council	(103,599,887)	(28,910,349)
Coventry City Council	(30,624,387)	(8,652,798)
Dudley MBC	(26,576,472)	(9,325,657)
Sandwell MBC	(32,780,713)	(8,839,871)
Solihull MBC	(26,167,794)	(4,717,040)
Walsall MBC	(29,061,265)	(6,682,280)
City of Wolverhampton Council	(28,884,042)	(7,039,928)
Centro	(8,204,736)	(799,568)
Staffordshire & West Midlands Probation Trust	(1,174,327)	(414,359)
Age Concern Wolverhampton	(59,100)	-
Valuation Tribunal Service	(30,570)	(4,682)
Aston University	(426,000)	-
Black Country Museum Trust Ltd	(168,115)	(29,661)
Birmingham Institute for the Deaf	(35,450)	(998)
Coventry Law Centre	(29,206)	(7,530)
Age Concern Birmingham VSOP	(9,032)	(1,219)
Wolverhampton Grammar School	(54,135)	(25,023)
Chelmsley Wood Town Council	(19,691)	(3,304)
Wolverhampton Voluntary Sector Council	(55,453)	(19,305)
Fordbridge Parish Council	(5,751)	(2,094)
Birmingham City University	(5,395,417)	(1,987,591)
Coventry University	(6,673,716)	(2,715,655)
University of Wolverhampton	(5,196,833)	(1,991,343)
West Midlands Fire & Civil Defence Authority	(2,755,946)	(746,915)
Police & Crime Commissioner for West Midlands	(15,756,211)	(5,679,237)
University College Birmingham	(1,114,982)	(414,871)
Bournville College of Further Education	(761,050)	(303,285)
South & City College Birmingham	(2,211,378)	(688,170)
Birmingham Metropolitan College	(2,415,767)	(792,678)
Henley College	(556,511)	(171,501)
Hereward College	(638,484)	(198,392)
Dudley College of Technology	(1,029,671)	(376,758)
Halesowen College	(455,169)	(180,392)
King Edward VI College	(201,036)	(64,115)
Sandwell College	(863,947)	(242,066)
Solihull College	(1,004,042)	(405,991)
Walsall College	(920,607)	(379,626)
Cadbury Sixth Form College	(120,321)	(43,211)
Joseph Chamberlain College	(193,869)	(78,858)
The Sixth Form College Solihull	(244,780)	(87,424)
Coventry & Solihull Waste Disposal Company Ltd	(237,446)	(15,834)
New Park Villiage Tenant Management Organisation	(19,042)	(8,183)
Marketing Birmingham Ltd	(66,683)	(30,750)
Lighthouse Media Centre	(6,596)	(567)
Family Care Trust	(19,245)	(2,809)
Friendship Care and Housing Ltd	(187,364)	(8,271)
St Columba's Church Day Centre	(10,855)	(3,436)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Sandwell Community Caring Trust	(225,124)	(68,611)
Palfrey Community Association	(46,618)	(16,696)
The Pendrels Trust Ltd	(28,801)	(7,875)
Bushbury Hill Estate Management Board	(28,578)	(12,566)
Brownhills Community Association	(6,000)	-
Smiths Wood Parish Council	(3,621)	(1,267)
Sickle Cell & Thalassaemia Group	(14,896)	(6,169)
Coventry Sports Trust Ltd	(202,621)	(49,694)
West Midlands Councils	(150,000)	-
Optima Community Association	(305,465)	(73,398)
Delves Ease Estate Management	(22,778)	(3,843)
Life Education Centres West Midlands	(30,166)	(5,075)
City of Wolverhampton College	(827,302)	(335,068)
Pool Hayes Community Association	(849)	(152)
Home-Start (Stockland Green/Erdington)	(11,088)	(2,344)
Meriden Parish Council	(2,612)	(726)
Wildside Activity Centre	(3,270)	(1,029)
Whitefriars Housing Group	(2,594,073)	(777,219)
Balsall Parish Council	(3,130)	(1,043)
Manor Farm Community Association	(12,694)	(6,575)
Bloomsbury Local Management Organisation Ltd	(71,022)	(22,437)
Millennium Point Trust	(9,236)	(3,751)
Galliford (UK) Ltd	(18,742)	(4,354)
Lieutenancy Services (WM) Ltd	(20,477)	(3,681)
Home-Start (Northfield)	(9,556)	(3,903)
Castle Bromwich Parish Council	(16,372)	(5,624)
Leisure Living Ltd	(26,899)	(5,981)
Steps to Work (Walsall) Ltd	(115,290)	(42,130)
Home-Start (Walsall)	(9,941)	(3,176)
Murray Hall Community Trust	(75,959)	(36,871)
Sandbank Tenant Management Co-Operative Ltd	(16,284)	(4,458)
Coventry Solihull & Warwickshire Partnership Ltd	(1,035,320)	(146,310)
City College Coventry	(748,954)	(196,417)
Walsall Housing Group	(2,020,616)	(1,119,679)
Amey Highways Ltd	(25,131)	(7,009)
Leamore Residents Association Limited	(13,133)	(4,562)
Northern Housing Consortium Ltd	(164,073)	(71,792)
Walsall Academy	(101,067)	(45,536)
WATMOS Community Homes	(156,931)	(86,709)
Chuckery Tenant Management Organisation Ltd	(26,105)	(11,788)
Voyage Care Limited	(868)	(898)
West Midlands Transport Information Service Ltd	(129,500)	-
Black Country Partnership NHS Foundation Trust	(84,901)	(28,848)
Solihull Care Ltd	(28,074)	(5,804)
Solihull Community Housing	(1,037,322)	(463,055)
Sandwell Leisure Trust	(409,483)	(225,937)
Grace Academy	(495,200)	(221,549)
Pell Frischman Consultants Ltd	(6,090)	(1,320)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Sandwell Homes	(2)	-
Enterprise (AOL) Ltd (Telford/Wrekin)	(39,481)	(5,379)
Edith Cadbury Nursery School	(4,027)	(1,513)
Mitie PFI Ltd	(9,974)	(2,710)
Wolverhampton Homes	(2,613,302)	(1,105,611)
Enterprise Managed Services Ltd (Wolverhampton)	(273,073)	(128,634)
Integral UK Ltd	(1,951)	(480)
Black Country Consortium Ltd	(114,452)	(66,614)
Riverside Housing Association Ltd	(10,239)	(3,715)
Mitie Property Services (UK) L	100,000	-
Kingshurst Parish Council	(2,622)	(739)
Service Birmingham Ltd	(354,744)	(158,066)
BME United Ltd	(30,375)	(14,151)
Sandwell Academy	(155,345)	(66,975)
Dovecotes Tenant Management Organisation Ltd	(28,724)	(14,108)
Midland Heart Ltd	(33,396)	(5,406)
Balfour Beatty Workplace Ltd	(94,233)	(23,394)
British Telecommunications PLC	(367,300)	-
The Collegiate Academy Trust	(195,681)	(99,780)
Serco Ltd (Stoke CC)	(231,600)	-
Enterprise Managed Services Ltd (Solihull)	(139,916)	(47,135)
Q3 Academy	(104,058)	(50,801)
Mears Group PLC	(799,396)	(297,545)
Willmott Dixon Partnerships Ltd (North Contract)	(818,548)	(301,772)
Housing 21 Ltd	(366,124)	(105,837)
Alliance in Partnership - Asto	64,200	-
Alliance in Partnership - Camp Hill	(3,195)	(1,005)
Titan Partnership Ltd	(5,818)	(606)
CTC Kingshurst Academy	(147,302)	(70,864)
RSA Academy	(112,703)	(72,934)
BAM Construct UK Ltd	(24,133)	(9,656)
Shelfield Community Academy	(219,951)	(72,755)
Tarmac Ltd	(57,022)	(55,993)
Capita IT Services Ltd	(48,826)	(22,752)
Bespoke Cleaning Services Ltd	(10,137)	(3,436)
Sandwell Arts Trust	(97,900)	-
Ormiston Sandwell Community Academy	(138,490)	(51,555)
Park Hall Academy	(182,556)	(49,729)
City of Wolverhampton Academy Trust	(335,442)	(122,844)
E-ACT Heartlands Academy	(148,477)	(51,588)
E-ACT Shenley Academy	(209,228)	(51,801)
ARK Academies	(158,818)	(52,321)
Acua Ltd	(2,832)	(937)
NSL Ltd	(6,816)	(7,398)
Agilisys Ltd (Rowley/Smethwick)	(681)	(887)
KGB Cleaning & Support Services Ltd (Bishop Ulathorne School)	(1,387)	(853)
Sidney Stringer Academy Trust	(263,360)	(98,688)
Willmott Dixon Partnerships Ltd (South Contract)	(1,584,088)	(362,584)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Mears Ltd	(5,422)	(2,130)
Amey LG Ltd	(1,167,921)	(330,381)
King Edward VI Sheldon Heath Academy	(111,046)	(52,679)
E-ACT North Birmingham Academy	(196,342)	(70,390)
Harborne Academy	(107,160)	(43,290)
Mouchel Ltd	(2,382)	(1,822)
Arden Academy Trust	(128,599)	(52,365)
Balfour Beatty Workplace Ltd (Coventry)	(82,453)	(21,726)
SERCO Ltd (Sandwell)	(898,837)	(271,696)
Park Hall Infant Academy	(57,821)	(15,171)
St Patricks Church of England Primary Academy	(28,415)	(9,110)
Tudor Grange Academy Solihull Trust	(191,187)	(64,345)
Taylor Shaw Limited (COWAT)	(14,065)	(571)
Regent Office Care Ltd (COWAT)	(3,154)	(855)
Quadron Services Ltd	(250,461)	(69,760)
John Henry Newman Catholic College	(177,536)	(58,673)
Agilisys Services Ltd (OCOS/WODO/Tipton)	(8,845)	(3,247)
Windsor High School and Sixth Form	(184,480)	(77,207)
Wood Green Academy Trust	(122,836)	(49,434)
Ninestiles Academy Trust	(293,723)	(94,984)
Lordswood Girls School & Sixth Form Centre	(112,669)	(49,222)
Ryders Hayes Academy Trust	(59,102)	(19,151)
Kings Norton Girls School & Language College	(134,349)	(34,789)
Premier Security Services Limited	(41,700)	(7,175)
Shire Oak Academy Trust	(209,660)	(63,309)
Bartley Green School	(145,418)	(52,484)
The Blue Coat Church of England Academy Ltd	(244,530)	(68,242)
Queen Marys High School (Walsall)	(84,827)	(21,196)
Queen Marys Grammar School (Walsall)	(103,572)	(29,898)
Sutton Coldfield Grammar School for Girls Academy Trust	(149,698)	(45,935)
Whitley Academy	(161,345)	(53,733)
Aston Manor Academy	(153,435)	(46,332)
Creative Support Limited	(10,660)	(3,233)
Heart of England School	(152,167)	(62,940)
Light Hall School	(163,351)	(51,515)
Holly Hall Academy	(102,143)	(36,519)
Matrix Academy Trust	(134,213)	(42,019)
Woodlands Academy	(139,891)	(49,812)
Rookery School	(100,233)	(33,470)
Finham Park School Academy	(246,036)	(67,698)
Langley School	(139,890)	(41,105)
Alderbrook School	(184,785)	(47,727)
Lode Heath School	(138,198)	(39,865)
The Westwood Academy	(170,293)	(52,510)
Holyhead School	(176,889)	(63,957)
Fairfax School (Academy)	(230,985)	(79,091)
Tile Hill Wood School & Language College	(205,731)	(56,106)
Deanery Church of England School	(101,465)	(31,326)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Plantsbrook School	(213,306)	(67,667)
Oldbury Academy	(183,643)	(60,656)
Hillcrest School & Sixth Form Centre	(103,456)	(32,076)
Ormiston George Salter Academy	(130,857)	(60,420)
King Edward VI Camp Hill School for Boys (Academy)	(68,511)	(19,677)
King Edward VI Camp Hill School for Girls (Academy)	(60,275)	(18,450)
King Edward VI Handsworth School (Academy)	(87,759)	(22,465)
King Edward VI Five Ways School (Academy)	(116,773)	(35,767)
King Edward VI Aston School (Academy)	(60,079)	(23,408)
Regent Office Care - Henley College	(4,771)	(1,273)
The High Arcal School Academy Trust	(200,532)	(63,079)
Arthur Terry Learnings Partnership	(669,263)	(204,587)
The Kingswinford School & Science College	(130,196)	(43,323)
Black Country University Technical College	(32,326)	(14,040)
Nishkam School Trust	(40,688)	(26,313)
Age Concern Birmingham	(32,728)	(14,377)
Heath Park Academy - Central Learning Partnership Trust	(120,857)	(47,483)
Lawrence Cleaning - St Stephens School	(1,044)	(594)
Mirus Academy - Walsall College Academies Trust	(241,062)	(77,306)
The Streetly Academy	(248,520)	(81,077)
NSL Ltd (Solihull)	(2,526)	(1,070)
New Heritage Regeneration Ltd	(12,794)	(12,996)
Sodexo Limited	(21,712)	(6,542)
Ormiston Forge Academy	(189,970)	(56,237)
Alliance in Partnership - Stoke Park	(4,375)	(2,059)
Alliance in Partnership - Ernesford Grange	(1,090)	(490)
Alliance in Partnership - President Kennedy	(1,906)	(695)
Earls High School (The)	(153,032)	(50,035)
Initial Catering Services Ltd (Smethwick)	(29,852)	(8,918)
Initial Catering Services Ltd (Rowley)	(6,458)	(1,964)
Park Hall Junior Academy	(72,406)	(20,845)
Joseph Leckie Academy	(203,521)	(59,765)
E-ACT Willenhall Academy	(178,071)	(59,714)
Hall Green Secondary School	(204,387)	(62,594)
Park View Educational Trust	(98,517)	(32,266)
Birmingham Museums Limited	(227,634)	(130,688)
Bishop Vesey's Grammar School	(111,861)	(35,363)
Mesty Croft Academy	(47,252)	(19,128)
Oldknow Academy	(67,149)	(21,316)
Action for Children (Smethwick)	(40,250)	(12,415)
Mytime Active	(56,701)	(19,068)
Wilson Stuart School	(250,321)	(87,186)
Hockley Heath Academy	(27,710)	(8,475)
Murray Hall Community Trust (Oldbury)	(9,531)	(3,540)
Murray Hall Community Trust (Rowley)	(28,536)	(12,203)
Murray Hall Community Trust (Wednesbury)	(17,195)	(7,412)
Warren Farm Primary School	(52,280)	(20,625)
Aldridge School - a Science College	(161,865)	(46,663)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Taylor Shaw Limited (Colton Hills School)	(5,876)	(1,622)
Moseley Park School - Central Learning Partnership Trust	(90,386)	(26,100)
St Johns C of E Primary School	(94,298)	(30,708)
Barnardos (Sandwell)	(21,969)	(5,299)
Coundon Court Academy	(257,601)	(73,134)
Great Barr Primary School	(119,753)	(34,938)
Timberley Academy Trust	(180,038)	(59,851)
Lend Lease FM (Broadway School)	(34,518)	(12,952)
Lend Lease FM (EMEA) Ltd (Park View School)	(14,368)	(3,552)
Lend Lease FM (EMEA) Ltd (International School)	(13,421)	(5,737)
Lend Lease FM (EMEA) Ltd (Saltley School)	(12,947)	(4,288)
Lend Lease FM (EMEA) Ltd (Moseley School)	(23,417)	(8,278)
Lend Lease FM (EMEA) Ltd (George Dixon School)	(18,116)	(5,904)
Lend Lease FM (EMEA) Ltd (Waverley School)	(2,812)	(821)
Lend Lease Construction (EMEA) Ltd (Sheldon Heath School)	(2,636)	(737)
Lend Lease Construction (EMEA) Ltd (Park View & International School)	(15,333)	(6,059)
Lend Lease Construction (EMEA) Ltd (Saltley School)	(7,027)	(2,691)
Lend Lease Construction (EMEA) Ltd (Moseley School)	(2,844)	(1,057)
Lend Lease Construction (EMEA) Ltd (George Dixon School)	(10,685)	(3,854)
Lend Lease Construction (EMEA) Ltd (Waverley School)	(9,760)	(4,220)
Lend Lease Construction (EMEA) Ltd (Four Dwellings School)	(7,423)	(2,456)
Victoria Park Primary Academy	(126,651)	(39,802)
Erdington Hall Primary Academy	(97,615)	(28,838)
Balsall Common Primary Academy	(90,237)	(24,771)
Woodlands Academy of Learning	(72,735)	(23,150)
Acivico (Design Construction & Facilities Management) Ltd	(726,624)	(399,371)
Acivico (Building Consultancy) Ltd	(13,499)	(30,852)
Aston University Engineering Academy Birmingham	(37,253)	(23,010)
Sandwell Community Caring Trust (Sandwell Care Homes)	(94,622)	(39,798)
Carillion (Highfields & Pennfields)	(19,846)	(5,981)
St Michael's C of E Primary Academy Handsworth	(23,208)	(9,542)
St Mary's C of E Junior & Infants School	(63,611)	(18,072)
ARK Rose Primary Academy	(49,752)	(14,023)
Green Meadow Primary School	(21,571)	(5,229)
ARK Tindal Primary Academy	(66,148)	(19,267)
George Dixon Academy	(101,033)	(39,345)
Nansen Primary School - Park View Educational Trust	(86,973)	(26,010)
Regent Office Care Ltd (Willenhall)	(6,150)	(1,638)
Perry Beeches - The Academy	(198,065)	(63,664)
Handsworth Wood Girls Academy	(130,116)	(43,088)
Dorrington Academy Trust	(84,141)	(28,143)
ARK Kings Academy	(103,105)	(36,885)
Interserve Facilities Management Ltd (OCOS/WODO/Tipton Schools)	(22,977)	(7,785)
Interserve Facilities Management Ltd (Smethwick Campus)	(20,700)	-
Interserve Facilities Management Ltd (Rowley Campus)	(5,574)	(2,395)
St Peters Church of England Academy Trust	(182,264)	(66,284)
Jubilee Academy Mossley - ATT	(43,041)	(10,671)
Action for Children (West Bromwich)	(13,899)	(6,332)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
S4E Limited	(105,067)	(53,496)
Nechells Primary E-ACT Academy	(35,740)	(7,801)
Ormiston Academies Trust	(122,001)	(115,602)
EBN Free School	(15,842)	(9,360)
Croft Primary Academy - Elliot Foundation Trust	(36,238)	(12,512)
Lordswood Boys School	(108,221)	(36,130)
Chilwell Croft Academy - Equitas Academies Trust	(101,722)	(26,749)
Lawrence Cleaning Ltd - Parkfield School	(1,077)	(471)
Elite Cleaning & Environmental Services Ltd (Walsall)	(9,530)	(4,694)
Goldsmith Primary Academy - Windsor Academy Trust	(56,159)	(17,629)
Kings Rise Academy - The Elliot Foundation Academies Trust	(81,157)	(22,961)
Alston Primary School	(184,775)	(36,988)
Greenholm Primary School	(69,512)	(18,905)
Blue Coat Church of England (Walsall) Trust	(115,208)	(39,666)
Caludon Castle Academy	(164,918)	(54,883)
Percy Shurmer Primary School	(86,573)	(27,233)
Redcliffe Catering Ltd (Calthorpe School)	(16,929)	(2,903)
Woden Primary - Central Learning Partnership Trust	(67,787)	(20,333)
West Walsall E-ACT Academy	(244,024)	(75,184)
BOA Birmingham Ormiston Academy	(70,324)	(34,126)
ABM Catering Limited	(7,281)	(5,168)
Broadening Choices for Older People	(35,702)	(350)
Harrison Catering Services Ltd (Shenley Academy)	(11,840)	(3,977)
PlacesForPeopleLeisureLimited-HarbornePool	(20,411)	(8,036)
Taylor Shaw (Great Barr School)	(15,267)	(4,506)
Sandwell Inspired Partnership Services	(450,373)	(236,387)
Lend Lease Construction (EMEA) Ltd (HML Stockland Green & Broadway)	(9,064)	(4,536)
Lend Lease FM (EMEA) Ltd (HM & Stockland Green School)	(29,371)	(10,921)
Lend Lease (EMEA) Limited - E-ACT	(2,384)	(1,761)
Aspen Services Ltd (Gosford Park School)	(2,392)	(919)
St Clements C of E Academy Nechells	(27,724)	(14,885)
Oasis Community Learning - Blakenhale Junior	(32,664)	(12,782)
Oasis Community Learning - Woodview School	(92,756)	(42,877)
Oasis Community Learning - Blakenhale Infants	(60,150)	(21,226)
Lea Forest Primary Academy	(70,918)	(26,226)
Four Dwellings Primary Academy	(82,458)	(26,770)
Tame Valley Academy - Education Central MAT	(43,625)	(15,493)
Shirestone Community Academy - The Elliot Foundation Academies Trust	(66,722)	(19,201)
KGB Cleaning & Support Services Ltd (Alderbrook School)	(9,073)	(1,442)
Oasis Community Learning - Short Heath Primary	(83,307)	(21,812)
Aldersley Academies Trust	(158,888)	(60,384)
Yardleys School	(144,695)	(41,461)
Rough Hay Primary School	(67,819)	(20,360)
Charles Cuddy Walker Academy - Erudition Schools Trust	(73,560)	(16,120)
Billesley Primary Academy - The Elliot Foundation Academies Trust	(124,001)	(34,115)
Merritts Brook E-ACT Primary Academy	(39,502)	(11,250)
St Michael's Church of England Primary School Bartley Green	(67,035)	(17,448)
Reedswood E-ACT Primary Academy	(106,522)	(25,943)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
James Brindley School	(242,784)	(60,789)
CateringAcademyLtd-Walsall	(1,274)	(392)
Oaklands Primary - Ninestiles Academy Trust	(57,316)	(20,342)
Greenwood Academy - Academies Enterprise Trust	(144,670)	(48,924)
Tudor Grange Primary Academy St James	(18,726)	(6,235)
Mansfield Green E-ACT Primary Academy	(95,386)	(32,302)
Parkfield Academy Trust	(103,221)	(41,827)
Urban Enterprises (Bournville) Ltd	(34,514)	(14,348)
City Road Academy - Birmingham City Uni Academy Trust	(133,721)	(30,089)
Culture Coventry	(258,413)	(112,885)
Bramford Primary - Griffin Academy Trust	(109,449)	(28,143)
Bristnall Hall - The Academy Transformation Trust	(176,119)	(66,798)
Redhill School	(200,213)	(65,136)
Baverstock Academy - The Leap Academy Trust	(259,817)	(59,838)
Edgar Stanners Academy - Education Central MAT	(79,289)	(23,817)
Moor Green Primary Academy	(32,486)	(12,690)
Knowle CE Primary Academy	(104,577)	(26,095)
St Joseph's - John Paul II Multi-Academy	(64,837)	(11,897)
St Nicholas's - John Paul II Multi-Academy	(57,562)	(11,721)
Holy Cross - Sutton Coldfield Catholic Schools Multi-Academy	(65,595)	(12,855)
Bishop Walsh - Sutton Coldfield Catholic Schools Multi-Academy	(195,698)	(41,704)
The ACE Academy - Education Central Multi Academy Trust	(172,881)	(67,334)
St John's and St Peter's C of E Academy	(41,315)	(12,963)
St Georges C of E Academy	(56,956)	(13,330)
Acocks Green Primary School	(111,853)	(30,752)
Washwood Heath Academy	(294,609)	(83,432)
Perry Hall Primary School	(96,664)	(24,741)
KGB Cleaning & Support Services Ltd (Lyndon School)	(2,951)	(1,006)
European Electronique Ltd (Tile Hill Wood School)	(10,174)	(3,426)
Call First Cleaning Limited	(592)	(187)
Oasis Community Learning - Matthew Boulton	(64,439)	(18,142)
Four Dwellings High School Academy	(127,988)	(37,997)
Oasis Community Learning - Hobmoor Primary	(93,784)	(21,437)
Timbertree Primary - United Learning Academies	(31,840)	(12,419)
George Betts Academy - The Elliot Foundation Academies Trust	(113,009)	(24,287)
Hamstead Hall Academy Trust	(288,410)	(74,369)
Corngreaves Primary - United Learning Academies	(58,956)	(15,425)
Shireland Hall Academy - The Elliot Foundation Academies Trust	(88,388)	(25,152)
Stretton Primary Academy - Diocese of Coventry MAT	(50,508)	(10,168)
St Laurence's Primary Academy - Diocese of Coventry MAT	(93,804)	(20,733)
Yarnfield Academy - Ninestiles Academy Trust	(172,628)	(43,047)
President Kennedy School	(276,842)	(68,871)
Hawkesley Church Primary Academy	(98,265)	(17,659)
Birchills Academy - St Chads Academies Trust	(73,992)	(25,840)
Montgomery Primary Academy - Academies Enterprise Trust	(137,197)	(40,703)
Fairway School - Education Central Multi Academy Trust	(64,399)	(18,904)
Cheswick Green Parish Council	(1,182)	(461)
Jubilee Park Academy Trust	(62,027)	(14,414)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Ocker Hill Junior Academy	(41,348)	(10,633)
Three Spires Academy - RNIB Specialist Learning Trust	(68,723)	(16,032)
Silvertrees Academy	(161,565)	(26,840)
Pegasus Academy - Ninestiles Academy Trust	(70,046)	(14,641)
St Edmund's Academy - Bishop Clearly MAC	(189,031)	(57,199)
SS Mary & Johns Catholic Primary Academy - Bishop Clearly MAC	(26,565)	(7,250)
St Teresa's Academy - Bishop Clearly MAC	(27,999)	(6,844)
Holy Trinity C of E Primary Academy	(77,785)	(15,523)
Giffard Catholic Academy - Bishop Clearly MAC	(48,751)	(12,520)
St Michaels Academy - Bishop Clearly MAC	(49,348)	(11,316)
Tiverton Academy - The Elliot Foundation Academies Trust	(62,583)	(12,800)
St Joseph's Academy - St John Bosco Catholic Academy Trust	(42,085)	(13,081)
Bishop Milner Academy - St John Bosco Catholic Academy Trust	(106,404)	(33,826)
St Chads Academy - St John Bosco Catholic Academy Trust	(31,504)	(7,604)
Bentley Heath Church of England Primary School	(64,516)	(14,431)
Reaside Academy - Educational	(37,828)	(10,583)
St George's Academy Newtown	(44,297)	(16,581)
St Bartholomew's C of E Primary Academy	(82,457)	(17,886)
Hill Farm Academy - Castle Phoenix Trust	(81,051)	(23,965)
The Orchards Primary Academy - Education Central MAT	(95,554)	(21,232)
Wednesbury Oak Primary Academy	(70,853)	(16,773)
Robin Hood Primary Academy	(110,202)	(27,226)
Woodhouse Primary Academy - Education Central MAT	(154,437)	(36,811)
Broadway Academy	(201,749)	(53,742)
Places for People Leisure Limited	(8,497)	(2,439)
Radford Primary Academy - Sidney Stringer Academy Trust	(67,172)	(14,938)
Ernesford Grange Academy	(154,880)	(54,813)
Chivenor Academy - Griffin Schools Trust	(97,324)	(26,510)
Rivers Primary Academy - Windsor Academy Trust	(52,245)	(13,927)
Golden Hillock Academy - Park View Educational Trust	(191,372)	(56,363)
Anand Free School	(124)	(61)
Walsall Studio School	(3,575)	(1,761)
Waverley Studio College	(10,519)	(4,684)
Twickenham Primary Academy	(101,314)	(24,872)
Grestone Primary Academy	(129,342)	(28,793)
St Paul's C of E Primary Academy	(4,797)	(1,047)
Kingswood Trust	(12,726)	(5,884)
Leigh Primary School	(157,483)	(39,933)
Education Central Multi Academy Trust	(10,255)	(9,306)
Wodensborough Academy	(231,528)	(53,751)
Aspen Services Ltd (Courthouse Green Primary School)	(6,313)	(1,600)
Wolverhampton Girls High School	(150,698)	(28,839)
St Judes Academy - The Wulfrun Academies Trust	(82,992)	(23,427)
Oasis Community Learning - Foundry Primary	(58,446)	(13,385)
Berrybrook Primary School	(38,902)	(12,216)
Reach Free School	(17,769)	(7,842)
WMG Academy for Young Engineer	(28,530)	(14,042)
Cottesbrooke Infant & Nursery School	(136,380)	(20,767)

Management and Financial Performance

Part C: Financial Performance

Employer	Employer's contributions (£)	Employee's contributions (£)
Alliance in Partnership (Unity Cluster)	(8,097)	(2,106)
APCOA Parking UK Ltd (Wolverhampton)	(5,335)	(1,636)
Smestow School - Education Cen	(178,065)	(52,365)
Northwood Park Primary School	(20,319)	(5,595)
Marston Green Infant Academy	(51,320)	(17,432)
Smithswood Primary School	(84,466)	(23,029)
Bespoke Cleaning Ltd (Westwood Academy)	(722)	(243)
Police & Crime Commissioner West Midlands	(94,370)	(68,411)
Civica UK Ltd (Ark Schools)	(8,256)	(3,098)
Northern House School Academy Trust	(27,051)	(10,664)
Taylor Shaw (Great Barr Birmingham)	(17,474)	(4,546)
St John's C of E Primary Academy – Diocese Coventry MAT	(31,515)	(7,193)
Catering Academy (John Gulson)	(3,967)	(1,090)
HeathlandsAcademy–EducationCentralMAT	(125,090)	(24,271)
Wednesfield High School	(42,069)	(10,254)
Albert Bradbeer Primary School	(156,714)	(24,681)
Action Indoor Sports Birmingham CIC Ltd	(2,789)	(1,111)
Ridge Crest Cleaniing	(11,171)	(2,793)
Bournville Secondary	(105,846)	(22,689)
The University Training School	(2,233)	(1,088)
Devonshire Infant Academy-Victoria Park Multi Academy Trust	(98,932)	(16,106)
Seva Free School	(8,756)	(3,864)
Devonshire Junior Academy-Victoria Park Multi Academy Trust	(37,344)	(9,551)
Town Junior School - Plantsbrook Academy	(34,460)	(6,265)
St Joseph's Academy - St Nicholas Owen Catholic MA	(18,394)	(4,940)
Our Lady of Fatima Catholic Primary School - St Nicholas Owen Catholic MA	(30,529)	(6,568)
St Mary's Catholic Primary School - St Nicholas Owen Catholic MAC	(19,588)	(7,000)
Calthorpe Academy	(294,730)	(67,134)
Crestwood Academy	(9,363)	(3,233)
Hillstone Junior and Infant Academy	(106,707)	(26,044)
Ellowes Hall Sports Academy	(9,677)	(4,766)
Wyndcliffe Primary School	(23,367)	(5,221)
Brownmead	(30,072)	(6,310)
ABM Catering Ltd (Cannon Park)	(532)	(171)
St John's C of E Primary Academy – St Chad's Academy Trust	(10,752)	(3,807)
St Martin's C of E Primary School	(2,607)	(1,284)
Field View Primary School	(5,843)	(2,878)
Holy Rosary Catholic Primary Pope John XXIII	(3,632)	(843)
St Mary's Catholic Primary	(9,293)	(2,145)
Our Lady & St Chad Catholic Sports College	(10,172)	(2,550)
Corpus Christi Catholic Primary -Pope John	(4,823)	(1,120)
Grand total of contributions receivable	(389,496,903)	(110,653,426)

Management and Financial Performance

Part D: Administrative Management Performance

Overall Fund Statistical Information

Key Membership Statistics

Year	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
31 March 2011	102,011	73,040	8,121	59,833	10,688	253,693
31 March 2012	95,478	76,422	8,045	64,280	10,948	255,173
31 March 2013	97,330	78,679	7,830	66,461	11,024	261,324
31 March 2014	99,771	82,287	7,721	69,170	11,381	270,330
31 March 2015	104,250	83,521	7,677	70,587	11,523	277,558

Active members

The Fund has a total active membership of **104,250**. Since 31 March 2014, the number of contributing employees in membership has increased by **4,479**.

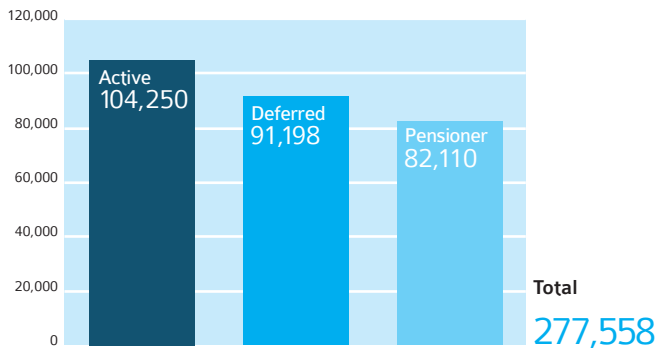
Deferred members

These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date.

Pensioner members

Pensions and other benefits amounting to **£498.3m** were paid in the year to retired members.

Benefit Operations Staff/ Fund Member Ratios



Average Cases per Member of Benefits Operations Staff

Number of processes



Average processes per member of staff



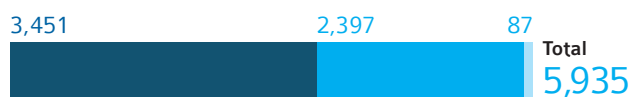
Benefit Operations Membership Movement

Member Movements During the Year - Admissions to the Fund



- Employees with no previous service
- Employees with transfers from other pension schemes
- Employees with transfers from other local government pension schemes

Withdrawals from the Fund



- Members entitled to deferred benefits, etc.
- Members awarded immediate retirement benefits
- Benefits awarded following a member's death in service

Complaints

Number of Complaints

The number of complaints processes started in 2014/2015:

66

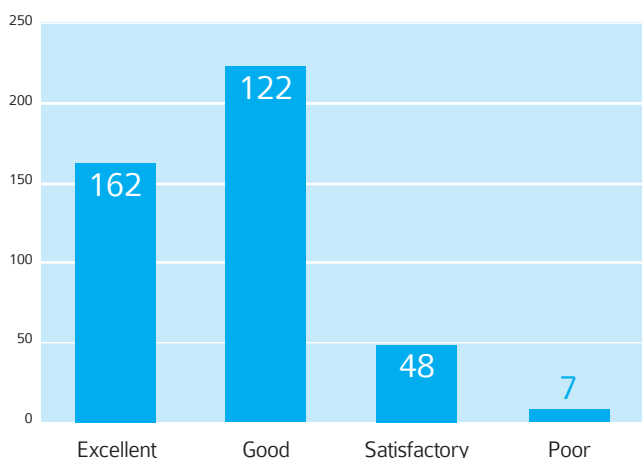
Management and Financial Performance

Part D: Administrative Management Performance

Employer and Member Satisfaction Statistics

Employers

Data taken from transactional surveys at mid-year review, AGM and employer training sessions completed in 2014/15 as recorded on SurveyMonkey.

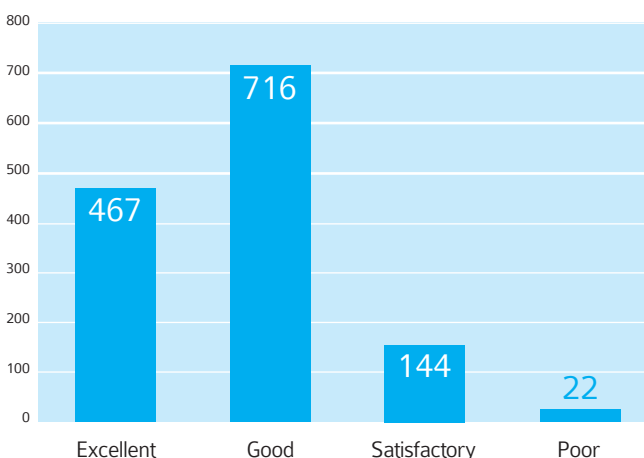


87.5% of employers believe we exceed their expectations (good + excellent)

98.4% of employers believe we meet their expectations (satisfactory + good + excellent)

Members

Data taken from 2014/15 satisfaction surveys completed in reception and online at wmpfonline.com, through benefit statements and annual mailings and from member events. As with employer satisfaction, these are all recorded by SurveyMonkey.



87% of members believe we exceed their expectations (good + excellent)

98.4% of members believe we meet their expectations (satisfactory + good + excellent)

Management and Financial Performance

Part D: Administrative Management Performance

Overall Fund Statistical Information

Number of Members

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active	-	-	-	684	4,689	7,023	9,175	10,466	13,875	18,438	18,896
Beneficiary pensioner	10	42	124	243	105	11	13	23	61	174	357
Deferred	-	-	-	41	951	4,361	7,302	8,279	11,083	15,167	16,468
Deferred ex-spouse	-	-	-	-	-	-	-	-	15	35	55
Pensioner	-	-	-	-	-	-	8	21	59	241	621
Pensioner deferred	-	-	-	-	-	-	-	-	-	3	8
Pensioner ex-spouse	-	-	-	-	-	-	-	-	-	-	-
Preserved refund	-	-	-	11	80	225	546	842	1,063	1,488	1,531
Total	10	42	124	979	5825	11,620	17,044	19,631	26,156	35,546	37,936

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	13,255	6,096	1,391	262	-	-	-	-	-	-	104,250
Beneficiary pensioner	562	862	1,244	1,624	1,884	1,881	1,368	687	173	28	11,476
Deferred	13,592	5,508	312	87	30	75	55	18	2	-	83,331
Deferred ex-spouse	49	19	-	-	-	-	-	-	-	-	173
Pensioner	3,499	14,259	19,489	13,227	9,073	5,791	3,006	1,069	195	29	70,587
Pensioner deferred	3	3	-	-	-	-	-	-	-	-	17
Pensioner ex-spouse	-	15	20	7	2	3	-	-	-	-	47
Preserved refund	1,135	551	47	46	43	23	20	22	4	-	7,677
Total	32,095	27,313	22,503	15,253	11,032	7,773	4,449	1,796	374	57	277,558

Employer Details

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pension liabilities) is given in the table below:

	Active	Ceased	Total
Scheduled body	304	1	305
Admitted body	169	9	178
Total	473	10	483

Internal Dispute Resolution Procedure (IDRP)

During the financial year 2014/2015, 10 cases were received.

Of these cases, eight were non-medical matters and two related to ill-health matters. The latter cases were referred for independent medical opinion where appropriate.

In total, nine cases were dismissed, and one case remains under investigation.

Management and Financial Performance

Part D: Administrative Management Performance

Overall Fund Statistical Information

Management Performance - Number and Trend of Top Ten Case Types

Joiner processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
2,932	2,923	9	99%
Refund processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
1,893	1,545	348	82%
Retirement processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
2,408	2,396	12	99%
Deferment processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
5,793	4,284	969	83%
Deferred retirement processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
1,976	1,935	41	98%
Death-in-service processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
145	111	34	77%
Death in deferment processes commenced in 2013/14...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
117	81	36	69%
Death in retirement processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
2,385	1,960	425	82%
Maintain member data processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
12,848	12,755	93	99%
Change of address and/or bank processes commenced in 2014/15...	...of which, processes completed in 2014/15	...of which, outstanding processes at 31 March 2015	Commenced and completed in the period 2014/15
10,002	9,951	51	99%

Corporate Responsibility

We strive to be a good corporate citizen in alignment with what we expect of the entities in which we invest.

Our People

The ability to recruit, grow and retain talented people in a competitive industry is crucial to the performance of West Midlands Pension Fund. We aim to embed the Fund's goals and values into all areas of our business in order to translate these into easy to understand role requirements and competencies for our staff to achieve which in turn helps our business to develop.

We recruit the best candidates and are successful in retaining talent with many staff members having long careers with the Fund.

We strive to be an excellent employer and are committed to equality, professional development and flexibility for all of our staff.

West Midlands Pension Fund

The Fund has 113 employees as of 31 March 2015 split across Finance, Governance, Investments and Pensions Administration function areas. Within the period, we had 13 new members of staff from different backgrounds and cultures, with a variety of experience in both private and public sector organisations.

We maintain a collaborative and transparent working culture. Staff members have the opportunity to contribute to the direction of the Fund through a Staff Forum group, which meets monthly and has representation from each team within the Fund. Staff have access to the minutes of all team meetings, including the meetings of the Fund's senior management team. Similarly, the Strategic Director of Pensions and her Senior Management Team operate open-door policies and allocate their time regularly for staff drop-in surgeries.

The Fund publishes a code of conduct for its officers. The code of conduct describes the principles by which we expect to conduct our business and provides employees with guidance on the standards expected when conducting businesses on behalf of the Fund. The employee code of conduct can be found on the 'Governance' section of the Fund's website, wmpfonline.com.

The code of conduct draws upon the 'seven principles of public life' to which all public sector employees are expected to adhere. These principles are:

- Selflessness
- Integrity
- Objectivity
- Accountability
- Openness
- Honesty
- Leadership

Further information on these principles can be found on the 'Governance' section of the Fund's website, wmpfonline.com.

2014/15 Achievements

Engagement Survey and Staff Forum

Each year, all employees of the Fund are asked to complete a survey which collects thoughts on what it is like to work in the organisation. The results of this survey are reviewed by the Fund's Senior Management Team who delegate the formulation of an action plan for improvements to the Staff Forum group. Staff Forum engages with their individual teams to gather a rounded set of opinions on various matters including organisational direction, working initiatives and social activities. Staff Forum then present the action plan to all staff through a staff briefing.

Training and Development

During 2014/15, staff at the Fund completed over 1,733 hours of training, covering a mixture of structured training from our internal Training and Development Team, attendance on external training courses and self-guided development (including reading and e-learning).

Some of the training completed in the year included the following important topics:

- Freedom of Information
- LGPS 2014 Scheme Changes
- Wellness at Work
- The Data Protection Act
- Presentation Skills
- Preventing Bullying in the Workplace
- Coaching and Mentoring for Beginners
- Investment and Economic Outlook
- Effective Writing
- Writing for Business
- CIPFA Guidance on Annual Report and Accounts
- Business Continuity Planning

During the year, staff gained some of the following recognised qualifications:

- Governance Public Policy and Events (CIPFA – CPPE)
- Investment Management Certificate (IMC)
- Chartered Financial Analysis (CFA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)

Corporate Responsibility

Our People

Promotions

We were delighted with the opportunity to promote six internal staff members during the year. Internal promotion is very important to the Fund, as it assists with our aim of creating a flexible and multi-skilled work force as staff move through different function areas. We were similarly proud of the seven employees that were also able to build on the skills gained in employment with the Fund and achieve new roles with other companies.

Secondments

Many of our staff also developed new skills and received additional development after gaining secondment opportunities within the organisation and with our administering authority, the City of Wolverhampton Council.

Environmental Performance

The Fund strives to be an environmentally-conscious organisation and employer, and has taken considerable steps in the last financial year to improve our standing in this area.

One of the initiatives that we are most proud of is providing electronic benefit statements for our active and deferred members in 2015. Providing electronic benefit statements for our members will ensure a reduction in annual costs as well as considerable environmental benefits as we reduce paper usage. As of 31 March 2015, less than 0.1% of our members have elected for paper statements.

The Fund's offices also recycle all cardboard, packaging and confidential paper waste. We are working with our corporate landlord to extend the recycling programme to include plastic and aluminium in 2015/16.

We also use Forestry Stewardship Council® (FSC) certified paper in all printed material sent through our mailing partners. In 2015/16, we are investigating use of recycled or FSC® certified paper in all printing material produced by the Fund.

In the past 18 months, our corporate landlord has replaced 90% of the lighting throughout our offices with LED fittings and has also fitted control sensors on the lighting in the toilets, all to reduce energy consumption and maintenance costs. All toilets in our offices now have dual flush systems fitted and the urinals also have timed flushing devices all reducing the consumption of water throughout the building.

Health, Safety and Wellbeing

The Fund is committed to providing a safe and healthy working environment for all of our employees and any stakeholder visiting our place of work. We try to ensure that we:

- reduce and, if possible, eliminate any hazards;
- educate our staff on health and safety and fire awareness;
- prevent injuries at work;
- and comply with all requirements of The Health and Safety at Work Act 1974.

In partnership with our administering authority, the City of Wolverhampton Council, all Fund employees are also able to access a 'wellness at work' programme including:

- subsidised health insurance;
- subsidised gym and leisure club memberships;
- workstation assessments;
- first-aid training;
- free health checks and nutrition sessions;
- access to occupational health.

The Fund also has a robust business continuity plan, which was updated and tested during the period. Staff receive annual training on the content and procedures included in the business continuity plan.

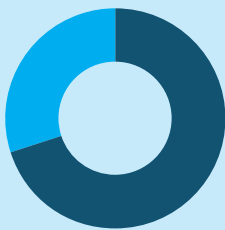
Corporate Responsibility

Our People

Employee Information at 31 March 2015

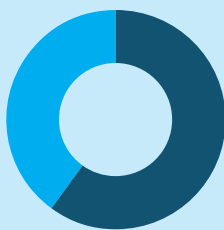
Understanding the makeup of West Midlands Pension Fund is an important part of our commitment to be an excellent employer. We are proud of the diversity that our organisation displays.

Working pattern



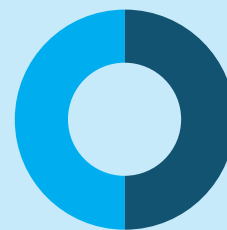
■ Full time 77%
■ Part time 23%

Gender balance of Senior Management Team (SMT)



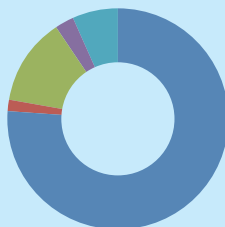
■ Male 60%
■ Female 40%

Gender balance of investment professionals



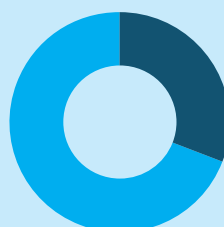
■ Male 50%
■ Female 50%

Ethnic profile



■ White (British/Irish) 76.1%
■ Mixed race 1.8%
■ Asian or Asian British 12.8%
■ Black or Black British 2.7%
■ Chinese or other 6.5%

Gender balance of Fund



■ Male 31%
■ Female 69%

Gender balance of team leaders (excluding SMT)



■ Male 39%
■ Female 61%

Return to Work and Retention After Parental Leave (as Primary Care Giver)

Return to work: male	100%
Return to work: female	100%
Retention as at 30 June 2015 after returning in 2014/15: male	100%
Retention as at 30 June 2015 after returning in 2014/15: female	100%

Corporate Responsibility

Our People

Case Study

Meet Leanne Clements, Responsible Investment Officer, West Midlands Pension Fund



Q: You joined the Fund in June 2014. Tell us about your career in the field of responsible investment prior to joining the Fund?

A: Before joining West Midlands Pension Fund as Responsible Investment Officer, I held a similar role at the London Pensions Fund Authority (LPFA) and, before that, I worked at the Pensions & Investment Research Consultants (PIRC) where I worked on the engagement services team on behalf of the Local Authority Pension Fund Forum (LAPFF).

I originally am from Canada and, before moving to the UK, I worked as an environmental consultant for an engineering firm conducting contaminated site investigations for financial clients.

Q: In your role of Responsible Investment Officer for the Fund, how do you allocate your time?

A: The Fund has been active promoting the responsible investment (RI) agenda within the local authority space for many years. However, now that there is a dedicated RI person in place, I usually find myself splitting my time between strategic and reactive days!

On 'strategic days', I focus primarily on:

- updating our in-house voting policy and oversight of our third party voting provider;
- company and policy engagement, primarily through our partnership with the LAPFF;
- fund manager selection/monitoring; and
- reporting & communications.

And on 'reactive days', I spend my time responding to stakeholder queries (including beneficiaries) about our responsible investment approach.

Q: What outcome should all pension funds be looking for in their asset managers?

A: In my view, we should be evaluating their stewardship and environmental,

social, governance (ESG) integration activities, how they inform each other and in turn, how both of them inform investment decisions. In my view, these activities should not be an end in themselves but a means to improve risk-adjusted returns over the long term. That is, of course, the ultimate goal.

Q: What steps should pension funds take to get there (ie improve these returns)?

There are plenty of frameworks, checklists and guides out there to help either trustees or officers of pension funds get a snapshot of how effective their asset manager is at stewardship and ESG integration. However, the benchmarking exercise is the easy part, the most challenging bit is how to get asset managers to evolve / improve their approach over a reasonable timeframe.

Let's face it – mainstream asset managers are large, complex organizations with their own shareholders, employees that are predominantly remunerated over short time frames (at least compared to pension fund investment horizons!), and each pension fund represents a very small percentage of its overall client base. So asking for any change in their processes, governance mechanisms, policies or reporting is going to be very challenging. So my first tip is to be prepared to buckle down and stay in it for the long haul! It is important to be realistic so that you can set targets for yourself that are reasonable and achievable. To do that, you need to understand the limitations.

Q: In an ideal world, who would engage companies?

A: In my view (and, believe me, many different answers are given to this question), whoever is making the investment decision is ideally the one that should be engaging with companies.

This could be asset owners with internally managed assets, or asset managers.

Going back to my previous point about the ultimate outcome of improved risk-adjusted returns, if asset owners disconnect the engagement function from the investment decision, then we reduce the likelihood of achieving that long-term goal.

However, I recognize that we are all on a journey with this, and there is a lot of pressure on UK asset owners to be 'effective stewards' of their assets under the Stewardship Code and other soft regulatory drivers – and I can see that each asset owner is interpreting that pressure in different ways.

For example, some asset owners may outsource the management of their assets to external fund managers and the ESG engagement to a third party provider. In itself, this may not be significant as you can use this information to hold your fund managers to account. However, I am concerned when it creates the unintended consequence of not holding the fund manager to account for its RI activities – just because you have outsourced stewardship and thus 'ticked that box' from a compliance perspective. For me, this isn't about compliance, this is about investment.

For more information on the Fund's work in the field of responsible investment (RI), please visit www.wmpfonline.com/ri or contact:

Leanne Clements,
Responsible Investment Officer,
West Midlands Pension Fund at
responsible.investment@wolverhampton.gov.uk

This interview with Leanne first appeared in SRI-CONNECT, the global professional research community for the responsible investment industry.



Corporate Responsibility

Our Community

Charitable Activities

West Midlands Pension Fund was proud to assist its employees in supporting the following local, national and international charities during 2014/15 through a programme of activities including dress-down days, raffles, auctions and cake sales, which raised over £1,800 in total. All charities were chosen by staff members through the Fund's Staff Forum:



Officers from our Investment, Finance and Governance Teams attend local schools and advise children between the ages of 11 and 18 on the varied job roles within the finance sector and the skills and qualifications required for these careers.

Our staff collect clothing, food and toys throughout the year for the support of the local homeless community.

West Midlands Pension Fund attends local jobs fairs to promote the organisation as an excellent regional employer and also employs a local recruitment agency to assist in filling temporary job roles, supporting with employment in the region.

Corporate Responsibility

Our Community

Case Study

Bridges Ventures Sustainable Property Fund: 158 / 170 Edmund Street, Birmingham (office buildings)

West Midlands Pension Fund invests in and subscribes to the values of the Bridges Ventures Sustainable Property Fund.

In 2012, Bridges – in conjunction with their joint venture partner Evenacre – bought two adjacent office buildings in Edmund Street, Birmingham, for £4m.

Although the Grade II-listed properties enjoyed a good location in Birmingham's business district, they had been lying vacant, having previously been occupied by a single tenant for 25 years meaning they were in need of substantial modernisation.

As such, a further £1 million was spent redeveloping the properties, with a particular focus on the introduction of various environmental features:

- photovoltaic solar panels were installed on the roof, providing energy for the building's core areas;
- 'intelligent' LED lighting systems were fitted throughout the properties;
- energy-efficient heating and cooling systems were also installed.



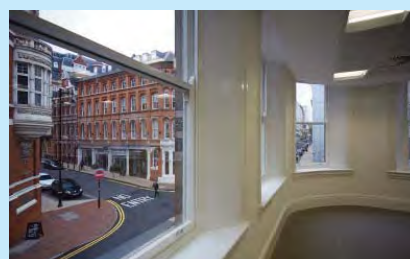
These improvements reduced the building's carbon emissions by more than 40% and improved its Energy Performance Certificate (EPC) rating from D to B.

The improvements resulted in much lower costs for tenants: during the ownership, the service charge went down by 50% to less than £4 per square foot. Similar office space in the city has an average service charge of approximately £5.50 per square foot.

These lower costs helped drive demand. Five tenants moved into 158 Edmund Street within months of the property being marketed, and

another two took occupancy in the other building on ten-year leases.

The environmentally-led redevelopment and the demand it created made the buildings an attractive purchase for F&C Asset Management's UK Property Fund, which bought them for £11.65 million last October, reflecting a yield of 5.75%.



Corporate Responsibility

Our Community

Case Study

Bridges Ventures Sustainable Property Fund



West Midlands Pension Fund invests in and subscribes to the values of the Bridges Ventures Sustainable Property Fund.

In conjunction with its joint venture partners, Bridges has now built 14 care homes, three through the Sustainable Property Fund. Each care home provides first-class care facilities, with a focus on sustainable design and construction including consideration of environmental efficiencies.

Reflecting Bridges' emphasis on improving the quality of care in the sector, the developer Castleoak (its partner in the fund) was instrumental in developing the 'Your Care Rating' initiative. Launched in 2011, this annual independently-conducted survey enables care home residents to confidentially air their views on the service they receive. The results are benchmarked, with the intention of helping providers of care homes drive service improvements.



Investment Policy and Performance

Investment Policy and Performance

Investment Strategy

Investment strategy is reviewed annually. The Fund has a long-term investment strategy focusing on three main areas – equities, fixed interest and alternative investments. These are combined to provide diversification and reduce volatility.



A return-seeking strategy is in place with a target total return objective of 6.9% per annum with returns predominantly generated from markets (6.0%) and the balance (0.9%) from active management. The Fund's actual asset allocation as at 31 March 2015 is shown below, compared with the strategic risk bands agreed by the Pensions Committee:

Asset Allocation

Portfolio	Strategic risk bands %	Closing levels %	Closing market value £m
UK equities		9.3	1,059
Global equities		7.5	857
Overseas equities		30.7	3,486
Private equity		11.9	1,351
Total equities	50.0-70.0	59.4	6,753
UK gilts		1.3	150
Specialist fixed interest		3.1	351
Index linked gilts		6.2	710
Corporate bonds		4.7	534
Emerging market debt		2.6	293
Cash		4.8	543
Total fixed interest	15.0-25.0	22.7	2,582
Property		8.3	944
Absolute return		6.2	708
Real assets and infrastructure		3.4	381
Total alternatives	15.0-25.0	17.9	2,033
Total non-equities	30.0-50.0	40.6	4,615
Total	-	100.0	11,368

During the year, the Fund reorganised the structure of its alternative investments and quoted equities allocations. In alternative investments, the holdings in commodities were sold and it was agreed that the hedge fund allocation would be wound down. The allocations to property and infrastructure were increased. In quoted equities, the allocation to global equities was increased and the regional overseas equities allocations were moved to equal fixed weights.

All main asset classes closed within their wider strategic risk bands. The asset allocation continues to be monitored on a regular basis and any significant changes are reported to the Pensions Committee.

Cashflow

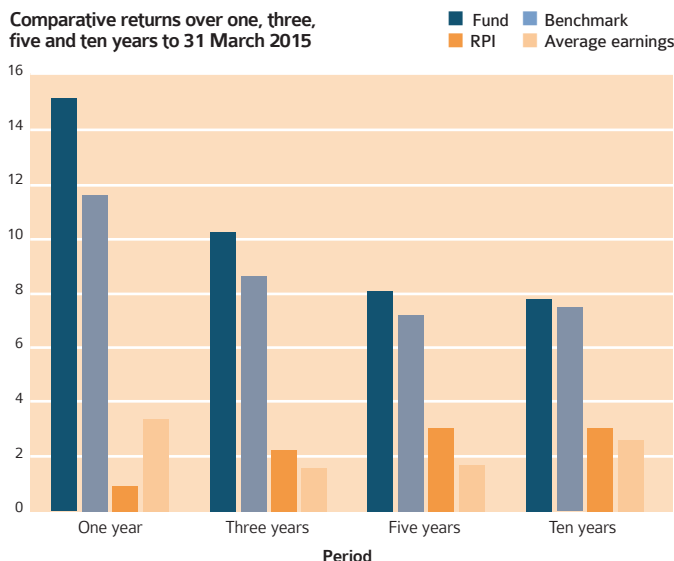
The Fund remains cashflow positive. £234 million was received in April 2014 in respect of deficit prepayments and advance employer contributions from employers and in the autumn, £246 million was transferred to Greater Manchester Pension Fund (in cash and gilts) as responsibility for the management of the local probation trust pension assets was rolled into the National Probation Service pension scheme. A net £197 million was invested during the year in equities (predominantly global equities), offset by the receipt of £147 million from the sale of commodities funds. Net distributions amounting to £339 million were received from the private equity portfolio.

Portfolio	Closing market value £m		Net investment £m
UK equities	1,059		26.2
Global equities	857		219.1
Overseas equities	3,486		-48.6
Private equity	1,351		-174.5
Total equities		6,753	+22.2
UK gilts	150		-61.4
Specialist fixed interest	351		-12.9
Index-linked gilts	710		-50.0
Corporate bonds	534		0.0
Emerging market debt	293		0.0
Cash	543		277.8
Total fixed interest		2,582	+153.5
Property	944		-89.3
Absolute return	708		-59.9
Real assets and infrastructure	483		-124.2
Total alternatives		2,033	-273.4
Total complementary	4,615	4,615	-119.9
Total	11,368	11,368	-97.7

Investment Policy and Performance

Investment Performance

The Fund's annualised returns over one, three, five and ten years compared to the benchmark, retail prices index (RPI) and average earnings are illustrated in the chart shown below.



Short-term (one year)

In the year to 31 March 2015, the Fund delivered a return of 15.1%, well ahead of its bespoke benchmark of 11.6%. The main contributors to the outperformance were good relative performances from the private equity and absolute return portfolios. This was offset in part by underperformance in fixed interest (following a strong 2013/14) and in some parts of the quoted equities portfolio (notably emerging markets).

Medium-term (three to five years)

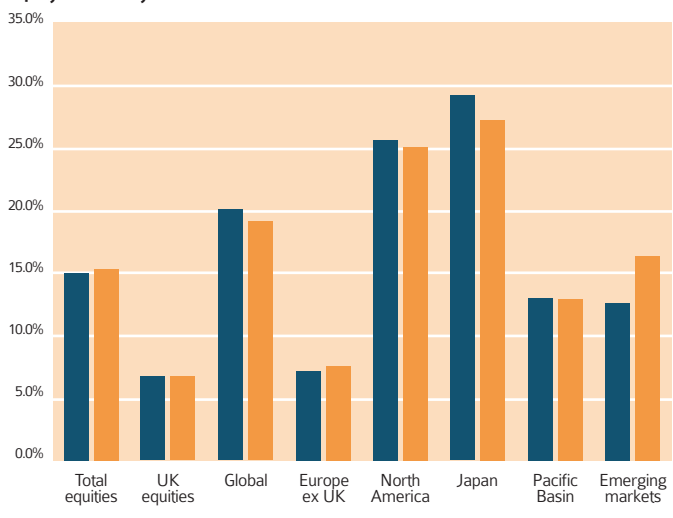
A return of 10.2% per annum was achieved by the Fund in the three years to 31 March 2015, ahead of the bespoke benchmark return of 8.6%. Strong performances from quoted equities and private equity were the key contributors over this time period.

Long-term (ten years)

The Fund's ten-year return of 7.9% per annum was usefully ahead of the benchmark return of 7.5% and well ahead of increases in RPI and average earnings.

Quoted Equities

Equity returns - year ended 31 March 2015

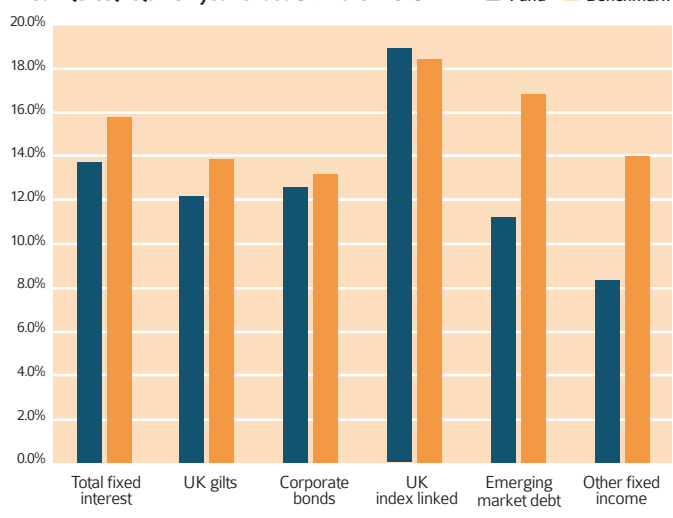


Developed markets equities posted positive returns, with North America (aided by US dollar strength) and Japan faring notably well. The UK and Europe posted fairly modest returns.

The Fund's quoted equities portfolio marginally underperformed, with a return of 14.9% achieved compared with a benchmark return of 15.2%. Most areas performed satisfactorily in relative terms and the emerging markets equities portfolio was the main contributor to underperformance, lagging in a strongly rising market.

Fixed Interest Returns

Fixed interest returns - year ended 31 March 2015



Fixed interest markets had a strong year (following a difficult 2013/14) with most segments posting double-digit returns.

The Fund's fixed interest portfolio underperformed, posting a return of 13.8% compared with a benchmark return of 15.9%. The emerging market debt allocation was a laggard and the specialist fixed interest funds (which performed well in 2013/14) were largely responsible for the underperformance.

Investment Policy and Performance

Alternative Investment Returns

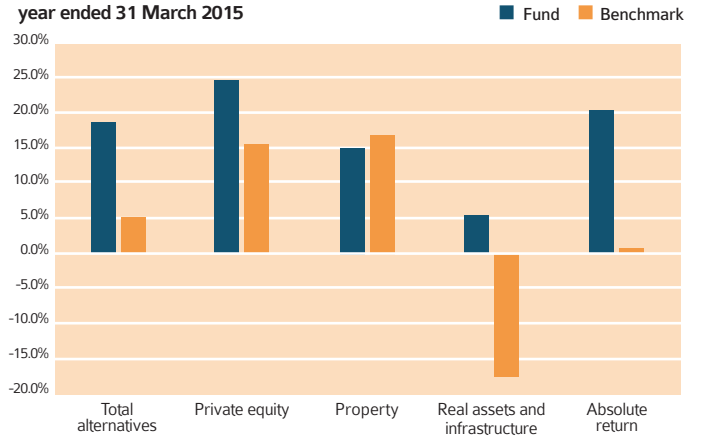
The alternative investments portfolio delivered a strong return in 2014/15 but within the overall picture there were significant variations. The private equity portfolio achieved a return of 24.6%, reflecting profitable distributions in a very favourable market environment. It was another good year for property but whilst the Fund's directly held property posted a respectable return of 12.8% the indirect holdings – mainly overseas – delivered a relatively dull 8.8% return.

The commodities portfolio was sold in the year, ensuring that the Fund was not unduly exposed to the sharp falls in commodities prices. This part of the portfolio delivered a return of -12.2% compared with the benchmark return of -32.9%. In absolute return, a 20.2% return was delivered with most segments faring well, notably insurance-linked funds.

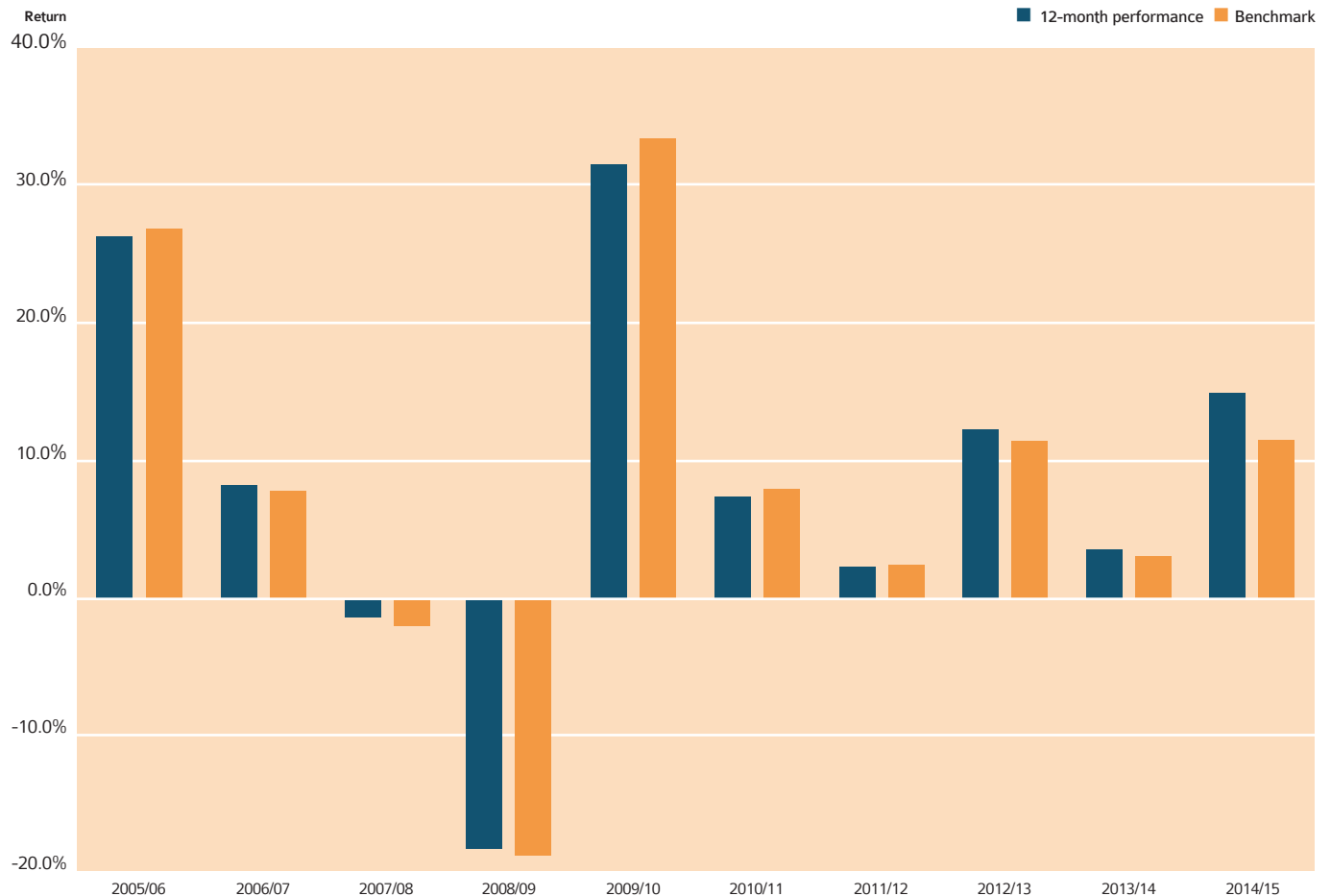
Mark Chaloner

Assistant Director - Investments,
West Midlands Pension Fund
Date: June 2015

Alternative investment returns - year ended 31 March 2015



Annual Performance versus Benchmark 2005/06 - 2014/15



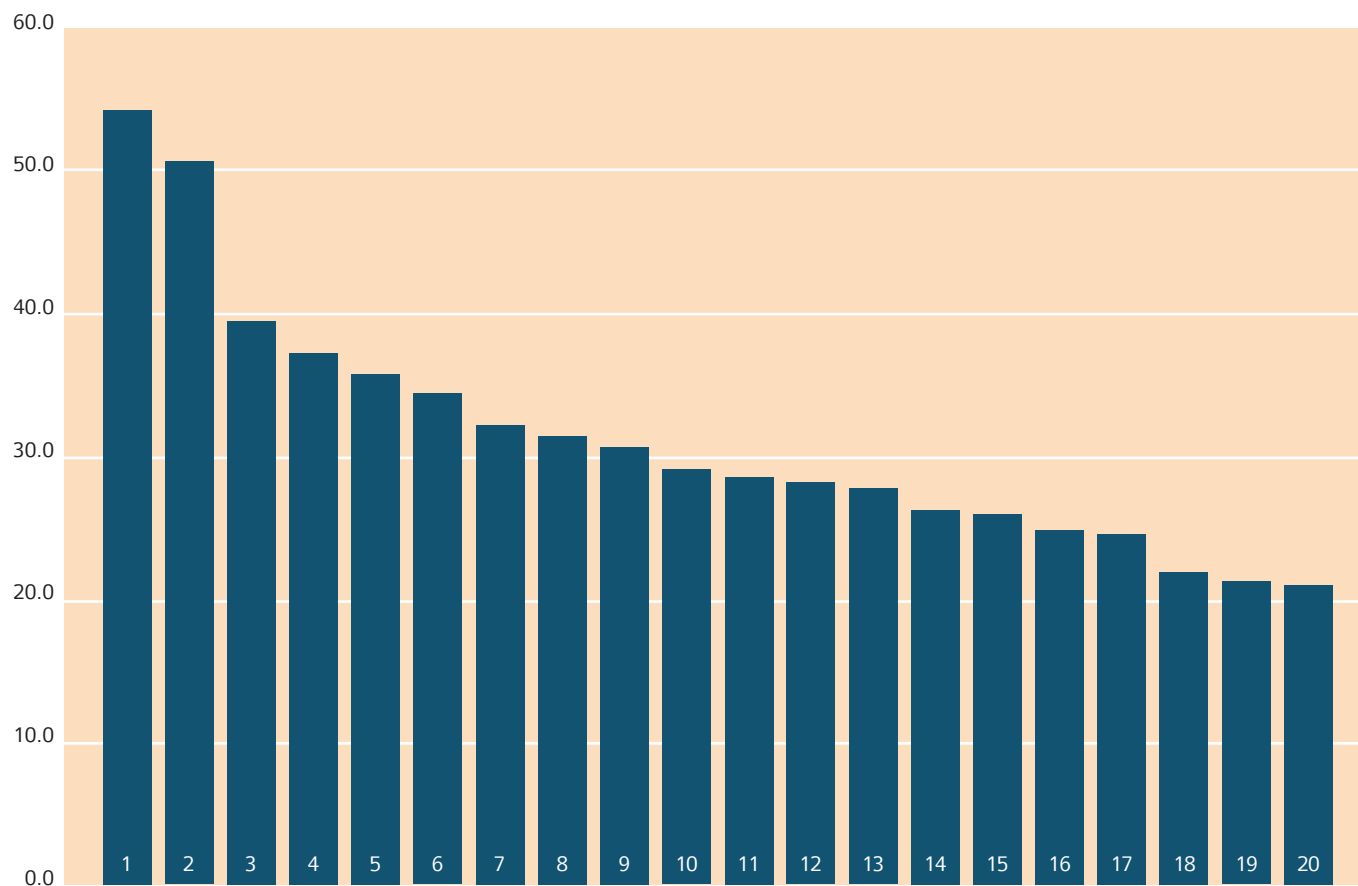
Investment Policy and Performance

Top Twenty Equity Holdings

No.	Stock	Fund value GBP £m
1	HSBC	54.4
2	Royal Dutch Shell 'B'	50.8
3	BP	39.6
4	GlaxoSmithKline	37.3
5	Nestlé	35.8
6	Novartis	34.2
7	British American Tobacco	32.1
8	Apple Inc.	31.5
9	Diageo	30.8
10	Vodafone Group	29.1

No.	Stock	Fund value GBP £m
11	AstraZeneca	29.0
12	Roche	28.6
13	Reckitt Benckiser	27.7
14	Samsung Electronics	26.4
15	AIA	26.0
16	Unilever	24.9
17	Toyota	24.6
18	Commonwealth Bank of Australia	21.8
19	Prudential	21.2
20	Lloyds Banking Group	21.0

Total investment assets **£11.4bn**

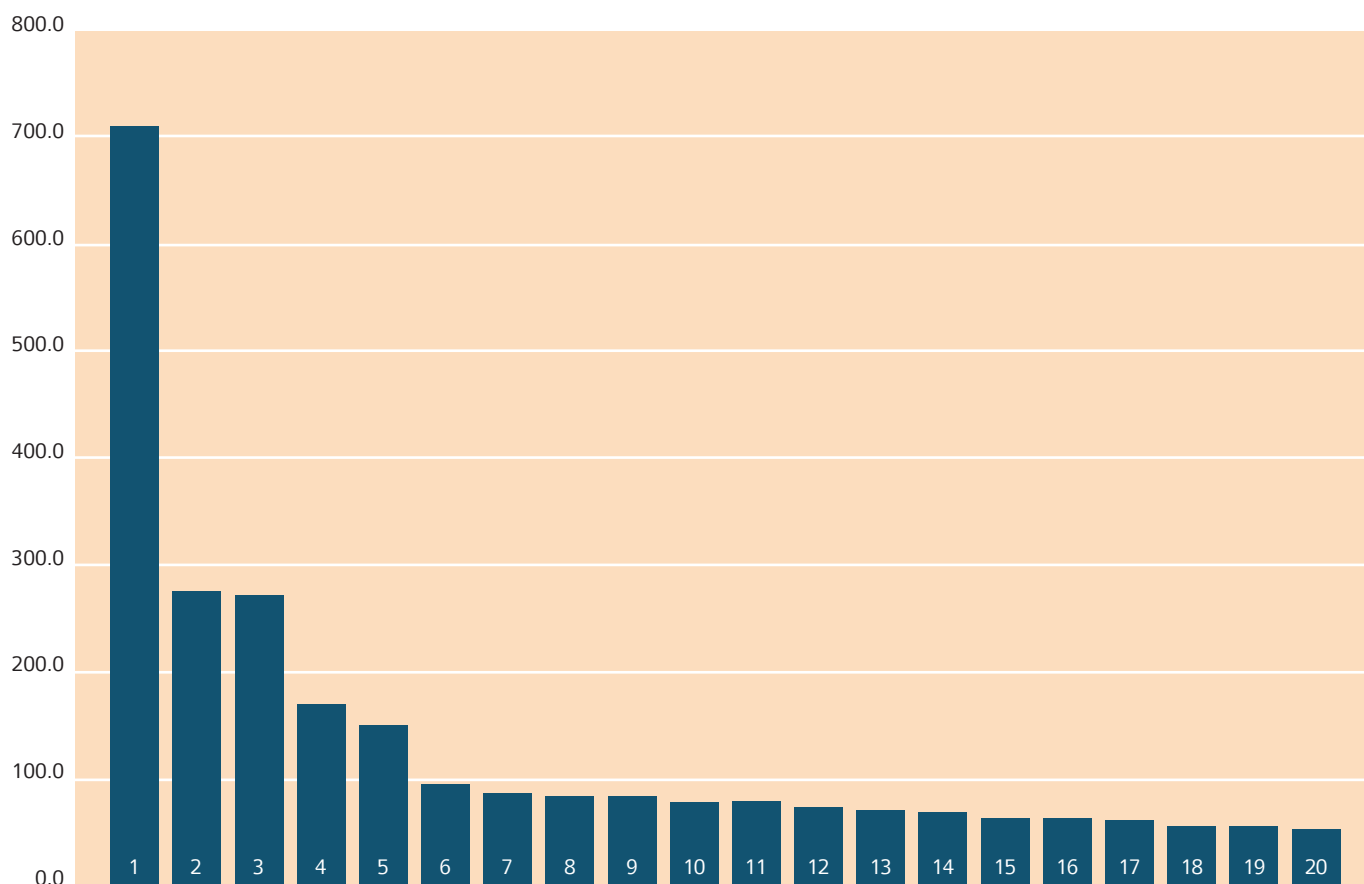


Investment Policy and Performance

Top Twenty Indirect Holdings

No.	Stock	Fund value GBP £m	No.	Stock	Fund value GBP £m
1	Legal & General - All Stocks Index Linked Gilts Fund	709.9	11	Pioneer Emerging Market Debt Fund	79.5
2	Schroder All Maturities Bond Fund	276.9	12	Ashmore Emerging Markets Liquid Investment Portfolio	75.5
3	Blackrock Aquila Life World ex UK Equity Index Fund	270.6	13	Capital International Emerging Markets Fund	75.4
4	Blackrock Global Composite Fund	169.3	14	Legal & General Invt Grade Cp Bnd All Stks Ind	70.8
5	Legal & General All Stocks Gilts Index	150.5	15	Credit Suisse IRIS Balanced Fund	63.0
6	CATCo Diversified Fund	96.9	16	Bluebay Emerging Market Opportunity Fund	63.0
7	Aspect Diversified Fund	88.2	17	Advent Global Phoenix Convertible Fund	56.6
8	CF Ruffer Total Return Fund	84.5	18	Highbridge Specialty Loan Fund III	56.4
9	Capital Dynamics Asia	84.4	19	BlueCrest Mercantile Fund	54.0
10	Legal & General Overseas Bond Fund	80.2	20	Baillie Gifford Diversified Growth Fund	53.8

Total investment assets £11.4bn



The following investment represents more than 5% of the net assets of the scheme:

31 March 2014			31 March 2015	
Market value	% of total market value		Market value	% of total market value
£m			£m	
639.1	6.3	Security Legal & General - All Stocks Index-Linked Gilts Fund	709.9	6.2

Investment Policy and Performance

Planned Asset Allocation

The Fund's actual asset allocation as at the beginning of the financial year, compared to allocation bands, was as follows:

Portfolio	Strategic risk bands %	Closing levels % 31 March 2014	Market value £m 31 March 2014
UK equities		10.0	1,004
Global equities		5.2	526
Total overseas equities		30.7	3,100
- North America		9.7	979
- Continental Europe		6.7	678
- Pacific ex Japan		4.1	414
- Japan		1.8	183
- Emerging markets		8.4	846
Private equity		12.3	1,240
Total equities	45.0-65.0	58.2	5,870
UK gilts		1.9	192
Specialist fixed interest		3.3	337
Index-linked gilts		6.3	639
Corporate bonds		4.8	481
Emerging market debt		2.6	264
Cash		2.6	264
Total fixed interest	15.0-25.0	22.7	2,177
Property		9.2	928
Absolute return		6.3	642
Real assets and infrastructure		4.8	483
Total alternatives	20.0-30.0	21.1	2,053
Total non-equities	35.0-55.0	44.6	4,615
Total	-	100.0	10,100

Stewardship Code

The Fund's adherence to the UK Stewardship Code is detailed on the Fund's website

<http://www.wmpfonline.com/CHttpHandler.ashx?id=4650&p=0->

Investment Administration

The Fund's assets are managed by both internal and external fund managers. The passive UK and overseas equities portfolios are managed in-house by the Portfolio Manager - Equities. Other portfolio managers oversee the management of the remainder of the investment portfolio which includes active global equities mandates, a private equity portfolio, a fixed interest portfolio that comprises stabilising and return-seeking components, allocations to property (direct and indirect), infrastructure and an absolute return portfolio. Non-equity investments are mainly held in funds managed by external managers with fund selection and performance management monitored internally.

The Fund's equities managed internally and externally (within segregated mandates) are held by our global custodian, HSBC. All Fund investments are accounted for in-house on our investment accounting system.

Analysis of Fund Assets at the Reporting Date

The Fund's assets at 31 March 2015 are detailed in the table below:

	UK £m	Non-UK £m	Total £m
Equities	1,248.8	5,504.7	6,753.5
Bonds	1,745.4	293.3	2,038.7
Property (direct holdings)	656.3	-	656.3
Alternatives	815.6	561.5	1,377.1
Cash and cash equivalents	451.0	91.9	542.9
Total	4,917.1	6,451.4	11,368.5

Note that the total value excludes dividends and outstanding withholding tax of £44.3m.

Investment Policy and Performance

Responsible Investment

Introduction

The Fund has had a longstanding commitment to responsible investment (RI). Its RI objective is to encourage environmental, social and governance (ESG) best practice in the companies in which it invests, as the Fund believes it will aid in the protection of its long-term value. For further details on our overarching approach including our Responsible Investment Framework, please refer to the RI section of the Fund's website: <http://www.wmpfonline.com/ri>.

2014/2015 Achievements

The Fund has adopted the UN-backed Principles for Responsible Investment (PRI)¹ as a framework to advance in its RI approach and to identify priority areas. Key achievements in our RI strategy during the year under review include the following:

- Recruitment of a dedicated Responsible Investment Officer to advance the Fund's RI approach;
- Update of UK voting policy;
- Creation of 'responsible investment beliefs' as approved by Pensions Committee in December 2014;
- Improved responsible investment disclosure on the Fund's website;
- Appointment of the Fund's Assistant Director (Investments) on the PRI Board;
- Key contributor to the landmark *Guide to Responsible Investment Reporting in Public Equity*;
- Dedicated responsible investment training and informative sessions for trustees, employers and internal staff;
- Updating of RI policy documents, including the creation of a climate change position statement;
- Co-filing shareholder resolutions at BP and Shell respectively, both of which received unprecedented official support from company management; and
- Shortlisted for RI reporting award amongst the global asset owner community.

The Fund's RI efforts over the course of the year were rewarded with a significantly improved PRI assessment score.

Active Ownership

Over the last twelve months ending 31 March 2015, the Fund voted 2,669 shareholder meetings opposing more than 28% of all resolutions. The Fund supported management on all resolutions at 224 meetings. A breakdown of the Fund's voting behaviour for these meetings across markets and issues is provided on pages 47 and 48.

Over the last twelve months ending 31 March 2015, the Local Authority Pension Fund Forum (LAPFF) engaged with various companies on a range of environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously.

A summary of LAPFF's engagement program over the course of the year by market, theme, outcomes and activities is provided on page 49.

Key Voting and Engagement Highlights

A summary of the key voting and engagement highlights throughout the course of the year are highlighted below.

Annual Report and Accounts

Approximately 2.5% of the Fund's votes against management across all companies were against the report and accounts. Key reasons for voting against the report and accounts were:

- failure to put the final dividend to a vote;
- insufficient corporate responsibility/sustainability policies; and
- poor disclosure, especially relevant in emerging markets

Election of Directors

Approximately 47.3% of the Fund's votes against management across all companies were against directors. Key reasons for voting against were that the proposed director:

- was a non-independent director on a board with insufficient independence;
- served on too many boards or committees, which raises concerns about their ability to exercise sufficient oversight; and
- was being held to account for egregious corporate governance concerns as chair of the relevant committee or board (eg, remuneration, board independence, audit function, etc).

Remuneration Reports

Approximately 15.3% of the Fund's votes against management across all companies were against remuneration reports or policies. The main reasons were:

- excessive quantum of pay;
- a disconnect between pay and performance;
- insufficient disclosure; and
- poor contractual arrangements (eg, termination, etc).

Auditors

Approximately 7% of the Fund's votes against management across all companies were against the auditors of the report and accounts. The main reasons were:

- maximum allowed tenure was exceeded; and
- excessive non-audit fees which may compromise the auditor's independence.

Shareholder Resolutions and Climate Change

The Fund will generally vote for the following shareholder resolutions:

- Requiring a majority vote for the election of directors.
- The election of an independent chairman.
- Annual director elections.

Investment Policy and Performance

Responsible Investment

For environmental and social resolutions, the Fund normally takes a case-by-case approach, but does take into account the following considerations:

- Whether the proposal is in the long term interests of shareholders.
- Whether the proposal is too prescriptive or not well-articulated.
- Whether the company has sufficiently addressed the concern based on the Fund/PIRC's analysis.

The Fund registered 96% support for US shareholder resolutions on climate change related issues over the course of the year. The Fund also co-filed a shareholder resolution with BP and Shell asking the company for further disclosure in its annual report on its future strategy as it relates to the transition to a low carbon economy. On behalf of the Fund, LAPFF met with the BP chairman to discuss the company's carbon management strategy and the proposed shareholder resolution.

Reputational Risks

The Fund has actively responded to stakeholder queries regarding its investment approach through its active ownership approach of engaging with companies, to either improve corporate behaviour or achieve a greater understanding of their stance on the issue.

Market-Related Initiatives

There are impediments to exercising the Fund's voting rights which it actively seeks to address. This includes the practice of share blocking in certain markets, whereby one cannot trade in company shares when voting, or cumbersome share re-registration procedures. Further, the Fund cannot always be sure that its vote reaches the company correctly or indeed at all. The Fund is actively working with key stakeholders, primarily custodians, to address these shortcomings, but is anticipated to be a long-term project done in collaboration with other like-minded investors.

ESG Integration

Below are some examples of how the Fund has strived to integrate ESG – where relevant – across its asset classes over the course of the year. The Fund believes that it is important that the external fund managers which it employs be transparent and accountable to their asset owner clients regarding their responsible investment policies and activities. The Fund will continue to build upon its approach to fund manager selection, appointment and monitoring in the future.

External-Listed Equities

The Fund has contributed to and fully endorses the 2015 *Guide to Responsible Investment Reporting in Public Equity* <http://www.wmpfonline.com/article/5708/Engagement-through-partnerships>, a platform from which to communicate its expectations of listed equity fund managers and other applicable asset classes over the course of the forthcoming year.

UK Direct Property

The Fund has been working with its direct UK property manager, CBRE, to address the risk in its direct property portfolio presented by the Energy Act 2011 which stipulates that from 2018, it will be prohibited to lease a building with poor energy performance (F & G rated properties).

To address this risk, a mitigation strategy is being developed.

In summary, of the 280 units requiring EPCs, 216 units are A-D rated and therefore considered low risk. The remaining 64 units are deemed at risk from the upcoming legislation, having either EPC ratings of E or below, or no current EPC rating.

The EPC risk mitigation strategy varies for each unit based on the known EPC rating, the lease end date of the tenancy in place, the cost to improve the unit and the overall asset strategy for the site. Work is currently underway to create a bespoke strategy for each unit, to be completed by the end of May 2015, in order to ensure 2018 compliance.

Tenant engagement is an important part of the Fund's approach to direct property investment. This goes beyond environmental issues as experience clearly shows that staying close to tenants and responding, where possible, to their changing requirements is beneficial to the performance of the portfolio. Cashflow and values are maximised and income voids kept to a minimum. The Fund is in the early stages of planning its tenant engagement program.

Environmental and Social-Themed Investing

As institutional investors, the Fund has a fiduciary duty to act in the best long-term interests of its employers and members. The Fund recognizes that environmental and social challenges can create attractive investment opportunities and has actively committed to date approximately 1.3% of its assets to environmental and social-themed investing. There is no set target for the Fund's ESG investments as these are considered mainstream.

An overview of the Fund's environmental and social-themed investments is provided below.

Overview of Environmental and Social-Themed Investments

Mandate	Description
<i>Infrastructure</i>	
Hg Renewable Power Fund	Invests in sustainable energy projects and companies in Europe.
Impax	
Blackstone	Targets promising companies across the spectrum of environmentally-friendly technologies.
<i>Property</i>	
Igloo Regeneration	Invests in UK mixed-use real estate through sustainable place-making in partnership with the public sector and local communities.
Bridges Sustainable Property Fund	Invests in properties in regeneration areas and environmentally sustainable buildings.

Investment Policy and Performance

Responsible Investment

Private equity	
Bridges Sustainable Growth Funds	Invest in a broad range of sectors such as healthcare, education, leisure, consumer, manufacturing and business and financial services with a social or environmental underpin.
Virgin Green	Invest in companies in the renewable energy and resource efficiency sectors in the US and Europe
Climate Change Capital	The strategy is to earn carbon credits by investing in clean technology in developing countries and to sell these carbon credits forward on CO2 exchanges.

Case Study: Investing in clean energy for developing countries

Ventika Wind Farm

West Midlands Pension Fund invests in and subscribes to the values of this clean energy venture by Blackstone Group.

The Ventika Project is comprised of two 126 megawatt (MW) wind farms with total capacity of 252MW. Located in the northeastern Mexican state of Nuevo Leon, approximately 35 miles from the United States border, Ventika will, upon completion, become Mexico's largest onshore wind farm and one of the largest wind farms in Latin America. The location was chosen due to the favourable onshore wind conditions.

The \$640 million project is being jointly developed by CEMEX, a global building materials company with presence in more than 50 countries, and Fistera Energy. The investment funds the installation of 84 wind turbine generators, each with a hub height of 120 metres and a nominal output of 3MW per turbine. Ventika Project will also construct a 230kV substation, which will include two main power transformers, and 8.8 miles of double circuit transmission lines connecting Ventika Project's substation with the CFE interconnection switchyard.

Construction of the project, which is scheduled to be completed in 2016, is expected to generate approximately 1,000 jobs and more than 2,000 additional jobs in related industries.



Nuevo Leon



Ventika Wind Farm



Once completed, the project will alleviate increased demands on Mexico's existing power infrastructure, helping Mexico reduce pollution and CO2 emissions, and meet its target of achieving 35% renewable generation by 2025.

Investment Policy and Performance

Responsible Investment

Measuring the Social and Environmental Impact of Investments

Social and environmental impact, beyond the immediate footprint of investee companies, is rarely measured within the investment management community at present. This is particularly challenging in 'fund of fund' arrangements. However, some investors are now actively looking beyond the positive impact for the company itself to the environmental and social impact that may be felt locally, regionally or even globally. The Fund believes such measurement within our environmental and social themed investments (and even beyond to other asset classes) is important for the following reasons:

- To communicate the social or environmental performance of investments to external stakeholders.
- To ensure the investments are not supporting poor practices that could lead to reputational risk.
- To improve the environmental or social impact of its investments.

Since the measurement of such factors in investments is still in its infancy, we will work with our fund managers to improve the level of disclosure provided to the fund regarding the impact of their investments.

Outlook for 2015/2016

The Fund is committed to evolving in its approach over the forthcoming years. The Fund also believes that transparency and accountability is an important part of its fiduciary duty to its members. The following commitments were made as part of the Fund's annual review to its employers regarding its RI approach:

- Review voting and company engagement arrangements/policies.
- Continue to embed ESG issues into investment process, including a Fund manager monitoring program (quoted/unquoted).
- Continue to improve responsible investment reporting: website, annual reporting.
- Continue to raise internal and external profile of Fund as responsible investor.

Investment Policy and Performance

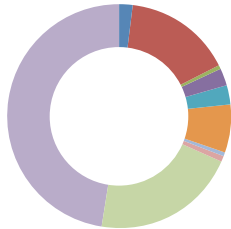
Voting Summary



Investment Policy and Performance

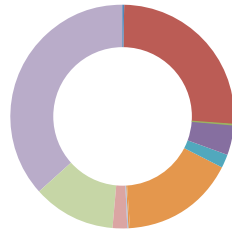
Voting Summary

Total



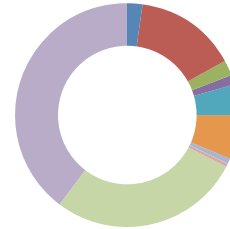
Shareholder resolution	2.21%
Remuneration	15.36%
Share capital	0.60%
Annual report	2.40%
Articles of association	2.96%
Auditors	6.95%
Corporate actions	0.59%
Corporate donations	0.63%
Other	21.00%
Directors	47.30%

UK



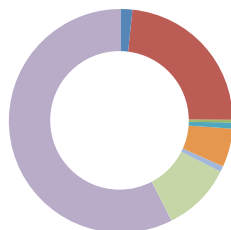
Shareholder resolution	0.24%
Remuneration	25.73%
Share capital	0.15%
Annual report	4.40%
Articles of association	1.85%
Auditors	16.54%
Corporate actions	0.39%
Corporate donations	2.16%
Other	11.82%
Directors	36.72%

Europe



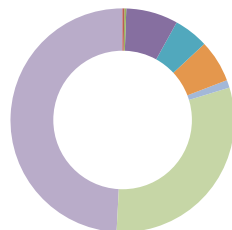
Shareholder resolution	2.30%
Remuneration	14.89%
Share capital	2.15%
Annual report	1.48%
Articles of association	4.22%
Auditors	6.55%
Corporate actions	0.67%
Corporate donations	0.13%
Other	27.95%
Directors	39.66%

USA and Canada



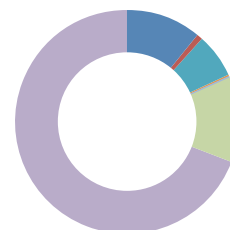
Shareholder resolution	1.71%
Remuneration	23.36%
Share capital	0.10%
Annual report	0.00%
Articles of association	0.97%
Auditors	5.78%
Corporate actions	0.60%
Corporate donations	0.00%
Other	10.13%
Directors	57.35%

Asia



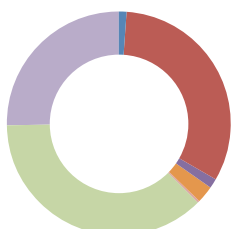
Shareholder resolution	0.00%
Remuneration	0.36%
Share capital	0.44%
Annual report	7.40%
Articles of association	4.91%
Auditors	6.23%
Corporate actions	1.03%
Corporate donations	0.00%
Other	30.48%
Directors	49.15%

Japan



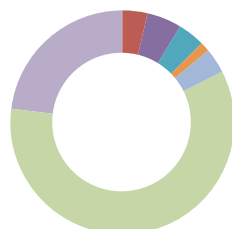
Shareholder resolution	10.97%
Remuneration	0.83%
Share capital	0.00%
Annual report	0.00%
Articles of association	6.51%
Auditors	0.10%
Corporate actions	0.10%
Corporate donations	0.00%
Other	12.41%
Directors	69.08%

Australia/New Zealand/South Africa



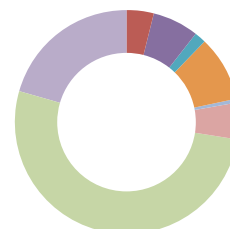
Shareholder resolution	1.35%
Remuneration	32.14%
Share capital	0.00%
Annual report	1.32%
Articles of association	0.00%
Auditors	2.56%
Corporate actions	0.00%
Corporate donations	0.33%
Other	37.10%
Directors	25.20%

South America



Shareholder resolution	0.00%
Remuneration	3.80%
Share capital	0.00%
Annual report	5.06%
Articles of association	3.80%
Auditors	1.27%
Corporate actions	3.80%
Corporate donations	0.00%
Other	49.49%
Directors	22.78%

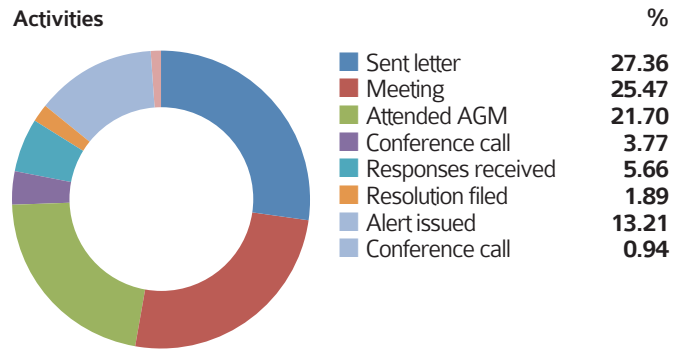
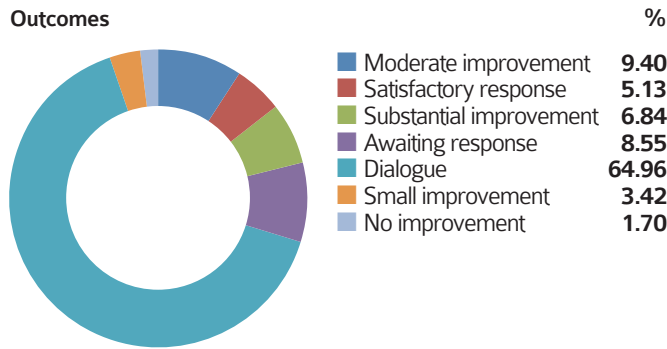
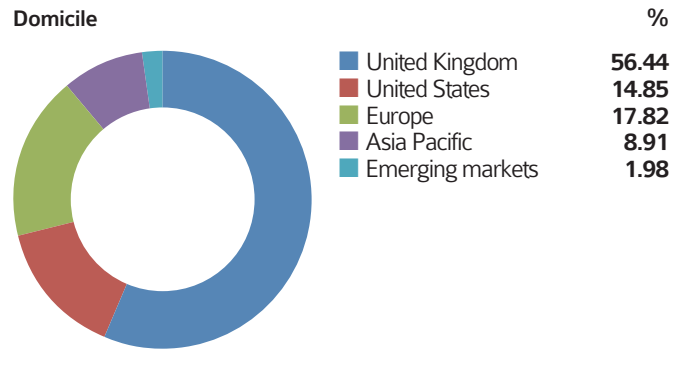
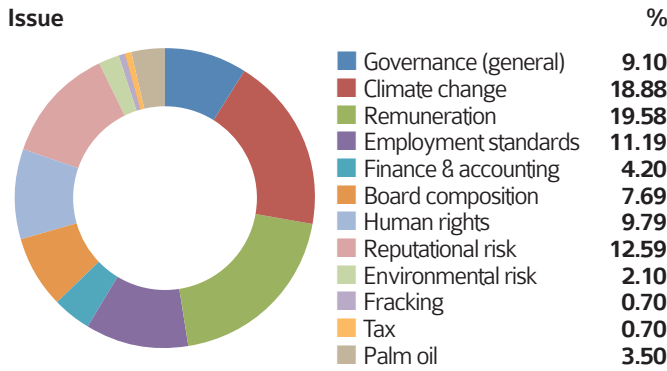
Rest of the World



Shareholder resolution	0.00%
Remuneration	4.15%
Share capital	0.00%
Annual report	6.60%
Articles of association	1.70%
Auditors	9.43%
Corporate actions	0.38%
Corporate donations	5.47%
Other	51.89%
Directors	20.38%

Investment Policy and Performance

LAPFF Engagement Summary



Investment Policy and Performance

List of Bodies of Which the Fund is a Member



National Association of Pension Funds (NAPF)

The National Association of Pension Funds (NAPF) seeks to influence the outcome of, and proactively shape, UK pension policy to achieve a viable and sustainable workplace pensions sector that instils public confidence. This means for a fair and affordable pensions system and an environment that encourages good workplace pensions.



Institutional Investors Group on Climate Change (IIGCC)

The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. The IIGCC brings investors together to use their significant collective influence to engage in dialogues with policymakers, investors and companies to accelerate the shift to a low carbon economy.



Local Authority Pension Fund Forum (LAPFF)

The Local Authority Pension Fund Forum (LAPFF) exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance amongst the companies in which they invest.



United Nations Principles for Responsible Investment (UNPRI)

The United Nations-backed Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to put the six Principles for Responsible Investment into practice.

Investment Policy and Performance

Assets Held as at 31 March 2015

West Midlands Pension Fund holds a wide range of assets in accordance with its investment strategy set out in its *Statement of Investment Principles*. Details of the assets held are as follows:

1 Quoted Equities

The Fund has direct major holdings of quoted equities in the UK, US, Europe, Japan and Pacific Basin. The number and amount of individual stocks held will vary according to investment decisions taken on a day-to-day basis, but it is likely at any point in time the Fund will hold over 1,800 stocks. In respect of the UK, US, Europe, Pacific Basin and Japan, the Fund will hold the majority of the significant quoted stocks as reflected in the major stock market indices.

Internal Funds

- Europe ex UK Equity Index Fund
- Japan Equity Index Fund
- North America Equity Index Fund
- Pacific Basin ex Japan Active Equities Fund
- UK Equity Index Fund

2 Equities Funds

The Fund also has interests in the following funds:

- Baillie Gifford Global Opportunities Fund
- Blackrock Global Active Equity Strategy
- Legal and General UK Smaller Companies Index Fund

3 Specialist Vehicles

The Fund has interests in the following specialist vehicles:

Real Assets and Infrastructure

- Alterna Core Capital Asset Fund
- AMP Capital Asian Giants Infrastructure Fund
- Aqua Resources Fund
- Arcus European Infrastructure
- Barclays European Infrastructure Fund
- Blackstone Cleantech Ventures
- EISER Infrastructure Capital Equity Partners
- EQT Infrastructure Fund
- First Reserve Energy Infrastructure Fund
- Global Infrastructure Partners
- Goldman Sachs International Infrastructure Fund
- Henderson PFI Secondary Fund
- Hg Renewable Power Partners
- Impax Energy
- Impax New Energy Fund II
- Infracapital Partners
- Innisfree PFI Secondaries
- Insight Global Farmland Fund
- JPMorgan Asian Infrastructure & Related Resources Opportunity Fund
- Khosla Ventures
- PIP Dalmore
- Riverstone/Carlyle Renewable Energy Fund II
- SteelRiver Infrastructure Fund North America
- Waste Resources Fund

Absolute Returns

- Aspect Diversified Fund
- Baillie Gifford Diversified Growth Fund
- BlueCrest Mercantile Fund
- Capula Global Relative Value Fund
- CATco Series A
- CATco Series B
- CATco Series B 15 SP 2014
- CATco Series E 8 SP 2014
- CF Ruffer Total Return Fund
- Coriolis Horizon Fund
- Credit Suisse IRIS Fund
- Davidson Kempner International
- Dorchester Capital Secondaries Offshore Fund
- Dorchester Capital Secondaries Offshore Fund II
- Dorchester Capital Secondaries Offshore Fund III
- Finance Birmingham Ltd
- Goldman Sachs Opportunities Fund
- Oak Hill Advisors Strategic Credit Fund
- Oaktree Principal Fund V
- Sciens Aviation Special Opportunities Offshore Fund
- Sciens Aviation Special Opportunities Offshore Fund II
- Taconic

Emerging Market Debt

- Ashmore EMLIP
- Bluebay Feeder Funds Emerging Market Opportunity Fund
- Capital International Emerging Market Debt Fund
- Pioneer Emerging Market Debt Fund

Commodities

- Black River Agriculture Fund 2

Property

- AEW European Property Investors Special Opportunities Fund
- AEW Value Investors Asia
- Beacon Capital Strategic Partners VI
- Blackrock Global Real Estate Fund
- Blackrock Residential Opportunities Fund
- Bluehouse Accession Property III
- Bridges Property Alternatives III
- Bridges Sustainable Property Fund Unit Trust
- Dune Real Estate Fund II
- Goldman Sachs Developing Markets Real Estate
- Goldman Sachs Whitehall International 2008
- High Street Equity Advisors Fund III
- Igloo Regeneration Partnership
- Kames Capital Property Unit Trust
- Mansford UK Feeder A
- Morgan Stanley Real Estate Fund VII
- Morgan Stanley AIP Phoenix Fund
- Phoenix Asia IV Limited
- Phoenix Asia V Ltd
- Pramerica PLA Residential III
- Rockspring Pan European Property Ltd (PEPLP)

Investment Policy and Performance

- Rockspring Peripheral Europe Ltd (PELP)
- RREEF European Value Added Fund
- Silk Road Asia Value Partners
- Sveafastigheter Fund III AB
- Vision Brazil Real Estate Opportunities Fund I
- Vision Brazil Real Estate Opportunities Fund II

Money Market

- AIM Global Sterling Fund
- HSBC Sterling Liquidity Fund
- NatWest Liquidity Select Account

Fixed Interest

- Advent Global Phoenix Convertible Strategy Fund
- GS Mezzanine Partners V, L.P.
- Highbridge Mezzanine Fund
- Highbridge Speciality Loan Fund III
- Indigo Capital IV, L.P.
- Indigo Capital V, L.P.
- Jupiter Convertibles
- Legal & General Gilts
- Legal & General Index Linked Gilts
- Legal & General Invnt Grade Cp Bnd Fund
- Legal & General Overseas Bonds
- Newton Global Dynamic Fund
- Park Square Cap Ptnrs II
- Prudential/M&G UK Companies Financing Fund
- Royal London Asset Management
- Schroder Corporate Bond Fund

The Fund also has funds on a segregated basis with the following managers:

- AGF International Advisors - Global Emerging Market Equities
- F&C Management - Global Emerging Market Equities
- MFS Investment Management - Global Equities
- Mondrian Investment Partners - Global Emerging Market Equities
- Royal London Asset Management

4) Private Equity

The Fund has investments in a significant number of private equity holdings, a full listing of which is available on the Fund's website at wmpfonline.com

5) Properties

Agricultural

- Backford & Wincham Estate
- Butlers Marston Estate
- Cleveland Estate
- Stagsden Land

Industrial

- Basingstoke (West Ham Industrial Estate)
- Birmingham (Merlin Park)
- Birmingham (Midpoint Park)
- Birmingham (Premier House)
- Bristol (Kingswood Industrial Estate)
- Edinburgh (S.Gyle Cr. Lane)
- Hayes (Elystan BC Unit)
- Horsham (Parsonage Way)
- Leicester (Meridian Business Park)
- London (Powergate Business Park)
- Manchester (Northbank Industrial Estate)
- Southampton (Canberra Rd)
- Weybridge (Brooklands Industrial Estate)

Offices

- Bath (Manvers St)
- Birmingham (Newhall St)
- Crawley (Birchmead)
- London (Lower Regent St)
- London (Wardour St)
- London (Whitfield Street)
- Manchester (Byrom St)
- Manchester (Quay St)
- Reading (Thames Valley Five)
- Uxbridge (Otter House)
- Warwick (Warwick Tech Park)

Supermarkets

- ASDA (Great Barr)
- Morrisons (Wood Green)
- Tesco (Hattersley)

Retail Warehouses

- Birmingham (The Fort)
- Clifton Moor
- Hayes (Uxbridge Road Retail Park)
- Pontefract (Racecourse Retail Park)
- Oxford (Botley Road)

Shopping Centres

- Bury St Edmunds (ARC)

Shops

- Brighton (Western Road)
- Glasgow (Buchanan Street)

6) Fixed Income

A range of government and company bonds are held, the content varying according to market conditions and investment policy.

Scheme Administration Report

Scheme Administration Report



2014/15 saw the implementation of the new career-average revalued earnings (CARE) scheme with effect from 1 April 2014. The amendments made by the Department for Communities and Local Government (DCLG) to the LGPS Regulations in relation to the CARE scheme were embraced by the Fund, despite the challenges in practically applying the changes due to the date of delivery and implementation of the complexities into our processes in partnership with our software provider.

The Fund has managed the transition using the expertise of our in-house resources, sometimes necessitating manual intervention, whilst system processes were developed. We have endeavoured to ensure that all stakeholders were well informed both in terms of the changes and the progress being made by the Fund. This process continues with the Fund looking to implement further changes, whilst incorporating more streamlined ways of working and supplementary legislation.

Since the 2014 scheme change, the Government has released the 2014 Budget which relaxed the rules around trivial commutation of smaller pensions and has also introduced 'Pensions Freedom and Choice' as a mechanism for members to access their benefits in alternative ways. The Fund aims to provide further information on both these subjects in 2015/16.

Fund administration staff continue to focus heavily on cleansing data currently held on our records and received from employers in line with the closer scrutiny placed on this area by The Pensions Regulator (TPR). The Fund has rolled out bulk-data imports for a number of processes, commencing with joiners for the seven district councils in July 2014 and for all other participating employers in September 2014. We intend to intensify electronic working practices going forward and will work with employers to ensure any efficiencies in this area are explored and harnessed. Part of this process has been the development of our web portal and we hope to encourage increased sign-up to this facility with the support of our employers.

As with the previous year, the number of new employers admitted to the Fund has grown significantly. As local authorities continued with outsourcing programmes, more organisations required admitted body status and more schools elected to convert to academy status.

The current number of employers participating in the Fund stands at over 470 as at March 2015.

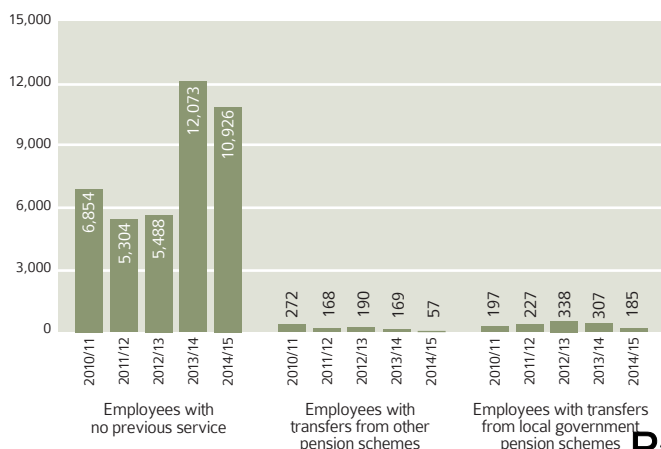
The Fund provides Pensions Committee with quarterly statistical reports demonstrating trends and service levels, particularly at notification periods for deferred and annual benefits statements. Included in these reports is the Fund's performance against its core key performance indicators (KPIs), which the Fund monitors regularly to ensure a high level of service. For the reasons detailed above, the Fund's performance for this year has been below our high standards, however we intend to improve in this area for 2015/16 with the continued implementation of LGPS 2014 and greater efficiencies.

The Fund held both an annual general meeting and a mid-year review for participating employers to discuss a number of relevant issues which also increased the emphasis on 'partnership' working. These meetings were important as part of the continual engagement process with employers and for which we receive very positive feedback. For these events in 2015/16, we would like to receive more interaction from employers on the type of subject material they would like covered. In addition, the Fund carried out a number of member roadshows at employer sites along with regular one-to-ones and events at the Fund's offices.

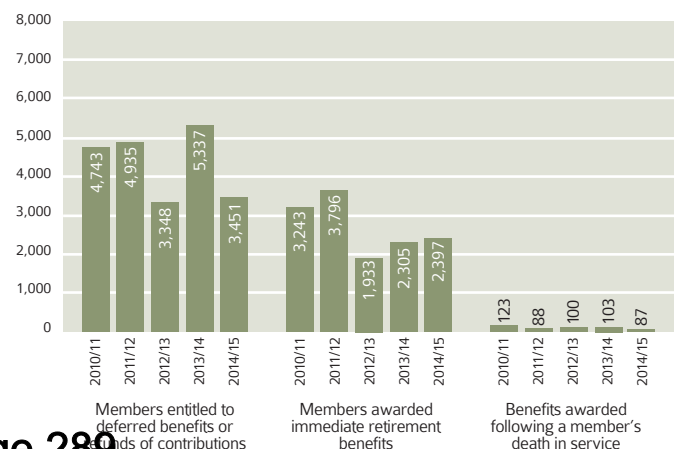
The Fund issued a revised *Pensions Administration Strategy (PAS)*, effective 1 April 2015, which was consulted upon with employers during March 2015. The PAS covers primary matters as outlined in the regulations such as administration standards, performance measures and communication with employers. It also sets out the key undertakings and responsibilities of both the Fund and participating employers.

Membership Movements

Admissions to the Fund



Withdrawals from the Fund



Scheme Administration Report

The Fund will begin preparation for the 2016 actuarial valuation in 2015/16 engaging with employers as early as possible. One of the primary challenges for the Fund in this area will be the balance between prudence and affordability. In this context, the graph below details the historic trends in the funding level and common contribution rate (average employer future service rate) applied at each triennial valuation over the last 30 years.

Operational staff continue to develop themselves in order that we are best placed to provide a high level of service to our stakeholders, ensuring that our expertise remains aligned to evolving legislation. As a result, the Fund has registered as a centre for the industry-recognised Pensions Management Institute (PMI) Certificate of Pension Calculations (CPC) with a number of candidates having taken the examinations for the first time this year. At the Fund, continuous improvement is always a key consideration in our daily operational activities as we aim to work together and in partnership with our employers, service contractors and partners to put the requirements and expectations of all our customers first in the delivery of our service.

In terms of the current scheme, membership has not varied tremendously as the table below denotes; however, as a Fund, we continue to monitor trends, including opt-out patterns, and utilise events, publications and employer engagement to ensure a robust

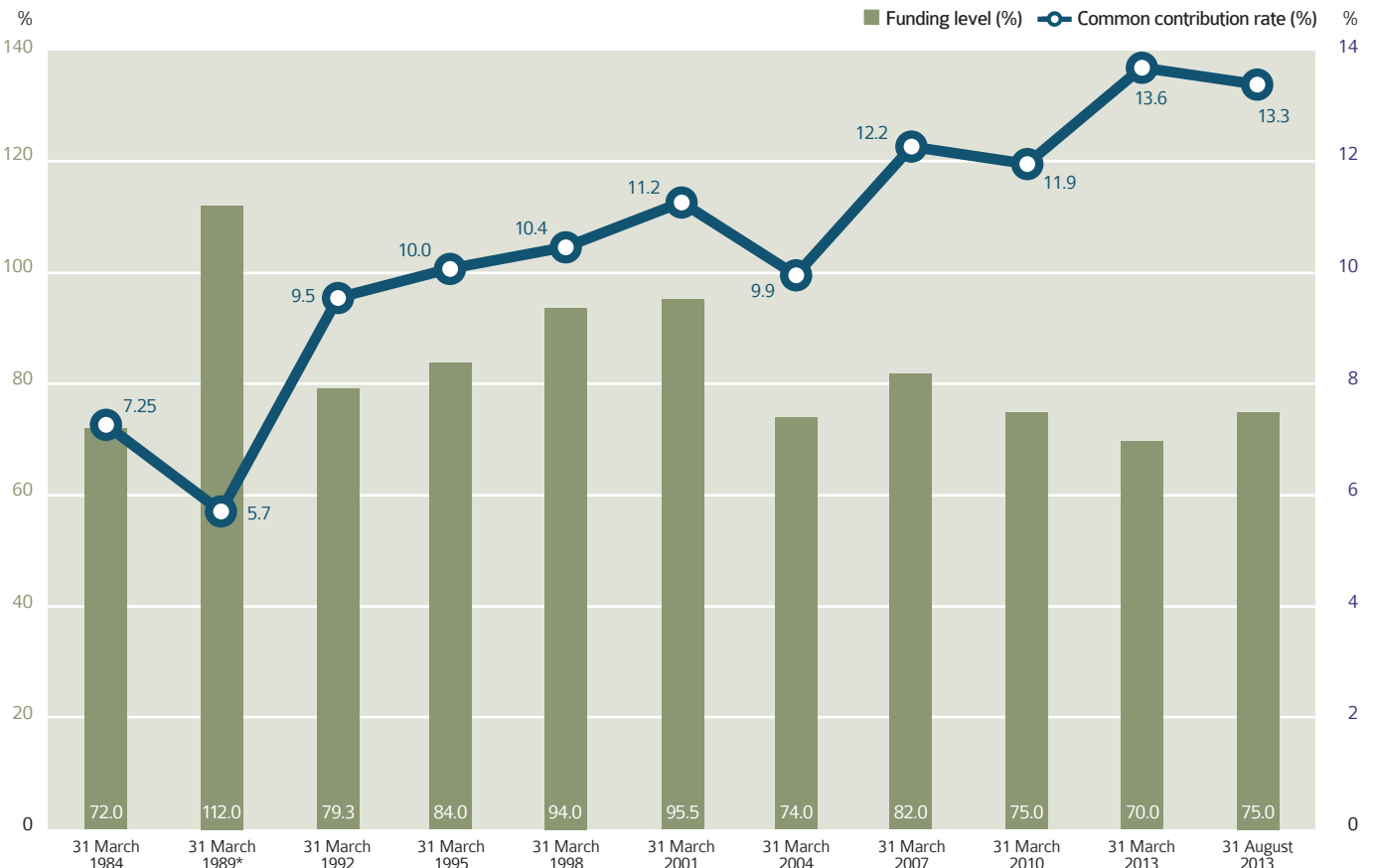
membership for the future and targeted member campaigns. Since April 2014, the Fund continues to see improvements in longevity as shown in the table on page 27; however, during the year, the Fund has dealt with 111 death-in-service cases. A total of 11,168 members have joined the scheme since 2014, of which 185 were employees transferring in from other local government funds and 57 transferred into the scheme from private schemes or other pension arrangements. There were 2,397 retirements where members had left LGPS with immediate entitlement to benefits.

The Fund also dealt with deferring members who have ceased membership of the Fund before becoming entitled to the payment of immediate benefits. In total, there were 3,451 such cases.

Simon Taylor
 Head of Pensions Administration,
 West Midlands Pension Fund
 Date: June 2015

30-year Actuarial Valuation Trends

Funding Level and Common Contribution Rate Trends



*1989 funding target was set at 75%

Actuarial Report

$$+ g(n) \frac{f(n+h) - f(n)}{h}$$

$$+ \frac{g'(n)}{g(n)}$$

Actuarial Report

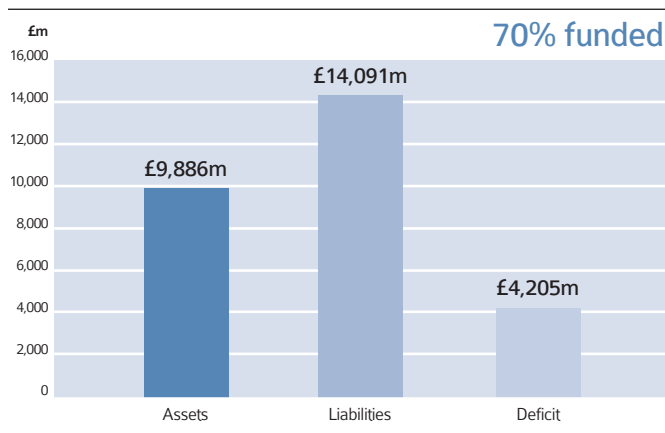
Statement of the Consulting Actuary

Accounts for the Year Ended 31 March 2015

This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme Regulations 2013.

An actuarial valuation of West Midlands Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £9,886 million represented 70% of the Fund's past service liabilities of £14,091 million (the 'funding target') at the valuation date. The deficit at the valuation date was therefore £4,205 million.



The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

After the valuation date, there were significant changes in financial markets. In particular, there was an increase in gilt yields, which underpin the liability assessment. This improved the funding position materially to 75% with a resulting deficit of £3,275 million. This improvement was taken into account when setting the deficit contribution requirements for employers where required to stabilise contribution rates. On average across the Fund, the updated deficit would be eliminated by a contribution addition of £167m per annum increasing at 4.35% per annum (equivalent to approximately 10.3% of projected pensionable pay at the valuation date) for 22 years if all assumptions are borne out in practice.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014: <http://www.wmpfonline.com/CHttpHandler.ashx?id=4655&p=0>.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the *Funding Strategy Statement (FSS)*. Any different approaches adopted, eg, with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the funding target and the common contribution rate were as follows:

	For past services liabilities (funding target)	For future services liabilities (common contribution rate)
Rate of return on investments (discount rate)	4.6% pa	5.6% pa
Rate of pay increases (long-term)	4.35% pa*	4.35% pa
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% pa	2.6% pa

*allowance was also made for short-term public sector pay restraint over a three- to five-year period depending on the individual employer.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, we have used the following financial assumptions as at 31 March 2015 (the 31 March 2014 assumptions are included for comparison):

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% pa	3.3% pa
Rate of pay increases	4.15% pa	3.75% pa
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4% pa	2.0% pa

*includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

Actuarial Report

The demographic assumptions are the same as those used for funding purposes. Full details of these assumptions are set out in the formal report on the actuarial valuation dated March 2014.

During the year, corporate bond yields fell significantly, resulting in a lower discount rate being used for IAS 26 purposes at the year-end than at the beginning of the year (3.3% pa versus 4.5% pa).

In addition, the expected long-term rate of CPI inflation fell during the year, resulting in a lower assumption for pension increases at the year-end than at the beginning of the year (2.0% pa versus 2.4% pa).

The value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2014 was estimated as £14,680 million.

The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to increase the liabilities by c£2,533 million. Adding interest over the year increases the liabilities by c£654 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£264 million (including any increase in liabilities arising as a result of early retirements/augmentations and also allowing for the transfer of Probation Service staff to the Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is therefore £17,603 million.

Paul Middleman

Fellow of the Institute and Faculty of Actuaries

Mercer Limited

Date: May 2015

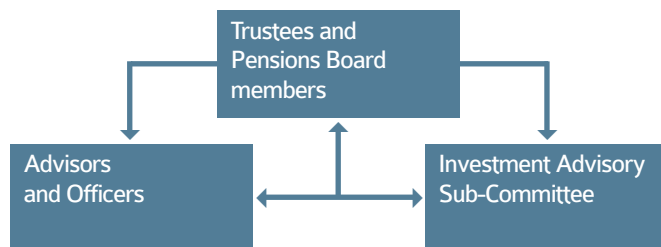
Governance Arrangements

- Governance Compliance Statement
- Member Training

Governance Compliance Statement

Governance of the Fund

The Fund's governance arrangement has three elements:



Pensions Committee

The management, administration of benefits and strategic management of the assets 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 the investment objectives set out.

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 Scheme regulations 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 regulations, and the proper management and investment of monies held for the purpose of paying benefits.
- 3) To determine and review the provision of resources made available for the discharge of the function of administering authority.

The key duties in discharging this role are:

- 1) To be responsible for compliance with legislation and best practice.
- 2) To determine admission policy and agreements.
- 3) To monitor pension administration arrangements.
- 4) To determine investment strategy based on a medium-term benchmark.
- 5) To approve policy.
- 6) To appoint committee advisors.
- 7) To determine detailed management budgets.

The full delegation from Council to Pensions Committee can be found in the Fund's website.

Investment Advisory Sub-Committee

The Investment Advisory Sub-Committee has oversight of the implementation of the management arrangements and comprises of representatives from the seven district councils and local trade union representatives.

The full outline of its role can be found in the terms of reference provided on the Fund's website.

The Sub-Committee meets at least four times a year and its key duties are:

- 1) To monitor the Fund's investment performance.
- 2) To monitor investment activity and the implementation investment strategy.
- 3) To monitor and review the Fund's investment of management awareness
- 4) To monitor and review detailed plans for individual asset classes.

The Strategic Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the Fund's staff delivering Fund services. The Committee and its elected members are advised and supported by the Managing Director, Strategic Director of Pensions and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Trade Union Representations and Provision of Information to Interested Parties

The Fund invites relevant trade unions to send local representatives to sit as observers on the Pensions Committee by annual nomination.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties. This is achieved through the Fund's communication strategy.

Local Pensions Board

The local Pensions Board assists the Pensions Committee with the good governance of the scheme ensuring the Fund's adherence to legislation, statutory codes of practice and guidance.

Consisting of six member representatives and six employer representatives, two of which are City of Wolverhampton Council councillors, the Board ensures the good performance of the Fund through monitoring of the Scheme Advisory Board's benchmarking criteria and working with officers to ensure the highest standards are met.

Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its trustees and Pensions Board members to receive appropriate and timely 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.
- 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 Strategic Director of Pensions who is the lead senior support officer and has direct responsibility for the in-house management, as well as implementing the investment strategy through a team of professionally qualified staff and external managers.
- v) Senior pensions staff responsible for pensions benefits administration and communications.

Governance Compliance Statement

vi) The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Head of Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis). The Director of Finance is also the Fund's Compliance Officer as set out in its *Compliance Manual*.

vii) A range of external specialist advisors are appointed, covering areas such as:

- Investment strategy, asset allocation and investment matters generally.
- Actuarial matters.
- Property management matters.
- Corporate governance and responsible investment issues.

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

Role of Council Members

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for West Midlands Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the Fund monies. Because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven district councils serve on the Committee and the Investment Sub-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, members are effectively acting as trustees and as such 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. Members' duties as trustees are to manage the Fund in accordance with the regulations and to do so prudently and impartially on behalf of all the beneficiaries. 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 advisers 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 advisers 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 investment policy with managers and 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, there should be a formal meeting each year at which the investment returns are reviewed. There might well be other formal meetings of trustees to which managers make a brief report, or supplement their written material.

The Duty of Trustees

The duty of the trustees is to exercise their powers in the best interests of the present and future beneficiaries of the trust. Holding the scales impartially between different classes of beneficiaries is paramount. They must, of course, obey the law but, subject to that, they must put the interests of their beneficiaries first.

When the purpose of the trust is to provide financial benefits for the beneficiaries, the best interests of the beneficiaries are normally their best financial interests. In the case of a power of investment, the power must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question and the prospect of the yield of income and capital appreciation, both have to be considered in judging the return from the investment.

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 they were minded to make an investment for the benefit of other people for whom they 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 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 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 Pensions Board must have knowledge and understanding of:

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

Governance Compliance Statement

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 Pensions Board

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

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

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

A conflict of interest may arise when 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.

View of Secretary of State

The Secretary of State for the Environment has previously indicated that administering authorities should pay due regard to the principle contained in *Roberts v Hopwood* in exercising their duties and powers under the regulations governing the investment and management of funds. In that case, Lord Atkinson said:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of others."

Members and Officers' Knowledge and Skills

Member and officer knowledge and skills is recognised as important, and a range of measures are in place to equip members to undertake their role.

This is a major factor in the governance arrangements of the Fund in ensuring Committee and Pensions Board members and officers have the relevant skills and knowledge. 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 Committee members 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 Pension Board member training policy, and includes in its annual report and accounts details of the knowledge and skills development undertaken by its representatives. 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 Pension Board is seen as the main area of involvement of active, deferred and pensioner members. The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

Governance Compliance Statement

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 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 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):

- 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 SIP (Statement of Investment Principles), 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.

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.

Compliance and Best Practice

The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. There is also a requirement to declare their compliance in meeting the guidance given by Secretary of State.

The Fund aims to comply fully with the guidance given by the Secretary of State and relevant guides produced by CIPFA.

The West Midlands Integrated Transport Authority

In addition to the management and administration 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.

Governance Compliance Statement

The membership of the Pensions Committee and the Investment Advisory Sub-Committee (IASC) throughout 2014/15 is detailed below:

Membership	IASC	Voting rights	Number of Pensions Committee meetings attended	Number of IASC meetings attended	Hours training received
Cllr Bert Turner	*	Yes	4 of 4	4 of 4	32.25
Cllr Lorna McGregor	*	Yes	2 of 4	2 of 4	13.25
Cllr Peter Bilson	*	Yes	3 of 4	2 of 4	25.00
Cllr Ian Brookfield		Yes	3 of 4		43.75
Cllr Valerie Evans		Yes	3 of 4		1.75
Cllr Jasbir Jaspal		Yes	3 of 4		36.50
Cllr Phil Page		Yes	3 of 4		28.75
Cllr Sandra Samuels		Yes	2 of 4		3.50
Cllr Tersaim Singh	*	Yes	4 of 4	4 of 4	44.75
Cllr Mike Heap		Yes	1 of 4		3.75
Cllr Zahid Shah		Yes	2 of 4		1.75
Cllr Paul Singh		Yes	4 of 4		26.25
Cllr Mohammed Afzal	*	Yes	3 of 4	3 of 4	17.00
Cllr Alan Reberio and Cllr Robert Hullah (substitute member)	*	Yes	3 of 4	3 of 4	213.00
Cllr Damian Gannon	*	Yes	2 of 4	2 of 4	1.75
Cllr Rachel Harris	*	Yes	3 of 4	2 of 4	22.75
Cllr Mohammed Arif	*	Yes	4 of 4	4 of 4	32.75
Cllr S Eling and Cllr Sandra Hevican (substitute member)	*	Yes	3 of 4	3 of 4	31.50
Mr Malcolm Cantello	*	No	3 of 4	3 of 4	189.50
Mr Martin Clift	*	No	3 of 4	3 of 4	11.75
Mr Victor Silvester	*	No	3 of 4	3 of 4	40.25
Mr Ian Smith	*	No	2 of 4	2 of 4	43.50
					865.0

Where members have a conflict of interest on an item to be considered as part of the agenda, the individual member will declare their interest and will abstain from voting.

Member Training Report

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on trustee training, knowledge and understanding. The Fund's trustee training policy is approved each year by Pensions Committee, and as part of the policy training activity undertaken is recorded and reported to Committee. By implementing and participating in the trustee training policy, Committee members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the new scheme.

A major factor in the governance arrangements of the Fund is to ensure that Committee members and officers have the relevant skills and knowledge through application of the *CIPFA Knowledge and Skills Framework*. Six areas of knowledge and skills have been identified as core technical requirements for those members 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

Arrangements for regular training are in place with training delivered through a number of means including external seminars and events, training delivered at Committee meetings, as well as briefings and research material. Training activity undertaken is recorded and quarterly training returns are sent out to all trustees asking them to record additional activity such as online training or reading.

In the period 2014/15, training included the following:

- Induction training for all new and returning Committee members
- Employer mid-year review covering actuarial valuation, next steps, investment strategy and performance, responsible investment, governance reform and the importance of data security and quality
- Understanding finance and pensions accounting
- Investment-related training including:
 - asset allocation;
 - equity management;
 - investment risk;
 - behavioural finance;
 - Indirect property funds;
 - active management through the secondary market;
 - opportunities for infrastructure investment;
 - investment efficiency and 2013 benchmarking;
 - responsible investment.
- Employer AGM covering report and accounts (including the service plan), responsible investment, update on governance reforms
- Implementing governance reform
- External conferences, (LAPFF, etc)

Most new members attended the induction course and a total of 865 training hours were undertaken in 2014/15 with 14 members exceeding the three-days' (22 hours) requirement.

As highlighted above, the Fund is a member of LAPFF, which is an investor membership body consisting of 64 UK public funds that engages with investee companies on issues such as climate change, child labour and breaches of the Combined Code. The Chair of the Pensions Committee regularly attends LAPFF meetings and its activities are reported on a quarterly basis to other members of the Pensions Committee. LAPFF also advise on other areas including best practice and members receive presentations from managers specialising in ESG investment.

LAPFF holds an annual two-day conference which Committee attend. Issues addressed at the 2014 event were themed around *Productive Investment: Public Funds and Public Purpose* and included the following:

- What kind of infrastructure investment do we need?
- Mergers and acquisitions
- Rt Hon the Lord Heseltine CH, PC, 'No Stone Unturned', urban regeneration
- International activism
- LGPS issues
- Building cities for the future
- Executive pay: alignment or intrinsic value
- Board diversity and director competencies
- How better business practice can drive both market and social returns

Details of the training reports and presentations provided to the Pensions Committee and Investment Advisory Sub-Committee during 2014/15 are as follows:

Local Government Pension Scheme reform	25 June 2014
Performance and risk measurement	24 September 2014
Proposed changes in listed equities	10 December 2014
Investment and management costs and long-term performance	18 March 2015

Member Training Report

In summary, the Fund invests significant resources into the development of its Committee and Pensions Board members, firmly believing that the returns over the long term are essential to the effective governance and management of the Fund.

Area	Pensions Committee Reports	Presentation	Sub-Committee				Off-site Training & Education
			Reports	Presentation	Conferences/Seminars	Visits	
Investment governance	✓				LAPFF December Conference	Partial	✓
Investment							
i) Strategies	✓	Occasionally	✓	Occasionally		✓	✓
ii) Asset use	✓			✓	✓		✓
iii) Corporate governance	✓			✓	✓		✓
iv) Economies	✓	Quarterly		✓	✓		✓
Role of members	✓ (Annual/Website)						

Statement of Accounts

Statement of Accounts

Independent Auditors' Statement to the Members of the West Midlands Pension Fund (the 'Authority') on the Pension Fund Financial Statements

The statement of accounts will be audited by the Fund's external auditors, PricewaterhouseCoopers LLP, and they will provide an opinion on those accounts in the final version of this annual report, to be published by September 2015.

Statement of Accounts

Independent Auditors' Statement to the Members of the West Midlands Pension Fund (the 'Authority') on the Pension Fund Financial Statements

Statement of Accounts

Statement of Responsibilities

The Council's Responsibilities

The council is required to:

- i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance.
- ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- iii) Approve the Statement of Accounts.

The Director of Finance's Responsibilities

The Director of Finance is responsible for the preparation of the council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

- i) Selected suitable accounting policies and then applied them consistently.
- ii) Made judgements and estimates that were reasonable and prudent.
- iii) Complied with the Code.

The Director of Finance has also:

- i) Kept proper accounting records which were up to date.
- ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the council as at 31 March 2015 and its income and expenditure for the year ended the same date.

Mark Taylor

Director of Finance
2 June 2015

Statement of Accounts

Fund Account

2013/14 £m		Notes	2014/15 £m
	Contributions and benefits		
(419.3)	Contributions receivable	8	(500.2)
(11.3)	Transfers in	9	(9.5)
(16.2)	Other income	10	(15.7)
(446.8)	Total contributions and other income		(525.4)
472.4	Benefits payable	11	498.3
23.0	Payments to and on account of leavers	12	261.5
0.3	Other payments		0.4
495.7	Total benefits and other expenditure		760.2
69.3	Management expenses	13	107.3
	Returns on investments		
(134.8)	Investment income	14	(160.5)
(138.5)	Changes in value of investments		(848.6)
(103.0)	Profits and losses on disposal of investments		(652.6)
(376.3)	Net return on investments		(1,638.1)
(258.1)	Net (increase) in the Fund during the year		(1,319.6)
9,886.3	Net assets of the Fund at the beginning of the year		10,144.4
10,144.4	Net assets of the Fund at the end of the year		11,464.0

Statement of Accounts

Net Assets Statement

31 March 2014 £m		Notes	31 March 2015 £m
	Investment assets (at market value)	15	
171.3	Fixed interest securities		185.9
971.3	UK equities		1,019.6
3,155.9	Overseas equities		3,861.3
4,908.2	Pooled investment vehicles		5,102.5
629.8	Property		656.4
42.2	Foreign currency holdings		91.9
211.6	Cash deposits		449.3
-	Other investment assets		1.6
4.9	Outstanding dividend entitlement and recoverable withholding tax		44.3
10,095.2	Investment assets		11,412.8
	Investment liabilities (at market value)	15	
(3.3)	Other investment liabilities		-
(3.3)	Investment liabilities		-
10,091.9	Net investment assets		11,412.8
-	Other long-term assets	18	11.6
71.1	Current assets	19	63.8
(18.6)	Current liabilities	20	(24.2)
10,144.4	Net assets of the Fund at the end of the year		11,464.0

The accounts summarise the transactions of the scheme and deal with the net assets at the disposal of the Fund. They do not take account of obligations to pay pensions and benefits which fall due after the end of the scheme year. The actuarial position of the scheme, which does take account of such obligations, is dealt with in the actuarial certificate/statement.

The notes form part of these financial statements.

Statement of Accounts

Notes to the Accounts

1) General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's *Annual Report 2015*, which can be found on its website at:

<http://www.wmpfonline.com/article/4764/Annual-Reports>

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of admitted bodies. At 31 March 2015, the Fund had over 450 participating employers, and 277,558 members, as set out in the following table. A full list of participating employers can be found in the Fund's annual report.

31 March 2014 No.		31 March 2015 No.
99,771	Active members	104,250
90,008	Pensioner members	82,110
80,551	Deferred members	91,198
270,330	Total	277,558

The Council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Joint Consultative Forum were also in operation during 2014/15. The Joint Consultative Forum was dissolved on 4 March 2015. A local Pensions Board has been established in 2015/16, in accordance with revised LGPS regulations.

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- i) The Local Government Pension Scheme Regulations 2013 (as amended)
- ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2009 (as amended)

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 2015. Employee contributions are matched by employers' contributions which are set-based on triennial actuarial funding valuations. The last such valuation was at 31 March 2013. Employer contribution rates during 2014/15 ranged from 5.0% to 45.3% of pensionable pay.

Major changes were introduced to the LGPS from 1 April 2014, in particular the move from basing pensions on final salaries to career-average revalued earnings (CARE), with an accrual rate of 1/49th, and pensions uprated annually in line with the consumer prices index. Pension entitlements accrued prior to this date continue to be based on final salary.

2) Basis of Preparation

The statement of accounts summarises the Fund's transactions for the 2014/15 financial year and its position as at 31 March 2015. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the Fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at note 6 of these accounts.

3) Statement of Accounting Policies

a) Fund Account

In the Fund Account, income and expenditure are accounted for in the year in which they arise by the creation of payables and receivables at the year end where necessary. However, provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year end (see Note P9).

b) Contribution income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions as notified by employers for the period have also been included. Past-service deficit contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset, with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly returns actually received from these bodies.

c) Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2015, calculated in accordance with the Local Government Pension Scheme Regulations (see notes P9 and P12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Statement of Accounts

Notes to the Accounts

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis, and are reported within transfers in.

d) Investment income

Interest income is recognised in the Fund account as it accrues, using the effective interest rate of the financial instrument as at the date of acquisition or origination.

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the year.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

f) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at 31 March 2015. Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

g) Foreign currency transactions

Dividends, interest and purchases and sales of investments have been accounted for at the spot market rates at the date of transaction. End-of-year spot market exchange rates have been used to value cash balances held in foreign currency bank accounts, market values of overseas investments and purchases and sales outstanding at 31 March 2015.

h) Valuation of investments

1) Quoted securities

Securities have been valued at the bid-market price ruling on 31 March 2015 where a quotation was available on a recognised stock exchange or unlisted securities market.

2) Unquoted securities

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor report has not been received from the fund manager the security is valued at cost.

3) Pooled investment vehicles

Pooled investment vehicles are stated at the bid-point of the latest prices quoted or the latest single market prices. In the case of the pooled investment vehicles which are accumulation funds, change in market value also includes income, net of withholding tax, which is reinvested in the fund.

4) Freehold and leasehold properties

These have been valued at their open market value. Property is valued by the Fund's valuers on an annual basis. The market values included in these accounts are contained in a valuation report by Knight Frank LLP, chartered surveyors as at 31 March 2015. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills plc, agricultural valuers, at the same date.

5) Foreign currencies

Investments held in foreign currencies have been valued as set out in paragraph G above and translated at exchange rates ruling at 31 March 2015.

6) Movement in the net market value of investments

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

i) Cash and cash equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

j) Financial liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date, any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

Statement of Accounts

Notes to the Accounts

k) Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance *Accounting for Local Government Pension Scheme Management Costs*.

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund, along with all other costs incurred directly on Fund activities, and an apportionment for corporate support services provided by the Council.

All investment management expenses are accounted for on an accruals basis. External investment management and custodian fees are agreed in management or custody agreements governing the administration of the individual mandates. Fees are generally based on the valuation of the underlying investments, either being managed or in safe custody and, as such, will fluctuate as the valuations change. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in note 13.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of their mandate is used for inclusion in the Fund account.

The cost of external investment advice is included in investment management expenses, as is the cost of the Fund's in-house investment management team.

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the net assets statement (note 6).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (SI 2009/3093) but are disclosed as a note only (note 21).

4) Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the

security is valued at cost. The value of unquoted private equity at 31 March 2015 was £1,351.2 million (£1,240.5 million at 31 March 2014).

Fund Liability

The Fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 6. This estimate is subject to significant variances based on changes to the underlying assumptions.

5) Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Actuarial Present Value of Promised Retirement Benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Mercer Limited, the Fund's consulting actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability, however an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting actuary below:

Change in assumptions – year ended 31 March 2015	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	10%	1,737.0
One-year increase in member life expectancy	2%	381.0
0.5% pa increase in salary increase rate	2%	377.0
0.5% pa increase in CPI inflation	9%	1,648.0

Private equity

Uncertainties

Private equity investments are not publicly listed and, as such, there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions

The total private equity investments in the financial statements are £1,351.2 million. There is a risk that this investment may be under- or overstated in the accounts.

Given a tolerance of say +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/-£67.6 million.

Statement of Accounts

Notes to the Accounts

Hedge Funds

Uncertainties

Hedge funds are valued at the sum of the fair values provided by the administrators of the underlying funds plus adjustments that the directors or independent administrators judge necessary. Where these investments are not publicly listed there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions

The total hedge funds value in the financial statements is £226.4 million. There is a risk that these investments may be under- or overstated in the accounts. Given a tolerance of say +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/-£11.3 million.

6) Actuarial Valuation

A full actuarial valuation of the Fund was made as at 31 March 2013 by the Fund's Actuary, P Middleman of Mercer Human Resource Consulting Limited. The actuary has determined the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £9,886.0 million represented 70% of the funding target of £14,091.0 million at the valuation date. The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect

of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

Adopting the same method and assumptions as used for calculating the funding target, the deficit could be eliminated by an average additional contribution rate of 10.3% of pensionable pay for 22 years.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2014. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the *Funding Strategy Statement (FSS)*. Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process. For certain employers, in accordance with the FSS, an increased allowance has been made for assumed investment returns on existing assets and future contributions, for the duration of the employer's deficit recovery period.

As a result of the valuation, a revised rates and adjustments certificate was prepared for the three years commencing 1 April 2014. For comparison purposes, the figures for the two preceding years are also shown. The rates payable by the seven councils were certified as follows:

Future service rate (% of pay) plus lump-sum (£)	2012/13	2013/14	2014/15	2015/16	2016/17
Birmingham City Council	12.1% plus £27,800,000	12.1% plus £29,100,000	12.3% plus £40,113,600	12.9% plus £41,870,400	13.4% plus £43,724,800
Coventry City Council	12.1% plus £6,600,000	12.1% plus £6,900,000	12.2% plus £9,467,000	12.7% plus £12,395,000	13.1% plus £15,518,000
Dudley MBC	11.8% plus £5,700,000	11.8% plus £6,000,000	12.1% plus £7,418,000	12.7% plus £9,174,000	13.2% plus £10,931,000
Sandwell MBC	11.7% plus £7,900,000	11.7% plus £8,300,000	13.1% plus £11,614,400	13.1% plus £15,323,200	13.1% plus £19,227,200
Solihull MBC	11.7% plus £4,300,000	11.7% plus £4,500,000	12.3% plus £17,217,000	12.9%	13.5%
Walsall MBC	11.7% plus £8,000,000	11.7% plus £8,400,000	13.2% plus £14,250,000	13.2% plus £14,835,000	13.2% plus £15,518,000
City of Wolverhampton Council	12.2% plus £7,400,000	12.2% plus £7,800,000	12.6% plus £9,000,000	13.1% plus £9,900,000	13.5% plus £10,900,000

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The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the funding target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments	4.6% per annum	5.6% per annum
Rate of pay increases	4.35% per annum*	4.35% per annum*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum	2.6% per annum

*allowance was also made for short-term public sector pay restraint over a three/five-year period depending on the individual employer.

The assets were assessed at market value.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

Actuarial Present Value of Promised Retirement Benefits for the Purposes of IAS 26

IAS 26 requires the present value of the Fund's promised retirement benefits to be disclosed, and for this purpose the actuarial assumptions and methodology used should be based on IAS 19 rather than the assumptions and methodology used for funding purposes.

To assess the value of the benefits on this basis, the following financial assumptions have been used:

	31 March 2014	31 March 2015
Rate of return on investments (discount rate)	4.5% per annum	3.3% per annum
Rate of pay increases	4.15% per annum*	3.75% per annum*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4% per annum	2.0% per annum

*includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2014 was estimated as £14,680.0 million. The effect of the changes in actuarial assumptions between 31 March 2014 and 31 March 2015 as described above is to decrease the liabilities by £2,553.0 million. Adding interest over the year increases the liabilities by £654.0 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £264.0 million (including any increase in liabilities arising as a result of early retirements/augmentations, and also allowing for the transfer of Probation Service staff to Greater Manchester Pension Fund on 1 June 2014).

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2015 is

£17,603.0 million.

7) Taxation

i) Value added tax (VAT)

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

ii) Taxation of overseas investment income

The Fund receives interest on its overseas bonds gross, but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (eg, Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (eg, Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (eg, USA, Belgium, Australia, Finland, France and Norway), or ex-post via reclaim forms submitted to the local tax authorities (eg, Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreements exists (eg, Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (eg, Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

8) Contributions Receivable

2013/14 £m		2014/15 £m
	From employers	
301.4	Basic contributions	361.0
0.3	Augmented membership	-
8.8	Additional cost of early retirement	28.6
310.5		389.6
	From members	
107.8	Basic contributions	109.9
1.0	Additional contributions	0.7
108.8		110.6
419.3	Total contributions	500.2

The additional contributions above represent the purchase of added membership or additional benefits under the scheme.

Contributions receivable by type of member

2013/14 £m		2014/15 £m
32.9	Administering authority	35.9
367.8	Scheme employers	440.9
18.6	Admitted employers	23.4
419.3	Total	500.2

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9) Transfers In

2013/14 £m		2014/15 £m
11.3	Individual transfers in from other schemes	9.5

10) Other Income

2013/14 £m		2014/15 £m
	Benefits recharged to employers	
9.0	Compensatory added years	8.5
7.2	Pensions increases	7.2
16.2	Total	15.7

11) Benefits Payable

Benefits payable by type:

2013/14 £m		2014/15 £m
	Pensions	
346.0	Retirement pensions	360.7
26.5	Widows' pensions	27.4
0.9	Children's' pensions	0.9
3.5	Widowers' pensions	3.9
0.1	Ex-spouse	0.1
0.1	Equivalent pension benefits	0.1
-	Civil partnership	-
-	Cohabiting partners	0.1
377.1	Total pensions	393.2
	Lump-sum benefits	
83.5	Retiring allowances	92.2
11.8	Death grants	12.9
95.3	Total lump-sum benefits	105.1
472.4	Total benefits payable	498.3

Benefits payable by type of member:

2013/14 £m		2014/15 £m
40.8	Administering authority	49.7
400.8	Scheme employers	415.8
30.8	Admitted employers	32.8
472.4	Total	498.3

12) Payments To and On Account of Leavers

2013/14 £m		2014/15 £m
20.2	Individual transfers	10.0
-	Group transfers	247.8
-	Refunds of contributions	0.6
-	State scheme premiums	0.1
2.8	Bulk pension transfer increases	3.0
23.0	Total	261.5

The amount for group transfers is primarily made up of £246.0 million transferred to Greater Manchester Pension Fund in respect of Staffordshire and West Midlands Probation Trust, for which responsibility transferred on 1 June 2014.

13) Management Expenses

2013/14 (restated) £m		2014/15 £m
3.2	Administrative costs	3.0
64.1	Investment management expenses	102.2
2.0	Oversight and governance costs	2.1
69.3	Total management costs	107.3

Performance-related fees are negotiated with a number of managers. Included in external management of investments are performance-related fees of £29.2 million in 2014/15 and £1.3 million in 2013/14.

The Fund has applied CIPFA's guidance *Accounting for Local Government Pension Scheme Management Costs*, which was introduced in June 2014. This requires management expenses to be analysed by the three headings shown above (previously there were two: administrative expenses and investment management expenses). The 2013/14 figures have been restated to comply with the new guidance.

The guidance also requires a change in the reporting of external investment management fees that are deducted from asset values (rather than invoiced and paid directly). These are now shown gross: the effect of this has been to increase investment management expenses from £10.7 million to £102.2 million (2013/14: £11.0 million to £64.1 million). Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information. It is important to note that this is a change in reporting only and does not represent an actual increase in costs, nor a decrease in the Fund's resources available to pay pension benefits.

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14) Investment Income

2013/14 £m		2014/15 £m	31 March 2014 £m		31 March 2015 £m
	Dividends and interest			Pooled investment vehicles	
	<i>Fixed-interest securities</i>			<i>Managed funds</i>	
8.8	UK private sector – quoted	8.7	192.5	UK quoted, fixed interest	150.5
	<i>Equities</i>		600.8	Other fixed interest	644.6
31.9	UK	36.3	948.6	UK quoted, index-linked	1,057.6
43.0	Overseas	80.8	259.7	Overseas equities	0.9
	<i>Pooled investment vehicles</i>		269.6	UK unquoted equities	281.2
19.8	UK	3.5	1,453.9	Overseas unquoted equities	1,451.0
1.9	Overseas equities	0.9	553.0	UK absolute returns	626.3
1.3	Interest on cash deposits	1.5	89.6	Overseas absolute returns	82.0
0.6	Stocklending	1.3	47.0	UK property	54.3
(0.1)	UK tax, irrecoverable	-	211.3	Foreign property	185.3
(1.4)	Overseas taxation	(2.5)		Unit trusts	
105.8	Total dividends and interest	130.5	66.3	UK quoted equities	83.1
			209.4	Overseas equities	481.4
37.4	Property management income	39.0	6.5	Overseas property	5.2
(8.4)	Property management expenses	(9.0)	4,908.2		5,102.5
29.0	Total property management	30.0		Property	
134.8	Total investment income	160.5	586.8	UK freehold	604.6
			43.0	UK leasehold*	51.8
			629.8		656.4

Stocklending

The stocklending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £314.0 million (2014: £171.4 million) in exchange for which the custodian held collateral worth £333.9 million (2014: £184.6 million). Collateral consists of acceptable securities and government debt.

15) Net Investment Assets

31 March 2014 £m		31 March 2015 £m			
	Fixed-interest securities				
171.3	UK companies – segregated (external)	185.9	21.3	United States dollars	4.4
171.3		185.9	11.3	Euro	8.1
	UK equities		1.0	Canadian dollars	0.7
971.3	Quoted	1,019.6	0.4	Danish kroner	0.4
-	Quoted – segregated (external)	-	0.6	Hong Kong dollars	23.0
971.3		1,019.6	0.5	Swedish kroner	6.4
	Overseas equities		1.4	Swiss francs	0.5
1,763.9	Quoted	2,660.0	1.4	Japanese yen	-
1,392.0	Quoted – segregated (external)	1,201.3	0.5	Norwegian kroner	1.9
3,155.9		3,861.3	0.6	Singapore dollars	-
			1.1	Australian dollars	0.2
			0.1	New Zealand dollars	0.5
			0.5	Hungarian forints	0.2
			0.7	Polish zloty	2.0
			-	Israeli shekels	0.9
			0.3	Turkish lira	6.6
			0.5	Czech koruna	0.6
			-	Korean won	35.5
			42.2		91.9
				Cash deposits	
			211.6	UK	449.3
				Other investments	
			(3.3)	Broker balances	1.6
			4.9	Outstanding dividend entitlement and recoverable withholding tax	44.3
			10,091.9	Total net investment assets	11,412.8

*all leasehold properties are held on long leases

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Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.

The following investment represents more than 5% of the net assets of the scheme:

31 March 2014			31 March 2015	
Market value £m	% of total market value		Market value £m	% of total market value
639.1	6.3	Security Legal & General - All Stocks Index-Linked Gilts Fund	709.9	6.2

The proportion of the market value of investment assets managed in-house and by external managers at the year-end is set out below.

31 March 2014			31 March 2015	
Market value £m	% of total market value		Market value £m	% of total market value
3,615.5	35.7	In-house	4,878.5	42.9
33.2	0.3	Managers: UK quoted	40.1	0.4
146.5	1.5	Managers: US quoted	-	-
236.8	2.3	Managers: European quoted	-	-
36.2	0.4	Managers: Japanese quoted	-	-
69.5	0.7	Managers: Pacific Basin	-	-
845.9	8.4	Managers: Emerging markets	826.0	7.3
526.1	5.2	Managers: Global equities	856.8	7.5
1,913.2	19.0	Managers: Fixed interest	2,038.7	17.9
298.0	3.0	Managers: Indirect oroperty	287.8	2.5
189.6	1.9	Managers: Commodities	-	-
293.4	2.9	Managers: Infrastructure funds	381.0	3.4
642.6	6.4	Managers: Absolute return	708.4	6.2
1,240.5	12.3	Managers: Private equity	1,351.2	11.9
10,087.0	100.0		11,368.5	100.0
4.9		Outstanding dividend entitlement and recoverable withholding tax	44.3	
10,091.9		Total investment assets	11,412.8	

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16) Investment Market Value Movements Analysis

	Value as at 31 March 2014 £m	Purchases at cost £m	Sales at book value £m	Change in market value £m	Value at 31 March 2015 £m
Fixed interest securities	171.3	-	(5.6)	20.2	185.9
UK equities	971.3	52.7	(17.2)	12.8	1,019.6
Overseas equities	3,155.9	1,744.5	(1,257.1)	218.0	3,861.3
Pooled investment vehicles	4,908.2	762.4	(1,106.7)	538.6	5,102.5
Property	629.8	51.3	(83.7)	59.0	656.4
	9,836.5	2,610.9	(2,470.3)	848.6	10,825.7
Broker balances	(3.3)				1.6
Outstanding dividend entitlement and recoverable withholding tax	4.9				44.3
Foreign currency	42.2				91.9
Cash deposits	211.6				449.3
Total investments	10,091.9				11,412.8

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profit and losses on the sale of investments shown in the Fund Account includes an additional £652.6 million which represents profit realised on sale of the Fund's assets.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £4.4 million (2013/14: £0.2 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2014 £m	31 March 2015 £m
0.1 Equities - UK quoted	-
0.1 Equities - overseas quoted	0.9
- Equities - unquoted	2.5
- Alternatives	1.0
0.2	4.4

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.

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The change in the value of investments during 2013/14 is set out below:

	Value as at 31 March 2013 £m	Purchases at cost £m	Sales at book value £m	Change in market value £m	Value at 31 March 2014 £m
Fixed interest securities	173.9	-	(5.4)	2.8	171.3
UK equities	943.5	29.0	(25.9)	24.7	971.3
Overseas equities	2,072.5	1,099.5	(84.4)	68.3	3,155.9
Pooled investment vehicles	5,729.4	1,029.2	(1,848.9)	(1.5)	4,908.2
Property	567.6	21.5	(3.5)	44.2	629.8
	9,486.9	2,179.2	(1,968.1)	138.5	9,836.5
Broker balances	(0.1)				(3.3)
Outstanding dividend entitlement and recoverable withholding tax	15.4				4.9
Foreign currency	82.9				42.2
Cash deposits	241.1				211.6
Total investments	9,826.2				10,091.9

The change in market value of investments comprises increases and decreases in the market value of investments held at any time during the year. The profit and losses on the sale of investments shown in the Fund account includes an additional £103.0 million which represents profit realised on sale of the Fund's assets.

17) Investment Capital Commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2014 £m		31 March 2015 £m
920.8	Non-equities	768.4
146.5	Property	172.4
1,067.3		940.8

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

18) Other Long-Term Assets

This balance is in respect of amounts due from employers to meet early retirement costs, for which the Fund has agreed to those employers deferring payment over a number of years. These are amounts due after the following financial year (with the amounts due next year reported in 'Current Assets'), and can be analysed as follows.

31 March 2014 £m		31 March 2015 £m
-	Administering authority	4.0
-	Other local authorities	7.6
-	Total	11.6

19) Current Assets

31 March 2014 £m		31 March 2015 £m
	Receivables and prepayments	
	Contributions receivable	
22.6	• Employers	14.4
9.2	• Members	7.0
39.4	Other receivables	33.0
71.2	Total receivables and prepayments	54.4
(0.1)	Cash	9.4
71.1	Total current assets	63.8

Note: following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in ten equal and annual instalments commencing on 15 April 2011 and finishing on 15 April 2020 together with interest payments resulting in annual income of £3.3 million. The balance due included in 'Other Receivables' at 31 March 2015 is £16.1 million (31 March 2014: £19.4 million).

31 March 2014 £m		31 March 2015 £m
	Analysis of receivables	
	Contributions receivable	
1.3	Administering authority	4.9
20.2	Other local authorities	16.6
49.6	Other entities and individuals	32.9
71.1	Total	54.4

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20) Current Liabilities

31 March 2014 £m		31 March 2015 £m
	Payables and receipts in advance	
(4.3)	Pensions and lump-sum benefits	(2.4)
(14.3)	Other payables	(21.8)
(18.6)	Total	(24.2)

31 March 2014 £m		31 March 2015 £m
	Analysis of payables	
(3.4)	Central government bodies	(3.7)
(6.5)	Administering authority	(10.5)
(0.1)	Other local authorities	(0.1)
(8.6)	Other entities and individuals	(9.9)
(18.6)	Total	(24.2)

21) Additional Voluntary Contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC providers.

The contributions are not included within the fund accounts, in line with regulation 4 (2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 2014			31 March 2015	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.7	30.2	Opening value of the Fund	2.4	35.8
-	7.3	Income	-	7.2
(0.4)	(7.8)	Expenditure	(0.4)	(8.4)
0.1	6.1	Change in market value	0.1	4.1
2.4	35.8	Closing value of the Fund	2.1	38.7

22) Post-Year-End Transactions

There were no post-year-end transactions that require disclosure in the accounts.

23) Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2014 £m		31 March 2015 £m
	Financial assets	
(138.5)	Fair value through profit and loss	(757.1)
(138.5)	Total	(757.1)

Fair Value of Financial Instruments and Liabilities

The following table summarises the carrying values of the financial assets and financial liabilities by class of instrument compared with their fair values.

31 March 2014			31 March 2015	
Carrying value £m	Fair value £m		Carrying value £m	Fair value £m
		Financial assets		
9,836.5	9,836	Fair value through profit and loss	10,825.7	10,825.7
255.4	255.4	Loans and receivables	587.1	587.1
10,091.9	10,091.9	Total	11,412.8	11,412.8

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Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

Level 1

Financial instruments at level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2

Financial instruments at level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3

Financial instruments at level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in determining appropriate assumptions.

The values of the investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Midlands Pension Fund has invested. These valuations are prepared in accordance with the *International Private Equity and Venture Capital Valuation Guidelines*, which follow the valuation principles of IFRS and US GAAP. The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports as appropriate.

The values of the investment in hedge funds are based on the net asset value provided by the fund manager. Assurances over the valuation are gained from the independent audit of the value. The following table provides an analysis of the financial assets and liabilities of the pension fund grouped into levels 1 to 3, based on the level at which the fair value is observable.

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Values at 31 March 2015				
Financial assets				
Financial assets at fair value through profit and loss	6,796.4	1,588.7	2,440.5	10,825.6
Loans and receivables	587.2	-	-	587.2
Total financial assets	7,383.6	1,588.7	2,440.5	11,412.8

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Values at 31 March 2014				
Financial assets				
Financial assets at fair value through profit and loss	5,941.9	1,528.6	2,366.0	9,836.5
Loans and receivables	255.4	-	-	255.4
Total financial assets	6,197.3	1,528.6	2,366.0	10,091.9

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24) The Nature and Extent of Risks Arising From Financial Instruments

Risk Management

The Fund's activities expose it to a variety of financial risks including:

Investment risk - the possibility that the Fund will not receive the expected returns.

Credit risk - the possibility that the other parties might fail to pay amounts due to the Fund

Liquidity risk - the possibility that the Fund might not have funds available to meet its commitments to make payments.

Market risk - the possibility that financial loss might arise as a result of stock market movements. Currency risk, other price risk and interest rate risk are types of market risk.

The Fund's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Policies covering specific areas relating to the Fund are as follows:

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by investing with regard to liabilities through the triennial actuarial valuation followed by an appropriate asset allocation. During the year, the Fund targeted a 90% exposure to return seeking assets such as equities, property, other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 10% being allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

Risks in return-seeking assets include market risk (the greatest risk), issuer risk and volatility, which are partly mitigated by diversification across asset classes, global markets and investments funds.

Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of return-seeking assets would increase the costs of funding. Stabilising assets backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk.

Counterparty Risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by Fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund specific requirements.

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2015 totalled £449.3 million in respect of temporary loans and treasury management instruments (31 March 2014: £211.6 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the *Compliance Manual*. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2015 is shown overleaf:

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Credit rating sensitivity analysis

Summary	Rating	Balances as at 31 March 2014 £m	Balances as at 31 March 2015 £m
Money market funds			
AIM STIC Global Sterling Portfolio		28.3	45.0
HSBC Sterling Liquidity Fund		43.3	263.2
Short-term deposits			
Nationwide Building Society	A	25.0	25.0
Principality Building Society	BBB+	8.0	10.0
Nottingham Building Society	Baa2	-	10.0
Leeds Building Society	A-	-	10.0
Newcastle Building Society	BB+	-	10.0
Yorkshire Building Society	A-	-	10.0
Skipton Building Society	BBB	8.5	10.0
West Bromwich Building Society	B2	-	5.0
Banco Santander	A-	23.5	-
Lloyds Bank Plc	A	13.0	-
Coventry Building Society	A	12.0	-
Bank deposit accounts			
NatWest Liquidity Select		50.0	49.8
GBP Current Accounts		-	1.3
Total		211.6	449.3

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Liquidity Risk

The Fund has a comprehensive daily cashflow management procedure which seeks to ensure that cash is available as needed. Due to the cashflow management procedures and the liquidity of certain asset types held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities. The Fund actually uses this liquidity risk to its benefit, taking advantage of the illiquidity premium found in investments such as private equity.

Foreign Exchange Risk

The Fund's exposure to foreign exchange risk is managed through the diversification of portfolios across sectors, countries and geographic regions, along with continuous monitoring and management of holdings. In addition, the Fund's currency exposure is managed in line with the daily cash management policy.

Securities Lending

As at 31 March 2015, £314.0 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2014: £171.4 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £333.9 million, giving a margin of 6.3% (2013/14, £184.6 million, margin of 7.7%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Income from stock lending amounted to £1.3 million during the year (2013/14: £0.6 million) and is detailed in note 14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund

valuation. There is, however, an obligation to return collateral to the borrowers; therefore, its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk

The Fund's prudent approach to the collective risks listed above and through best practice in corporate governance, ensures that reputational risk is kept to a minimum.

Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk, which arises from investments held by the fund for which the future price is uncertain. The Fund mitigates price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund investment strategy.

Other Price Risk: Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset type	Value as at 31 March 2015 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,059.7	17.0%	1,239.8	879.6
Global equities (ex-UK)	4,342.6	20.1%	5,215.5	3,469.7
Property	944.1	14.7%	1,082.9	805.3
Corporate bonds (short-term)	173.0	7.1%	185.3	160.7
Corporate bonds (medium-term)*	238.8	9.5%	261.5	216.1
Corporate bonds (long-term)	121.8	18.0%	143.7	99.9
UK fixed gilts (short-term)	47.4	3.0%	48.8	46.0
UK fixed gilts (medium-term)**	42.0	6.7%	44.8	39.2
UK fixed gilts (long-term)	61.2	12.2%	68.7	53.7
UK index-linked gilts (short-term)	73.4	2.2%	75.0	71.8
UK index-linked gilts (medium-term)	185.9	4.8%	194.8	177.0
UK index-linked gilts (long-term)	450.6	8.6%	489.4	411.8
Cash	542.9	0.6%	546.2	539.6
Private equity	1,351.2	28.6%	1,737.6	964.8
Infrastructure	354.2	15.9%	410.5	297.9
Forestry	26.7	16.2%	31.0	22.4
High-yield debt***	644.6	13.4%	731.0	558.2
Absolute return/diversified growth	708.4	12.0%	793.4	623.4
Total assets	11,368.5	12.5%	12,789.6	9,947.4

*includes exposure to loans (£90.0 million) and the Newton Dynamic Bond Fund (£50.0 million)

**includes exposure to overseas bonds (£77.6 million)

***includes exposure to emerging market debt, mezzanine debt and convertibles

Note: the total Fund volatility takes into account the expected interactions between the different asset classes shown, based on the underlying volatilities and correlations of the assets, in line with mean variance portfolio theory. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is reflected), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

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Currency Risk

Currency risk represents the risk that the fair value of future cashflows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2015:

Asset type	Value as at 31 March 2015 £	% Change	Value on Increase £	Value on decrease £
Overseas equities	4,342.6	13.0%	4,907.1	3,778.1
Private equity	1,162.0	13.0%	1,313.1	1,010.9
Fixed interest	283.6	13.0%	320.5	246.7
Alternatives	363.0	13.0%	410.2	315.8
Property	173.8	13.0%	196.4	151.2
Liquid assets	91.9	13.0%	103.8	80.0
Total	6,416.9	13.0%	7,251.1	5,582.7

Interest Rate Risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cashflows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The Fund's consulting actuary has advised that the assumed interest rate volatility is 100 basis points per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-100 BPS change in interest rates:

Asset Type	Carrying amount as at 31 March 2015 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked gilts	709.9	(147.9)	147.9
Gilts	150.6	(15.3)	15.3
Corporate bonds	533.6	(43.0)	43.0
Total change	1,394.1	(206.2)	206.2

25) Impairment for Bad and Doubtful Debts

The following additions and write-offs of pension payments were reported in this financial year, in line with the Fund's policy:

Additions analysis

Individual value	Number	Total £
Less than £100	18	485.20
£100 - £500	1	118.70
Total	19	603.90

Write-off analysis

Individual value	Number	Total £
Less than £100	32	1,954.43
£100 - £500	49	11,263.58
Over £500	15	28,664.31
Total	96	41,882.32

26) Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council, and the costs shown in note 13 above are recharged to the Fund. Contributions of £36.0 million were receivable from the City of Wolverhampton Council for 2014/15 (2013/14: £32.9 million). Balances owed by and to the Council at the year end are shown in notes 18, 19 and 20.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund (including one substitute member), as set out below:

Pensioner:	Councillors Turner and Page
Active:	Councillors Brookfield, Eling, Hevican, McGregor, Rebeiro and T Singh

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are two employing bodies of the Fund in which a member of the Committee has declared an interest for 2014/15: these are Birmingham Museum Trust Ltd, from which contributions of £0.4 million were receivable during the year, and Walsall Housing Group Ltd, from which contributions of £3.1 million were receivable.

Key Management Personnel

The Fund's senior management comprises five individuals: the Strategic Director of Pensions, the Assistant Director (Investments), the Head of Pensions Administration, the Head of Governance and the Head of Finance (with effect from 1 October)/Fund Accountant (to 30 September). The total salary paid to the senior management team in 2014/15 was £369,000. In addition to this, employer's pension contributions of £75,000 were met from the Fund in respect of these individuals.

Pensions Administration Strategy 2015

Pensions Administration Strategy 2015

Introduction

This is the pension administration strategy of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority). The pension administration strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved when providing a cost-effective inclusive and high quality pensions administration service.

Regulatory Context

The LGPS is a statutory scheme, established by an Act of Parliament and governed by regulations. The most recent of such regulations, appertaining to administration are the LGPS (Administration) Regulations 2014. Regulation 59(1) of the (Administration) Regulations 2014 covers the requirement for an administering authority to prepare a written statement of policies as it considers appropriate in the form of a pensions administration strategy. This regulation outlines the primary matters which should be covered to include:

- administration standards
- performance measures
- communication with scheme employers

In addition, Regulation 70 of the (Administration) Regulations 2014 covers the ability of an administering authority to recover additional costs arising from Scheme employers' level of performance. Furthermore, Regulation 71 allows the administering authority to apply interest on late payments by scheme employers.

Aims

The aim of this pension administration strategy is to set out the quality and performance standards expected of the Fund and its scheme employers. It seeks to promote good working relationships and improve efficiency between the Fund and its scheme employers.

The efficient delivery of the benefits of the scheme is reliant upon sound administrative procedures being in place between stakeholders, including the Fund and scheme employers. This administration strategy sets out the expected levels of performance of the Fund and the scheme employers, and provides details about the monitoring of performance levels and the action(s) that might be taken where persistent non-compliance occurs.

Implementation

The administration strategy is effective from 1 April 2015 and is kept under review and revised to keep abreast of changes in scheme and Fund regulations.

West Midlands Pension Fund Administration

Responsibility

The City of Wolverhampton Council, as administering authority, is responsible for administering the LGPS for the West Midlands region. This region encompasses seven district councils as follows:

- Birmingham City Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council
- City of Wolverhampton Council

The administering authority has delegated this responsibility to the Pensions Committee (the Committee), which is made up of district councillors and trade union observers. The Committee take a keen interest in administration matters and receive a report on administration at their quarterly meetings. The Committee will monitor and review this administration strategy on a regular basis.

Objective

The Fund's objective in relation to administration is to deliver an efficient and value for money service to its scheme employers and scheme members. Operationally, the administration of the Fund is carried out by West Midlands Pension Fund staff employed by the administering authority.

Communications

The Fund has published a *Communication Policy Statement*, which details the way the Fund communicates with Committee, scheme members, prospective scheme members, scheme employers and other stakeholders. The latest version is accessible from the Fund website: wmpfonline.com

The Fund also maintains dedicated helplines specifically for Scheme employers and members, details of which are as below:

- **Customer Service helpline: 0300 111 1665**
- **Employer helpline: 0300 111 6516**

Performance Standards

Administration of the LGPS is maintained at local level by a number of regional pension funds and, as such, certain decisions must be made by either the Fund or the scheme employer, in relation to the rights and entitlements of individual scheme members. In order to meet these obligations in a timely and accurate manner, and also to comply with overriding disclosure requirements, the Fund has service level agreements between itself and scheme employers which are set out below.

Overriding Legislation

In carrying out their roles and responsibilities in relation to the administration of the LGPS, the Fund and scheme employers will, as a minimum, comply with overriding legislation.

Pensions Administration Strategy 2015

Internal Quality Standards

The Fund and scheme employers will ensure that all functions and tasks are carried out to agreed quality standards. In this respect, the standards to be met are:

- information to be legible and accurate
- communications to be in a plain language style
- information provided to be checked for accuracy by an appropriately qualified member of staff
- information provided to be authorised by an appropriate officer
- actions carried out, or information provided, within the timescales set out in this

Administration Strategy

The Fund publishes its service plan annually which sets out its short, medium and long-term objectives as well its priorities and implementation targets. A copy of the most recent service plan can be found on the Fund's website: wmpfonline.com

Punctuality

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. The LGPS itself sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies. The following sections on responsibilities set out the locally agreed timescales for these requirements.

Pensions Administration Strategy 2015

Fund Responsibilities

This section outlines the key responsibilities of the Fund and the performance standards scheme employers and scheme members should expect. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Fund Administration

This details the functions which relate to the whole Fund, rather than individual scheme members' benefits.

Ref	Function/Task	Performance target
F1	Publish and keep under review the pensions administration strategy.	To be consulted upon with Employer Peer Group and placed on Fund's website for three weeks before being adopted.
F2	Publish and keep up to date all forms required for completion by scheme members, prospective scheme members or scheme employers.	30 days from any revision.
F3	Host meetings for all scheme employers.	Twice per annum (usually June/July and November/December each year).
F4	Organise coaching sessions for scheme employers.	Upon request from scheme employers or as required.
F5	Provide bespoke meetings for scheme employers.	As required.
F6	Notify scheme employers and scheme members of changes to the scheme rules.	Within one month of the change(s) coming into effect.
F7	Provision of a newsletter/briefing note to scheme employers.	Every two months.
F8	Notify a scheme employer of issues relating to the scheme employer's non-compliance with performance standards.	Within ten days of a performance issue becoming apparent.
F9	Notify a scheme employer of decisions to recover additional costs associated with the scheme employer's poor performance (including any interest that may be due).	Within ten days of scheme employer failure to improve performance, as agreed.
F10	Issue annual benefit statements to active and deferred members as at 31 March each year.	By 31 August following the year-end.
F11	Issue formal valuation results (including individual employer details).	No later than 1 March following the valuation date.
F12	Carry out valuation assessments on cessation of admission agreements or a scheme employer ceasing participation in the Fund.	Upon each cessation or occasion where a scheme employer ceases participation on the Fund.
F13	New admission agreement, where required (including the allocation of assets and notification to the Secretary of State).	Within three months of agreement to set up provided prospective employer adheres to certain prescribed timescales
F14	Publish, and keep under review, the Fund's governance compliance statement.	By 30 September, following the year-end as part of the Fund's annual report and accounts, or within 30 days of the policy being agreed by the Pensions Committee.
F15	Publish, and keep under review the Fund's funding strategy statement.	To be reviewed at each triennial valuation, following consultation with scheme employers and the Fund's actuary. Revised statement to be published by 31 March following valuation date or as required.
F16	Publish the Fund's annual statement of accounts.	By 30 September following the year-end or following the issue of the auditor's opinion.
F17	Publish the Fund's annual report	By 31 December, following the year-end.
F18	Publish, and keep under review, the Fund's communication policy statement.	By 30 September, following the year-end, as part of the Fund's annual report and accounts, or within 30 days of the policy being agreed by the Pensions Committee.
F19	Publish, and keep under review, the Fund's termination policy statement.	Within 30 days of any changes being made to the policy.
F20	Publish, and keep under review, the Fund's charging policy	Within 30 days of any changes being made to the policy.

Pensions Administration Strategy 2015

Fund Administration

This details the functions which relate to scheme member benefits from the LGPS.

Ref	Function/Task	Performance target
F21	Provide an answer or acknowledgement to scheme members/scheme employers/ personal representatives/ dependents and other authorised persons.	Five days from receipt of enquiry.
F22	Set up a new starter and provide statutory notification to the member.	Twenty days from receipt of correctly completed starter form from a scheme employer.
F23	Non-LGPS inward transfers processed.	Ten days of receipt of request from scheme member.
F24	Non-LGPS transfer out quotations processed.	Ten days of receipt of request.
F25	Non-LGPS transfer out payments processed.	Ten days of receipt of completed forms.
F26	Internal and concurrent transfers processed.	Ten days of receipt of request.
F27	Estimates for divorce purposes.	Ten days of receipt of request.
F28	Notify the scheme employer of any scheme member's election to pay additional pension contributions, including all required information to enable deductions to commence.	Ten days of receipt of election from scheme member.
F29	Process scheme member requests to pay/amend/cease additional voluntary contributions.	Five days of receipt of request from scheme member.
F30	Provide requested estimates of benefits to employees/ employers including any additional fund costs in relation to early payment of benefits from ill health, flexible retirement, redundancy or business efficiency.	15 days from date of request. Note: bulk requests of more than 20 estimates per month will be subject to further agreement.
F31	Deferred benefits calculated.	Fifteen days from receipt of all necessary information.
F32	Deferred benefits processed for payment following receipt of election.	Five days from receipt of all necessary information.
F33	Refund payments.	Five days from receipt of all necessary information.
F34	Provision of new retirement letters detailing member options.	Fifteen days from receipt of all necessary information.
F35	Payment of retirement benefits following receipt of election.	Lump-sum payment within five days of receipt of all necessary documentation. First pension payment on next available payroll run.
F36	Notification of death processed.	Within ten days of receipt of all necessary documentation.
F37	Calculate and pay death grant.	Within ten days of receipt of all necessary documentation.
F38	Processing of dependants' pensions for payment.	Within ten days of receipt of all necessary documentation.
F39	Calculate and pay transfer out payments to receiving fund and notify scheme member.	Ten days following receipt of election form from scheme member.
F40	Provide payslips to scheme members in receipt of a pension.	Twice a year in paper format unless specifically requested, otherwise available online
F41	Process all stage 2 pension internal dispute resolution applications.	Within two months of receipt of the application, or such longer time as is required to process the application where further information or clarification is required.
F42	Answer all calls to helplines in office hours.	85%
F43	Answer calls to helplines in office hours at first point of contact.	95%
F44	Formulate and publish policies in relation to areas where the administering authority may exercise a discretion within the scheme and keep under review.	Any changes to be published within one month.

Pensions Administration Strategy 2015

Scheme Employer Responsibilities

This section outlines the responsibilities of all scheme employers in the Fund and the performance standards scheme employers are expected to meet to enable the Fund to deliver an efficient, quality and value for money service.

All information must be provided in the format prescribed by the Fund within the prescribed timescales.

Fund Administration

This details the functions which relate to the whole Fund, rather than individual events.

Ref	Function/Task	Performance target
E1	Confirm a nominated representative to receive information from the Fund and to take responsibility for disseminating it within the organisation.	30 days of employer joining fund or change to nominated representative.
E2	Formulate and publish policies in relation to all areas where the employer may exercise a discretion within the LGPS (including providing a copy of the policy document to the Fund).	To be kept under review and a revised statement published within one month of any changes.
E3	Respond to enquiries from the Fund.	Ten days from receipt of enquiry.
E4	Remit employer and employee contributions to the Fund and provide schedule of payments in the format stipulated by the Fund.	Cleared funds to be received by 22nd calendar day of the month after deduction or 19th if by cheque. Schedule of payments (CON1B) to be received by the 19th calendar day of the month after deduction.
E5	Implement changes to employer contribution rates as instructed by the Fund.	At date specified on the actuarial advice received by the Fund.
E6	Provide year-end information required by the Fund in the format stipulated in the instructions issued March each year.	By 30 April following the year-end.
E7	To ensure optimum accuracy of year-end information	With no less than 90% accuracy across all members
E8	Distribute any information provided by the Fund to scheme members/potential scheme members	Within 10 days of its receipt.
E9	Notify the Fund if contracting out services which will involve a TUPE transfer of staff to another organisation.	At the time of deciding to tender so that information can be provided to assist in the decision.
E10	Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service and assist in ensuring it is complied with.	Agreement to be in place no later than date of contract.
E11	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund.	As soon as the decision is made, so that the Fund can instruct the actuary to carry out calculations, if applicable.
E12	Refer new/prospective scheme members to the Fund's website.	Ten days of commencement of employment or change in contractual conditions.
E13	Make additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent.	Within 30 days of receipt of invoice from the Fund.
E14	Make payment of additional costs to the Fund associated with non-compliance with performance standards of the scheme employer.	Within 30 days of receipt of invoice from the Fund.

Pensions Administration Strategy 2015

Fund Administration

This details the functions which relate to scheme member benefits from the LGPS.

Ref	Function/Task	Performance target
E15	Use online forms or web portal for all relevant scheme administration tasks, where possible.	Within one month of employer being set up to use the online system.
E16	Notify the Fund of new starters.	Six weeks of member joining or such shorter periods as required by auto-enrolment obligations under the Pensions Act 2008.
E17	Arrange for the correct deduction of employee contributions from a member's pensionable pay.	Immediately on joining the scheme, opting in or change in circumstances.
E18	Ensure correct employee contribution rate is applied.	Immediately upon commencing scheme membership and in line with the employer's policy and as a minimum each April payroll thereafter.
E19	Ensure correct deduction of pension contributions during any period of child-related leave, strike absence or other forms of leave or absence from duty.	Immediately, following receipt of election from scheme member, to make the necessary pension contributions.
E20	Commence deduction of additional regular contributions or amend such deductions, as appropriate.	Month following election to pay contributions or notification received from the Fund.
E21	Cease deduction of additional regular contributions.	Immediately following receipt of election from scheme member.
E22	Arrange for the deduction of AVCs and payment over of contributions to AVC provider(s).	Commence deduction of AVCs in month following the month of election. Pay over contributions to the AVC provider(s) by the 22nd of the month following the month of election or 19th if by cheque.
E23	Provide the Fund with details of all changes to members' working hours using the method stipulated by the Fund	Six weeks of change for protected members only.
E24	Notify the Fund of other material changes in employees' circumstances (eg, marital or civil partnership status) using the method stipulated by the Fund.	Immediately, following notification by the scheme member of a change in circumstances.
E25	Notify the Fund of leaves of absence with permission (maternity, paternity, career break, etc) using the method stipulated by the Fund.	Within 20 days of notice from employee for protected members only.
E26	Notify the Fund when a member leaves employment including an accurate assessment of final pay using the method stipulated by the Fund.	Six weeks of month end of leaving.
E27	Notify the Fund when a member is due to retire including an accurate assessment of final pay and authorisation of reason for retirement using the method stipulated by the Fund.	At least one month before retirement date.
E28	Notify the Fund of the death of a scheme member using the method stipulated by the Fund	As soon as practicable, but within ten days.
E29	Appoint person for stage 1 of the pension dispute process and provide full details to the Fund	Within 30 days of becoming a scheme employer or following the resignation of the current adjudicator.

Pensions Administration Strategy 2015

Monitoring Performance and Compliance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

Audit

The Fund is subject to an annual external audit of the accounts by extension the processes employed in calculating the figures for the accounts. The key findings of their work are presented to the Committee in an annual report, and the Fund is provided with an action plan of recommendations to implement. In addition the Fund is subject to internal audits by the City of Wolverhampton Council's internal auditors of its processes and internal controls. Any subsequent recommendations made are considered by the Fund and, where appropriate, duly implemented.

Both the administering authority and scheme employers will be expected to comply with requests for information from internal and external audit in a timely manner.

In addition, the Fund's own internal Compliance team will ensure its processes and internal controls remain robust with a direct feed into the administration team.

Performance Monitoring

The Fund monitors its performance utilising its own internal key performance indicators. Monitoring occurs on a monthly basis and the key performance indicators are reported to Committee via a quarterly report on administration of the Fund allowing them to monitor the performance of the Fund's in-house staff. A high level overview of performance is provided to Committee on an annual basis. The performance of scheme employers against the standards set out in this document will be incorporated into the reporting to the Committee, as appropriate, to include data quality.

Feedback From Employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to wmpfemployerliaison@wolverhampton.gov.uk.

This feedback will be incorporated into the quarterly reports to the Committee.

Annual Report on the Strategy

The scheme regulations require the Fund to undertake a formal review of performance against the administration strategy on an annual basis. This report will be produced annually and incorporated within the annual report and accounts.

Policy on Charging Employers for Poor Performance

The scheme regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where a fund wishes to recover any such additional costs, they must give written notice stating:

- the reasons in their opinion that the scheme employer's poor performance contributed to the additional cost
- the amount of the additional cost incurred
- the basis on how the additional cost was calculated
- the provisions of the administration strategy relevant to the decision to give notice.

Circumstances Where Costs Might Be Recovered

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority).

The circumstances where such additional costs will be recovered from the scheme employer are:

- failure to provide relevant information to the Fund, scheme member or other interested party in accordance with specified performance targets in this administration strategy (either as a result of punctuality of delivery or quality of information)
- failure to pass relevant information to the scheme member or potential members, either due to poor quality of information or not meeting the agreed timescales outlined in the performance targets in this administration strategy
- failure to deduct and pay over correct employee and employer contributions to the Fund within the stated timescales
- instances where the performance of the scheme employer results in fines being levied against the Fund by the Pension Regulator, Pensions Ombudsman or other regulatory body.

Approach to be Taken by the Fund

The Fund will seek, at the earliest opportunity, to work closely with scheme employers in identifying any areas of poor performance, provide the necessary support or training and put in place appropriate processes to improve the level of service delivery in the future. Therefore, scheme employers will be afforded the time to address the causes of non-compliance with performance standards in order that they do not become persistent, before any fines are levied. Employers should be aware that in the case of late payment of contributions and non-submission of monthly contribution forms, penalties will be incurred for persistent instances of non-compliance with performance standards.

The process for engagement with scheme employers will be as follows:

- 1) Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, further training.
- 2) If no improvement is seen within one month of the support or training or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
- 3) If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out the area(s) of non-compliance with performance standards that have been identified, the steps taken to resolve those area(s) and notice that the additional costs will now be reclaimed.
- 4) An invoice will then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document.

A report will be presented to the quarterly Committee meeting detailing any fines levied against scheme employers and outstanding payments.

Pensions Administration Strategy 2015

Charging Scales For Administration

The table below sets out the charges which the Fund will levy on a scheme employer whose performance falls short of the standards set out in this document. Each item is referenced to the 'Scheme Employer Responsibilities' section.

Item	Charge	Ref
Late payment of employee and employer contributions.	£50 plus interest*	E4
Non-provision of the correct schedule accompanying the contributions.	£50 per occasion	E4
Underpayment of employee or employer contributions.	£50 plus interest*	E5/E17 /E18
Late or non-provision of year-end information or the poor quality of year-end information.	£250 plus £100 for every month the information is late.	E6
Late or non-provision of starter forms.	£100 per month for forms not received or late.	E16
Late or non-provision of leaver forms.	£100 per month for forms not received or late.	E26/E27 /E28

**Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent.*

Service and Communication Improvement Planning

As set out earlier in this administration strategy, the Fund's objective in relation to administration is to deliver an efficient, quality and value for money service to its scheme employers and scheme members. This can only be achieved through continuously reviewing and improving the service. Communication between the Fund and scheme employers is key to providing the service and is, therefore, an important aspect of service improvement planning.

The Fund's staff work together on a programme of continuous improvement to the service and meet quarterly to review progress against the action plan agreed.

The monitoring of the performance standards set out in this document will inform the programme going forward, and feedback from scheme employers on the service and the way in which the Fund communicates is welcomed in developing plans. Feedback should be emailed to wmpfonline@wolverhampton.gov.uk

The Fund will take responsibility for improving the service and determining the balance between implementing service improvements and the goal of providing a value for money service for the Fund.

Employers will be informed of any changes to the service provision which affect the way they interact with the Fund through the monthly briefing note.

Consultation and Review Process

In preparing this administration strategy, the Fund placed it upon its website and carried out a consultation with scheme employers.

The strategy will be reviewed every year and more frequently if there are changes to the scheme regulations or Fund policies. All scheme employers will be consulted before any changes are made to this document.

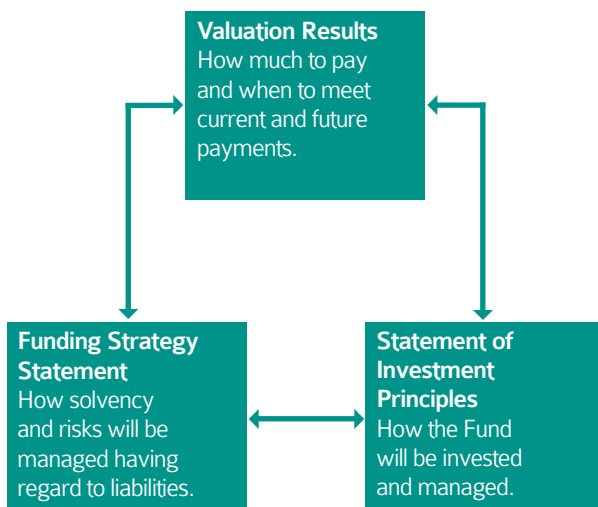
The latest version of this document can be accessed from the Fund website at wmpfonline.com.

Funding Strategy Statement 2015

Funding Strategy Statement 2015

1) Introduction

- 1.1** The LGPS Regulations require funds to produce a Funding Strategy Statement (FSS) having regard to the guidance produced by CIPFA. This statement has been drawn up by West Midlands Pension Fund in accordance with the regulations and following consultation.
- 1.2** The FSS complements and adds to the Statement of Investment Principles (SIP). The Investment Strategy Statement (ISS) is a supporting document, alongside the actuarial valuation, together with their supporting documentation.
- 1.3** The statements relate as follows:



- 1.4** The Fund's actuary takes account of the FSS in his actuarial work for the Fund, most notably, the actuarial valuation process.
- 1.5** The FSS reflects the statutory nature of the Local Government Pension Scheme (LGPS), particularly the defined benefit nature and the benefit payable guarantee. The FSS sets out how benefits will be funded over the long term through an accountable, transparent process with full disclosure of relevant details and assumptions.
- 1.6** The LGPS is currently a long-established, well-managed, funded final salary scheme. With effect from 1 April 2014, the LGPS became a career-average revalued earnings scheme (CARE) and this has been allowed for when assessing the future service rate for employers.
- 1.7** The Fund, like many other similar public and private sector funded schemes, has a gap between its assets and pension liabilities which this strategy addresses.
- 1.8** A number of factors have contributed to the funding gap and contribution rates for employers:
- investment returns relative to movement in liabilities;
 - increases in longevity of pensioners;
 - falling long-term interest rates.
 - change in CPI inflation expectations

There are some steps that the actuary can take to assist employing bodies. These include:

- recognising the long-term nature of local government, so that deficits are recovered over time. At the 2013 valuation this will be adjusted to a maximum of 22 years which compares to 25 years at the 2010 valuation. This is expected to reduce to 19 years at the 2016 valuation;
 - phasing increases in contributions typically over three years where appropriate;
 - recognising the changes to the LGPS from 1 April 2014;
 - recognising the changes in financial markets after the valuation;
 - giving weight to a balanced investment strategy.
- 1.9** The Fund, since it was established in 1974, has seen variations in its funding level as did the earlier district funds. Over this long period, there has been a consistent approach with the actuarial valuation process, the link to an investment strategy and balanced management of the risks. The current arrangements continue this approach. The critical element is securing diversified investment market returns from world markets. The Fund has a long record of achieving solid returns for all of its portfolios. The approach adopted is to ensure a priority is given to achieving at least a market return and, as recommended best practice indicates, use asset allocation to deliver a substantial part of the investment target.
- 1.10** As the pursuit of returns becomes ever more complex, combined with the prospect of diminishing returns, the Fund is becoming increasingly aware of the need to balance the relationship between the different asset classes, their returns, their volatility and their correlation with equities. This constitutes the 'risk budget'.

2) Purpose of the Funding Strategy Statement in Policy Terms

- 2.1** The purpose of this FSS is:
- To establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are best met going forward.
 - To support the regulatory requirement to maintain the common contribution rate as nearly constant as possible.
 - To take a prudent longer term view of funding those liabilities.
- 2.2** The Fund currently has a strong net cash inflow. The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit liabilities. The cashflow will be monitored regularly by officers. The LGPS regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the Fund acting on expert advice and following consultation.
- 2.3** The FSS is a comprehensive strategy for the whole Fund. It balances and reconciles the many direct interests that arise from the nature of the Scheme, and funding of the benefits now and in the future.

Funding Strategy Statement 2015

2.4 The solvency of the Fund is a long-term management issue as required by the regulations in terms of setting the funding target. Currently, the net cash inflow is over £120m pa, but it is essential that funds are made available to ensure all future benefits payments can be met when they become due.

3) Consultation

- 3.1** The LGPS regulations require the administering authority to consult with such persons it considers appropriate in the maintenance and review of the FSS.
- 3.2** CIPFA provides further guidance that this must include meaningful dialogue at officer and elected member level with council tax raising authorities and with corresponding representatives of participating employers.
- 3.3** Employers participating in the Fund have been consulted on the contents of this FSS and consideration has been given to their views accordingly. However, the FSS represents a single strategy for the Fund as a whole, adjusting for individual employers based on the advice of the Fund actuary.
- 3.4** In addition, the administering authority has had regard to the Fund's Statement of Investment Principles published in accordance with the LGPS regulations.
- 3.5** The Fund actuary, Mercer, has also been consulted in the contents of this FSS.

4) Aims and Purposes of the Fund

- 4.1** The aims of the Fund are to:
- Enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled and admitted bodies having regard to the liabilities.
 - Manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding.
 - Ensure that sufficient resources are available to meet all liabilities as they fall due.
 - Maximise the returns from investments within reasonable risk parameters
 - Minimise the risks to the Fund from its admission arrangements by strengthening its admission arrangements and pursuing a policy of positive engagement.
- 4.2** The purpose of the Fund is to:
- Receive and invest monies in respect of contributions, transfer values and investment income.
 - Pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses. The Local Government Pension Scheme Regulations and, in particular, the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 define these purposes.

5) Responsibilities Of The Key Parties

5.1 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.

5.2 The administering authority (Wolverhampton City Council) through its Pensions Committee:

- 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 a FSS and a SIP.
- Monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate. The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade unions representatives combined with consultation with interested parties.

5.3 The individual employers:

- Deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the regulations).
- Pay all contributions, including their own 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, augmentation of scheme benefits and early retirement strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Will make significant progress in the transition to electronic data exchange with the submission of member data via bulk data imports (BDI), initially targeting new joiners, before extending to other processes.
- Discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.

5.4 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 employer's contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining common contribution rates that are as constant as possible.

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- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.
- Minimise the risks to the Fund from its admission arrangements by strengthening its admission arrangements and pursuing a policy of positive engagement.

6) Solvency Issues and Target Funding Levels

6.1 The Fund currently has a strong net cash inflow and can, therefore, take a medium to long-term view on determining employing body contribution rates to meet future liabilities through operating a fund with an investment strategy that reflects this long-term view. It allows short-term investment market volatility to be managed so as not to cause volatility in employing body contribution rates.

6.2 Nevertheless, the Fund recognizes the different characteristics of the variety of participating employer organisations, and will set funding strategy appropriately having regard to factors such as:

- strength of covenant, and security of future income streams;
- support or guarantor arrangements from scheme employers;
- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the scheme to new employees.

Taking these factors into account, a case-by-case assessment review of contribution requirements may, in some cases, prove necessary as part of the triennial valuation process.

6.3 The Fund's policy as regards participation of non-scheduled Scheme employers, including termination issues, is set out in the comprehensive publication '*Policy on Termination Funding for Admission Bodies*'.

6.4 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to cover 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements.

The approach to the actuarial valuation process and key assumptions used at each three-yearly valuation are consulted upon and the valuation forms part of the consultation undertaken with the FSS.

Determination of the Funding Target and Recovery Period

6.5 The principal method and assumptions to be used in the calculation of the funding target are set out in the Appendix.

6.6 Underlying these assumptions there are two tenets:

- that the Scheme is expected to continue for the foreseeable future; and
- favourable investment returns can play a valuable role in achieving adequate funding over the longer term.

6.7 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer (or employer grouping), following a principle of no cross-subsidy between the various employers in the scheme. In attributing the overall investment performance obtained on the assets of the scheme to each employer, a pro-rata principle is adopted.

The general approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the scheme as a whole.

6.8 The administering authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates:

- As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan the following:
 - some allowance for interest rates and bond yields to revert to higher levels over the medium to long term; and
 - whether some allowance for increased investment return can be built into the funding plan over the agreed recovery period.

In considering this the administering authority, based on the advice of the actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

- A maximum deficit recovery period of 22 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the administering authority considers this to be warranted (see deficit recovery plan below).

- In current circumstances, as a general rule, the Fund does not believe it appropriate for contribution reductions to apply where substantial deficits apply. As a result in addition to the maximum deficit recovery period of 22 years, the Fund will operate standard deficit recovery periods aligned to strength of covenant based on defined employer groups subject to the maximum lengths set out below.

- For transferee admission bodies, where admission to the LGPS is via a contract or other arrangement, the maximum recovery period will be aligned to the contract length, capped at the maximum recovery period of 22 years, or as otherwise agreed with the ceding local authority

- For transferee admission bodies, where closed to new entrants, the maximum recovery period will be aligned to the future working lifetime of its membership, if less than the contract length, capped at the maximum recovery period of 22 years, or as otherwise agreed with the ceding local authority.

- For community admission bodies, where closed to new entrants, the maximum recovery period will be aligned to the future working lifetime of its membership, capped at the maximum recovery period of 22 years, or such other period agreed by the employer and approved by the administering authority.

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- Employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of future accrual of benefits
 - a schedule of fixed £s amounts, increasing annually in line with the valuation funding assumption for long-term pay growth (unless otherwise noted), in respect of deficit recovery subject to review from April 2017 based on the results of the 2016 actuarial valuation.
 - Where increases in employer contributions are required from 1 April 2014, the increase from the contributions payable in the year 2013/14 may be implemented in steps, typically over a period of up to three years.
 - Where an employer has a guarantee from a statutory body participating in the Fund, or from another organisation approved for that purpose by the administering authority, the administering authority will recognise the requirement for the guarantor to be kept abreast of the funding position of the relevant employer, unless the employer indicates otherwise in writing.
 - On the cessation of an employer's participation in the scheme, the actuary will be asked to make a termination assessment. Any deficit in the scheme in respect of the employer will be due to the scheme as a termination contribution, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the scheme to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the separate guidance published by the Fund.
 - Any employing body with a surplus of assets over liabilities may have the surplus applied over a period that assists the process of smoothing or avoiding increases in contributions over a valuation cycle.
 - The Fund's approach will reflect the ability of employing bodies to meet their pension liabilities and resources available to them when their circumstances have changed suddenly.
 - Any employing bodies who have an improved funding position, may at some point, be presented with the option to de-risk via a lower risk investment strategy.
 - In determining a contribution rate, a prudent approach will be taken to balancing any potential reductions in contributions with the strength of the employing body covenant risk.

Consequently, the administering authority may, at its discretion, levy contributions for a particular employer that are below, or above, those initially certified by the actuary, where it is deemed appropriate to assist with smoothing or control of contribution rates.
 - Where the administering authority does levy an alternative contribution plan for a particular employer, as described above, this will represent an employer-specific funding plan, and will be agreed and documented separately.
 - Academies will be treated in accordance with the factors and legislation that lead to their creation. All will be considered to have the same covenant strength as any scheduled body, and their contribution rates will be calculated to meet the broad intentions of ensuring they are in a similar financial position in respect of pension liabilities pre- and post-transfer to academy status at inception. The policy applied to academies will be reviewed from time to time or if any further guidance emerges.
- 6.9** In determining the above objectives, the administering authority has had regard to:
- the responses made to the consultation with employers on the FSS principles;
 - relevant guidance issued by the CIPFA Pensions Panel;
 - the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose; and
 - the administering authority's views on the strength of the participating employers' covenants in achieving the objective.
- 6.10** There will be an overall reserve, established as a contingency to protect the Fund against funding shortfalls, where employers without a guarantor cease participation in the Fund and cannot pay to remove any deficit. The reserve is based upon a review of those employers without a guarantor and the associated liability exposure and the contributions required to establish this reserve have been built into rates assessed for all employers within the Fund at this valuation. This reserve is subject to review at subsequent actuarial valuations.
- The Normal Cost of the Scheme (Future Service Contribution Rate)**
- 6.11** In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the 'normal cost'). The method and assumptions for assessing these contributions are also set out in the Appendix.
- 7) Links to Investment Policy Set Out in the Statement of Investment Principles (SIP)**
- 7.1** The Fund has, for many years regularly used an asset liability study or some other form of stochastic modelling in order to assist the process of formulating a strategic asset allocation. The outcomes are reflected in the Fund's SIP. The Fund's updated investment strategy has been supporting part of the consultation on the valuation and the FSS. A revised SIP has been produced to reflect the FSS and Investment Strategy.
- 8) The Identification of Risks and Countermeasures**
- 8.1** Evaluating risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks. The FSS identifies those key risks specific to the Fund and the measures being taken or assumptions made to counter those risks.

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8.2 Some of the key risks taken into account and responses are:

Financial

- Unexpected market-driven events.
- Investment markets fail to perform in line with expectations.
- Market yields move at variance with assumptions.
- Investment fund managers fail to achieve performance targets over the longer term.
- Asset allocations in volatile markets may lock in past losses.
- Pay and price inflation significantly more or less than anticipated.
- The effect of a possible increase in employer's contribution rate on service delivery and employers in general. The Fund has undertaken a regular review of its investment strategy taking into account investment risk and future benefit payments to determine a bespoke investment strategy that for a variety of future economic outcomes gives a high degree of certainty that the investment objectives will be achieved. The Fund has moved to a yearly review from 2011. Short-term investment management decisions to reflect anticipated market changes are strictly controlled against the investment strategy or benchmark.

Investment management briefs reflect the importance of capturing at least a market rate of return and minimising the risk of significantly underperforming an investment market. Further information is available in the SIP and on the Fund's website.

Demographic

- The longevity horizon of beneficiaries continues to expand.
- **Cost of early retirements**
The Fund has in place policies and procedures to identify for employing bodies the impact of these factors and agrees how they will be managed in terms of special additional contributions.
- **Take-up of 50:50 option**
The level of take-up of the 50:50 option at a higher or lower level than built into the actuarial assumptions.
- **Insurance of certain benefits**
The Fund is still exploring insurance cover for some of the death in service and ill-health costs, with further detailed analysis to follow. The potential for the implementation of such insurance will be determined by the Fund, bearing in mind the associated risk mitigation and employer desirability across the Fund as a whole. The contributions for any employer may be varied as agreed by the actuary and administering authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or internally within the Fund.

Regulatory

- Changes to regulations, eg. more favourable benefits package, potential new entrants to scheme, changes to the benefit structure etc.
- Changes to national pension requirements and/or Inland Revenue rules. These changes agreed and proposed are evaluated and taken into account in the actuarial valuation and closely monitored between valuations in case any action is required.

Governance

- Administering authority unaware of structural changes in an employer's membership (eg. large fall in employee members, large number of retirements).
- Administering authority not advised of an employer closing to new entrants.
- An employer ceasing to exist with insufficient funding or adequacy of a bond.

The Fund has established inter-valuation monitoring and working relations with its employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, bond arrangements where appropriate and the assessment of the financial standing of employers that are not tax-raising bodies.

Employers

- Sustainability of an employer or their ability to meet their liabilities within the agreed funding strategy. The Fund's approach to the outcome of the valuation has had regard to balancing the needs of funding the liabilities and the cost to employers. This is reflected in the approach to the phasing of increase, the recovery period for meeting any funding gap, together with the risks associated with the investment strategy. It is considered the approach adopted represents an 'affordable' solution taking all factors into account.

A risk assessment of the sustainability of all employers has been undertaken seeking to establish the risk of an employer failing to meet their pension liabilities. The analysis has looked at the following levels of risk:

In determining the actual recovery period to apply for any particular employer to employer grouping, the administering authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the employer; and the security of future income streams
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.
- length of expected period of participation in the Fund.

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Low Risk

Scheduled and resolution bodies as statutory entities that are either required, or can choose to offer membership of the LGPS. This category would cover:

- a local authority, or equivalent.
- a body for which the Fund has a guarantee of liabilities from a local authority (or its equivalent).
- a body which receives funding from local or central government (eg, colleges and universities).
- a body which has a funding deficiency guarantee from local or central government.
- a best value-type body for which a local authority within the Fund effectively stands as the ultimate guarantor on the termination of the admission agreement as a result of Regulation 38.

Medium Risk

Scheduled bodies not considered as low risk and admitted bodies with no statutory underpin but:

- can provide satisfactory evidence of financial security (eg, parent company guarantee, bond, indemnity, insurance).
- is part of a group of related or pooled bodies which share funding on default.

High Risk

An admitted body:

- with no external funding guarantee or reserves.
- with a known limited lifespan or fixed contract term of admission to the Fund.
- which has no active contributors and/or is closed to new joiners.
- which relies on voluntary or charitable sources of income.

This analysis indicates the risk to the Fund's solvency and ability to meet prior liabilities to be low. It will, however, continue to be monitored. A number of small bodies have significant financial challenges due to falling revenues. The Fund will work with these bodies to ensure all interests are considered and an acceptable funding strategy for the pension liabilities is achieved that does not put the Fund's position at an increased risk. In respect of bodies that have fixed-term funding, the aim is that a fully funded position should be achieved with a high degree of certainty by the end of the funding period.

Appendix

Actuarial Valuation as at 31 March 2013

Method and Assumptions Used in Calculating the Funding Target Method

The actuarial method to be used in the calculation of the funding target is the 'projected unit' method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the scheme on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the 'attained age' method), which makes advance allowance for the anticipated future aging and decline of the current closed membership group.

Financial Assumptions

● Investment return (discount rate)

A yield based on market returns on UK government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the scheme's accrued liabilities, plus an asset outperformance assumption (AOA) of 1.4%.

The AOA represent the allowance made, in calculating the funding target, for the long-term additional investment performance on the assets of the Fund relative to the yields available on long-dated gilt stocks as at the valuation date.

● Inflation (consumer prices index - CPI)

The inflation assumption will be taken to be the investment market's expectation for CPI as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK government gilts as at the valuation date, reflecting the profile and duration of the scheme's accrued liabilities, less an adjustment. The adjustment is taken to be 1.0% pa and is in respect of two factors:

- the perceived premium investors are prepared to pay to protect against future inflation rises (known as an inflation risk premium).
- the expectation that CPI is expected to increase at a lower rate than the retail prices index (RPI).

An adjustment is required in respect of this, as the index-linked investments used to determine the market rate of inflation are indexed with reference to the RPI, and so determine a 'market view' of RPI.

● Salary increases

The assumption for long-term real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.75% pa over the inflation assumption as described above. This includes allowance for promotional increases.

To recognise the relatively low level of salary increases expected in local government in the near future, and as budgeted for in the short term by many employers, the Fund has applied an assumption of 1% pay growth over the next three years reverting to 4.35% (CPI plus 1.75%) thereafter.

For certain employers (typically with the strongest covenant and where evidence from an employer supports it), the Fund has applied an assumption of 1% pay growth over the next five years reverting to 4.35% (CPI plus 1.75%) thereafter.

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● Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with CPI (eg, guaranteed minimum pensions in respect of service prior to April 1997).

● LGPS 2014 50:50 take-up

The assumed take-up of the 50:50 option, introduced under the LGPS 2014 scheme, has been set at 5% of the membership where justifiable by turnover of employers and size of employer.

Full details of the assumptions adopted are set out in the actuary's formal valuation report.

Method and Assumptions Used in Calculating the Cost of Future Accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities. The financial assumptions in relation to future service (ie, the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (ie, return in excess of price inflation) of 3.0% pa with a long-term average assumption for price inflation of 2.6% pa. These two assumptions give rise to an overall discount rate of 5.6% pa.

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the regulations for stability in the 'common rate' of contributions. In market conditions at the effective date of the 2013 valuation, this approach gives rise to a somewhat more optimistic stance in relation to the cost of accrual of future benefits compared to the market-related basis used for the assessment of the funding target. At each valuation, the cost of the benefits accrued since the previous valuation will become a past service liability. At that time, any mismatch against gilt yields and the AOA used for the funding target is fully taken into account in assessing the funding position.

Summary of Key Whole Fund Assumptions Used for Calculating Funding Target and Cost of Future Accrual (the 'Normal Cost') for the 2013 Actuarial Valuation

Long-term gilt yields

Fixed interest	3.2% pa
Index-linked	(0.4)% pa
Implied RPI inflation	3.6% pa
Adjustment for inflation risk premium and CPI	(1.0)% pa
Implied CPI price inflation	2.6% pa

Past service funding target financial assumptions

Investment return/discount rate	4.6% pa
Salary increases	4.35% pa
Pension increases	2.6% pa

Future service accrual financial assumptions

Investment return/discount rate	5.6% pa
Salary increases	4.35% pa
Pension increases	2.6% pa

Principal demographic assumptions

Mortality assumptions	Table	Adjustment
Male normal health pensioners	S1PMA CMI 2012 M (1.5%)	99%
Female normal health pensioners	S1PFA CMI 2012 F (1.5%)	96%
Male ill-health pensioners	As for male normal health pensioners + 3 years (+4 for future ill-health pensioners)	
Female ill-health pensioners	As for female normal health pensioners + 3 years (+4 for future ill-health pensioners)	
Male dependants	S1PMA CMI 2012 M (1.5%)	160%
Female dependants	S1DFA CMI 2012 F (1.5%)	114%
Male future dependants	S1PMA CMI 2012 M (1.5%)	106%
Female future dependants	S1DFA CMI 2012 F (1.5%)	95%

Commutation : 50% take 3/80ths and 50% take maximum lump-sum.

Assumptions Used in Calculating Contributions Payable

Under the Recovery Plan

The contributions payable under the recovery plan are calculated using the same assumptions as those used to calculate the funding target.

1994,78

Statement of Investment Principles 2015

Statement of Investment Principles 2015

1) Introduction

1.1 West Midlands Pension Fund has drawn up this Statement of Investment Principles ('the SIP') to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. This statement is available to anyone with an interest in the Fund and the public generally. The Fund has consulted with such persons as it considers appropriate including obtaining advice from its consultants in preparing this statement.

1.2 Overall investment policy falls into two parts. The strategic management of the assets 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 determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in section 3 on pages 108 and 109. The Investment Advisory Sub-Committee has oversight of the implementation of the management arrangements and comprises representatives from the seven district councils and two local trade unions.

1.3 The roles of the members and committee are:

Pensions Committee Member Principal Accountabilities

- 1) To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations 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 regulations, and the proper management and investment of monies held for the purpose of paying benefits.
- 3) To determine and review the provision of resources made available for the discharge of the function of the administering authority.

Key Duties

a) Pensions Committee

- 1) Monitor compliance with legislation and best practice.
- 2) Determine admission policy and agreements.
- 3) Monitor pension administration arrangements.
- 4) Determine investment policy based upon a medium-term benchmark and quarterly reviews outlining a short-term position.
- 5) Monitor policy.
- 6) Appoint committee advisers.
- 7) Determine detailed management budgets.

b) Investment Advisory Sub-Committee

- 1) Monitor investment management arrangements.
- 2) Review strategic investment opportunities.
- 3) Monitor and review portfolio structures.
- 4) Monitor implementation of investment policy.
- 5) Advise on the establishing of policies in relation to investment management, including the appointment and approval of terms of reference of independent advisers of the Fund.
- 6) Monitor investment activity and performance of the Fund.
- 7) Oversee the administration of investment management functions of the Fund.

The Council delegation to Pensions Committee is as follows:

- a) To exercise the functions of the Council in relation to the administration of West Midlands Pension Fund arising by virtue of the Local Government Pension Scheme (Administration) Regulations 2008, and any subsequent related legislation.
- b) To exercise all the general powers and duties of the Council granted to Cabinet and cabinet teams and standing bodies provided that those parts of the Council's *Financial Procedure Rules and Contracts Procedure Rules* which relate to the acquisition and disposal of land and the approval of expenditure, shall not apply in relation to such acquisitions and disposals and expenditure in connection with the Fund.
- c) To ensure that equality issues are addressed in the development of policies and the provision of services and are appropriately monitored.
- d) To ensure that consideration is given to the impact which the Committee's policies and provision of services have with regard to environmental matters.

The key delegation to the Investment Advisory Sub-Committee is as follows:

- a) To advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisers to the Fund.
- b) To monitor investment activity and the performance of the Fund.
- c) To oversee the investment management functions of the Fund.

The Strategic Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day functions that support its implementation.

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1.4 This SIP has been prepared taking into account the most recent actuarial valuation and the *Funding Strategy Statement (FSS)*. The SIP is updated as part of any significant changes on an ongoing basis, for example, appointment of new managers, or new major investment areas or benchmark changes.

1.5 Related Fund policies and statements are:

- Funding Strategy Statement
- Responsible Investment Framework
- Compliance with Myners
- Compliance with the UK Stewardship Code
- Governance Compliance Statement

2) Statement of Investment Beliefs

The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's exposures to investment risk. They are as follows:

Financial Market Beliefs

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. As taking calculated risks does not guarantee returns, investment losses or below expected returns are possible outcomes.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for investors.
- In making investments in illiquid assets, a return premium should be sought.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.

Investment Strategy/Process Beliefs

- Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.
- Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.
- Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to Government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty and reputational risk need assessment and management, in addition to investment risk.
- Managing fees and costs matter especially in low-return environments. Fee arrangements with our fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.

Organisational Beliefs

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- Internal asset management benefits the Fund through lower costs, greater transparency and increased focus. Management areas where it is difficult or not possible to obtain the right expertise should be managed externally.

Responsible Investment Beliefs

- Effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

3) Investment Objectives and Risk

3.1 Objectives

- Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.
- Emphasise markets that over time are likely to give better returns.
- Acknowledge the risk of investing and have regard to best practice in managing that risk.
- Have resources available to meet the Fund's liabilities for pensions and other benefits provided when they fall due.
- Identify innovative return enhancing investment opportunities.

3.2 Risk

- The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. The principal risks affecting the Fund are:

- Funding Risks**

- The risk of a deterioration in the funding level of the Fund. This could be due to assets failing to grow in line with the developing cost of meeting liabilities or economic factors such as unexpected inflation increasing the pension and benefit payments.

The Fund manages this risk by setting a strategic asset allocation benchmark reflecting optimum correlation between asset classes and diversification. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

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- b) The risk of changing demographics as longevity and other demographic factors improve, increasing the cost of benefits.

The Fund monitors this by reviewing mortality and other demographic assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

- c) Systemic risk as the possibility of failure of asset classes and/or active investment managers results in an increase in the cost of meeting the liabilities.

The Fund seeks to mitigate systemic risk through a diversified portfolio with a split between active management (alpha) and market returns (beta).

Within the allocation to alpha there is a diverse range of specialist managers with varying targets of risk and return. In addition, the alpha budget is designed to enhance returns from identifying market inefficiencies. It is not possible to make specific provision for all possible eventualities that may arise under this heading.

iii) Asset Risks

- a) Concentration risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.
- b) Illiquidity risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.
- c) Currency risk that the currency of the Fund's assets underperforms relative to sterling (ie, the currency of the liabilities).
- d) Manager underperformance when the fund managers fail to achieve the rate of investment return assumed in setting their mandates.

The Fund manages asset risk as follows:

- It provides a practical constraint on Fund investments deviating greatly from the intended approach by setting itself diversification guidelines.
- By investing in a range of investment mandates each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Fund's expected parameters.
- By investing across a range of assets, including quoted equities and bonds, the Fund has recognised the need for some access to liquidity in the short term.
- Robust financial planning and clear operating procedures for all significant activities.
- The Fund is aware that investing in overseas equities introduces an element of currency risk, but given the level of diversification within the Fund, it is comfortable taking this risk.
- In appointing several investment managers, the Fund has considered the risk of underperformance by any single investment manager.

- e) Environmental, social and governance (ESG) risks that are not given due consideration by the Fund or its investment managers. The Fund actively addresses this potential risk through implementation of its Responsible Investment (RI) Framework which is available on the Fund's website.

iv) Operational Risk

- a) Transition risk of incurring unexpected costs in relation to the transition of assets among managers.

When carrying out significant transitions, the Fund takes professional advice and considers the appointment of specialist transition managers in order to mitigate this risk.

- b) Custody risk of losing economic rights to Fund assets, when held in custody or when being traded. These risks are managed by:

- the use of a global custodian for custody of assets;
- the use of formal contractual arrangements for all investments; and
- maintaining independent investment accounting records.

- c) Credit default with the possibility of default of a counterparty in meeting its obligations. The Fund monitors this type of risk by means of:

- maintaining a comprehensive risk register with regular reviews;
- operation of robust internal compliance arrangements; and
- in-depth due diligence prior to making any investment.

The Fund monitors and manages risks in all areas through a process of regular scrutiny of its providers and audit of the operations they conduct for the Fund.

4) Investment Strategy

The Fund sets a long-term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and its investment objectives. The strategy used to be reviewed at least every three years after each actuarial valuation, and monitored on an ongoing basis to facilitate any necessary changes. The review has moved to an annual basis which may or may not result in a change in benchmark more frequently.

The majority of the Fund's expected returns (6.0%) comes from its market investments and 0.9% from its active budget. Although the Fund only has a combined 33% target allocation to 'alternative' asset classes and private equity, around 50% of the target active returns are expected to be derived from these. These allocations are made in order to better manage and improve the risk return on investments, and have led to a medium-term target of 23% alternatives, 19% fixed-interest and 58% equities (includes a 10% allocation to private equity).

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The Fund's investment in alternative asset classes seeks to increase the overall expected returns while reducing the overall level of expected risk due to the effect of diversification. Volatility also forms part of the overall equation, acknowledging there is market risk plus active risk (associated with any active management). The key is to find investments where the extra return more than offsets any increase in volatility.

The strategy has, over recent years, set a trend of further diversifying the Fund's overall risk away from an overdependence on the equity risk premium.

5) Day-to-Day Management of the Assets

5.1 Investment Portfolios

The investment strategy is implemented through the development of investment portfolios within each asset class detailed in the benchmark. The portfolios will be constructed from funds and products that are accepted by the Investment Advisory Sub-Committee and satisfy the relevant investment management regulations and operational due diligence requirements.

The investment opportunities will be accessed through the following range of methods.

A significant amount of investment is carried out by the Fund's own Pension Fund Investment Division (PFID) and is designed to manage approximately 45% of the Fund's investments. The majority of quoted equities are managed in-house, either on a passive or active basis.

Where the appropriate skills are not available internally, some specialist external funds and managers are used. The managers used are listed at Appendix A on page 113.

The management of private equity and some of the other complementary assets involves selecting specialist funds to construct portfolios. UK direct property is also managed through a specialist manager, alongside close in-house involvement. The Fund takes final decisions on all, except minor, property matters. Index-linked bonds are managed externally on a passive basis; all UK corporate bonds are managed externally, predominantly on an active basis. UK gilts are managed externally within a passive mandate.

On occasions the Fund has used futures for protecting its quoted equity allocation while in the process of implementing its benchmark. The Fund will give serious consideration to any structured product or derivative that is considered to be a 'permitted' investment under LGPS regulations and that is considered to be the most efficient use of the Fund's assets within the risk budget.

5.1.2 Expected Return on the Investments

Over the long-term, it is expected that the investment returns will be at least in line with the assumptions underlying the actuarial valuation. The individual portfolios are expected to match or exceed the specific targets set for each portfolio over time. The Investment Strategy Review 2012 indicated the total return target for the Fund is 6.9%, which is split between the returns expected from core/passive investments (the core return of 6.0%) and those from actively-managed investments (0.9%).

5.1.3 Investment Restrictions

The investment management arrangements prohibit the holding of investments not defined as 'investments' in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009. The Fund operates at the limits set by the lower level of control under Regulation 14(2), and within the limits for contributions to partnerships, the upper limit for which was increased to 30% from 1 April 2013. This enables investments in private equity and other assets such as infrastructure and global property.

Operating within the investment regulations, the Fund determines investments that are acceptable and approved as such by the Investment Advisory Sub-Committee. The valuation of specific investments from those acceptable are made using the Fund's due diligence procedures and in accordance with its Investment Compliance Manual.

5.2 Additional Assets

Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Equitable Life and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked funds and deposit funds.

The Fund monitors, from time to time, the suitability and performance of these vehicles. No new business is being placed with Equitable Life.

5.3 Realisation of Investments

In general, the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. There is no current policy on realising investments to meet benefit outgoings etc, as the Fund's cashflow is positive. The majority of the Fund's investments may be realised quickly if required. Property and private equity, which together represent around 20% of total assets, may be difficult to realise quickly in certain circumstances.

5.4 Monitoring the Performance of Fund Investments

The performance of the internally managed assets and of the external investments is independently measured. In addition, officers of the Fund meet external investment managers (both segregated and pooled) regularly to review their arrangements and the investment performance. The Investment Advisory Sub-Committee meets at least quarterly to review markets, asset classes and funds.

Advisers

The Fund uses a range of advisers in addition to its own specialist officers. These are detailed in Appendix C on page 114.

6) Responsible Investment (RI)

6.1 Beliefs and Guiding Principles

The Fund's RI beliefs and guiding principles underpin its RI approach. Key principles are described below.

ESG Integration

The Fund believes that effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential

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impacts is such that a proactive and precautionary approach is needed in order to address them.

The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Engagement Versus Exclusion

Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance of financially material ESG issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing its RI approach.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone.

Fund Responsibilities

The Fund aims to:

- 1) Be aware of and monitor financially material ESG issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:
 - ESG issues in relation to internally managed investments (equities, direct property);
 - the extent to which the external managers incorporate ESG issues into their investment processes; and
 - hold external managers to account for improvement in their ESG performance over a reasonable timeframe.
- 2) Make full use of its ownership rights, including voting and engagement activities. Either directly, collaboratively or through specialist service providers:
 - hold constructive dialogue with listed companies;
 - encourage the disclosure by companies of ESG issues; and
 - participate in the development of public policy on ESG issues.
- 3) Disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.

4) Participate as a signatory to the Principles of Responsible Investing (PRI) a principles-based framework designed to encourage the incorporation and analysis of ESG into investment decision-making.

5) Keep our beneficiaries aware of our RI activities through:

- making its RI policy documents public, eg, voting policies, RI policy;
- providing a summary of the Fund's RI activities in the annual report;
- publishing aggregate voting and company engagement statistics on a quarterly basis;
- tracking its progress on implementing its RI strategy using the PRI framework; and
- striving to be a good corporate citizen, in alignment with what we expect of companies in which we invest.

6.2 Approach to RI

Voting Globally

Where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines¹. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers.

Engagement Through Partnerships

The Fund uses various engagement platforms to maximise its influence as an active owner in collaboration with other like-minded investors. The Fund's primary engagement partnerships are highlighted below.

Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF). LAPFF is the UK's leading collaborative shareholder engagement group encompassing 64 local authority pension funds from across the country with combined assets of over £160 billion. The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the ESG risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies;
- a forum to engage with companies to improve governance practices; and
- proxy voting advice on proxy voting for annual general meetings.

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UN-backed Principles for Responsible Investment

The Fund signed the PRI in 2011. The PRI is a set of six aspirational principles² designed to encourage and assist investors integrate ESG into their investment processes.

The Fund is an active participant in the PRI's engagement program. The Fund considers the following criteria amongst others in determining its participation in PRI-related initiatives:

- Initiative is in alignment with the Fund's RI policy.
- The ESG issue or company of concern is considered to be particularly material to the Fund.
- Certain impediments (eg, geographic) make investor collaboration the preferred option.

Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to achieve the aim of promoting sustainable growth.

7) Compliance with this Statement

The Fund will monitor compliance with this statement. In particular, it will ensure its investment decisions are exercised with a view to giving effect to the principles contained in the statement, so far as is reasonably practicable.

8) Compliance with Myners

Following from the Myners' report of 2000 into institutional investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations identifying investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Myners' principles have since been updated, and the Fund continues to support and comply with them. Full details of compliance are set out in the Fund's *Compliance with Myners' Statement* which can be found on the Fund's website.

9) Review of this Statement

The Fund will review this statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

10) Stocklending

The Fund undertakes stocklending for its quoted equity holdings and is considering it for other asset classes, as permitted by the LGPS (Management and Investment of Funds) Regulations 2009 and operates within the limits set by the regulations.

The lending of equities, held in segregated mandates, is through the Fund's custodian with a formal agreement in place and approved collateral to protect the Fund's interests. The Fund also has an active policy for recalling lent stock. Regular reviews of the lending programme take place with the custodian. Stocklending may also take place in pooled vehicles held by the Fund.

² The six principles can be found here: <http://www.unpri.org/about-pri/the-six-principles/>

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Appendix A - Portfolio Structure May 2015

The structure summary is as follows:

Equities	
UK	PFID
North America	PFID
Europe	PFID
Far East	PFID
Global	MFS Investment Management BlackRock PFID
Emerging markets	PFID AGF Investments Foreign and Colonial Investments Mondrian Investment Partners
Private equity	PFID through specialist funds
Fixed interest	
UK gilts	PFID through specialist funds
UK index-linked	PFID through specialist funds
UK corporate bonds	PFID through specialist funds Royal London Asset Management
Cash	PFID
Alternative investments	
PFID through a selection of specialist funds	
Direct property	CBRE
Indirect property	PFID through specialist funds
PFID - Pension Fund Investment Division (Direct)	

Appendix B - Investment Benchmark

	Medium-Term Asset Allocation May 2015		Medium-Term Strategic Ranges
	%	%	%
Quoted equities		48	40-60
UK	8.0		
Europe	7.5		
North America	7.5		
Japan & Far East	7.5		
Emerging markets	7.5		
Global equities	10.0		
Private equity	10.0		
Total equities		58	50-70
Fixed interest		19	15-25
UK index-linked	6.0		
UK gilts	3.0		
Corporate bonds	5.5		
Emerging market debt	3.5		
Cash	1.0		
Alternative		23	15-25
Direct property	7.0		
Indirect property	3.0		
Real assets and infrastructure	6.0		
Absolute return strategies	7.0		
Total non-equities		42	30-50
Total Fund		100	

Note: Medium-term strategies ranges set deliberately wide and only around specific asset classes.

The risks of diverging from the benchmark are monitored and evaluated through a weekly risk/return model, which is also submitted to the quarterly Pensions Committee.

- Fund's overall exposure to UK is of the order of 33%
- Regional overseas equities:
 - 50% US and Europe
 - 50% Asia and emerging markets
- Fixed interest:
 - c50% stabilising
 - c50% return seeking

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Appendix C - Advisers May 2015

Hymans Robertson

Investment policy, general investment matters.

Mercer Human Resource Consulting

Actuarial matters

Knight Frank

Agricultural property management matters

Knight Frank

Independent property valuations

Savills

Independent agricultural property valuations

Entec

Planning matters (agricultural holdings)

Lawrence Gould

Independent agricultural property advice

Deloitte

Investment management practices and regulations

PIRC

Company governance issues

HSBC

Custodian, performance measurement, stocklending

Appendix D - List of Suitable Investments

Within the investment management regulations for the LGPS, the following are considered acceptable investments for meeting the Fund's investment strategy.

- Quoted equities
- Private equity
- Contract of insurance (relevant)
- Unlisted securities
- Property
- Cash deposits
- Fixed interest
- Commodities
- Infrastructure
- Derivatives in accordance with the Fund's compliance requirements

Appendix E - List of Acceptable Investment Vehicles

- Direct holdings
- Limited partnerships
- Pooled vehicles
- Structured products (as defined by the LGPS regulations)
- Hedge fund strategies

The SIP links with Note 24 of the financial statements (pages 85 to 88 of the annual report) relating to risks arising from financial instruments. The table below details the disclosures of the risk areas within the note and the cross reference to the SIP:

Note 24 Risk Area	Link to SIP	SIP Section
Investment	Investment strategy	3
Counterparty	Custody	3.2 iv) b
Credit	Credit default	3.2 iv) c
Liquidity	Asset risks	3.2 iii) b
Market	Asset risks	3.2 iii) c
Foreign exchange	Asset risks	3.2 iii) c
Reputation	Operational risk	3.2 iv)

Responsible Investment Framework 2015

1) Introduction

This framework defines the commitment of West Midlands Pension Fund ('the Fund') to responsible investment (RI). Its purpose is to detail the approach that Fund aims to follow in integrating environmental, social and governance (ESG) issues in its investments. It is considered supplementary to the Fund's Statement of Investment Principles and thus in alignment with its fiduciary duty.

1.1 Beliefs and Guiding Principles

The Fund's RI beliefs and guiding principles underpin its RI approach and are described below.

ESG Integration

The Fund believes that effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential impacts is such that a proactive and precautionary approach is needed in order to address them.

The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Engagement Versus Exclusion

Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance of financially material ESG issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing its RI approach.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone.

Fees and Incentives

Managing fees and costs matter in low-return environments. Fee arrangements with external fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests. The Fund recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment.

An Evolving and Flexible Approach

The Fund recognises that it, along with the entire investment chain, is on a journey with respect to RI. This framework will remain flexible and will evolve over time to reflect evolving market developments.

1.2 Oversight and Application

The Pensions Committee is at all times responsible for the Fund's investments, including oversight of the RI strategy. Responsibility for oversight of the Fund's RI framework sits with the Strategic Director of Pensions and Assistant Director (Investments). Responsibility for the implementation of this framework sits with the RI Officer. This policy applies to all members of the Pensions Committee and the Fund officers.

The Pensions Committee will review this policy at a minimum annually (in June of each year), or at such time as the Fund sees fit to revise its RI policies and procedures.

1.3 Content

The RI framework is divided into two distinct sections:

- What the Fund expects of itself, companies and fund managers with respect to RI (Section 2).
- How the RI beliefs and guiding principles are implemented in practice (Section 3).

Definitions are also provided in Section 4.

2) RI Expectations

2.1 Fund

2.1.1 General

The Fund aims to:

- 1) Be aware of and monitor financially material ESG issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:
 - ESG issues in relation to internally managed investments (equities, direct property);
 - the extent to which the external managers incorporate ESG issues into their investment processes; and
 - hold external managers to account for improvement in their ESG performance over a reasonable timeframe.
- 2) Make full use of its ownership rights, including voting and engagement activities. Either directly, collaboratively or through specialist service providers:
 - hold constructive dialogue with listed companies;
 - encourage the disclosure by companies of ESG issues; and
 - participate in the development of public policy on ESG issues.
- 3) Disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.

Responsible Investment Framework 2015

- 4) Participate as a signatory to the Principles of Responsible Investing (PRI) a principles-based framework designed to encourage the incorporation and analysis of ESG into investment decision-making.
- 5) Keep our beneficiaries aware of our RI activities through:
 - making its RI policy documents public, eg. voting policies, RI policy;
 - providing a summary of the Fund's RI activities in the annual report;
 - publishing aggregate voting and company engagement statistics on a quarterly basis
 - tracking its progress on implementing its RI strategy using the PRI framework.
- 5) Strive to be a good corporate citizen, in alignment with what we expect of companies in which we invest.

2.1.2 Climate Change

The Fund aims to:

- encourage improvement in the level of disclosure by companies of material climate change impacts through collaborative initiatives, for example via our partnership with the LAPFF, the Carbon Disclosure Project (CDP), and the Institutional Investors Group on Climate Change (IIGCC);
- support – and where applicable co-file – reasonable shareholder proposals to disclose/justify a company's approach to climate change risk;
- review its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- contribute to public policy with regard to climate change as it relates to investment considerations through participation with organisations such as the IIGCC. In support of this aim, the Fund is a signatory to the Global Investor Statement on Climate Change¹;
- increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives; and
- keep up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes.

2.2 Companies

The Fund expects UK companies to adhere to the UK Corporate Governance Code² on a comply or explain basis. Further, the Fund has bespoke UK corporate governance guidelines which are available on its website³, which aim to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards.

The Fund expects companies outside the UK to adhere to international voting principles⁴, recognising local application and development.

Environmental and Social Risks

The Fund expects companies to manage and disclose its environmental and social risks to the extent required for an understanding of the development, position and performance of the company. In alignment with the Association of British Insurers' position⁵, there are aspects of environmental and social reporting on which the Fund places particular value given their relevance across all sectors, its holistic approach to risk management, and the view that owners should not micro-manage companies. This is narrative reporting which:

- sets ESG risks in the context of the whole range of risks and opportunities facing the company;
- contains a forward looking perspective; and
- describes the actions of the board in mitigating these risks.

In terms of the specific environmental and social issues to focus upon, the Fund prefers to take a case-by-case, sector-based approach.

2.3 Fund Managers

2.3.1 Due Diligence

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their ESG, active ownership policies or equivalent which articulates how ESG factors (stemming from research, active ownership activities or other sources) are integrated into their investment process
- Case studies or examples of where ESG issues have influenced an investment decision
- Information on the process for integrating any third party ESG data (for example, MSCI) into their company financial models, investment strategies and portfolio construction
- RI reporting format
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

2.3.2 Appointment

The Fund assesses the ESG capability of a fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a fund manager, the Fund takes a balanced consideration of all relevant factors including ESG. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes⁶ depending on the market in which it invests.

¹ <http://www.iigcc.org/publications/publication/2014-global-investor-statement-on-climate-change>

² <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

³ <http://www.wmpfonline.com/article/5693/Voting-Globally>

⁴ Draws from international best practice corporate governance standards such as OECD and ICGM. <http://www.wmpfonline.com/article/5693/Voting-Globally>

⁵ https://www.ivis.co.uk/media/5893/ABI_RID_guidelines.pdf

⁶ For example, UK and Japanese Stewardship Codes

Responsible Investment Framework 2015

In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time. In alignment with our guiding principles on 'engagement versus exclusion', the Fund believes that there is added value in working with them to improve their approach.

2.3.3 Monitoring and Reporting

Each external fund manager is expected to report⁷ at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns. Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of ESG issues into its investment and active ownership activities.
- How investment and active ownership functions are combined to protect and/or enhance shareholder value
- How the manager exercised the Fund's voting rights.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.

Further details on the Fund's future expectations of listed equity fund managers on RI reporting can be found on the Fund's website here: <http://www.wmpfonline.com/article/5708/Engagement-through-partnerships>

3) RI Implementation

The Fund's active ownership approach can be divided into three distinct areas: **voting globally**, **engagement through partnerships** and **shareholder litigation**. This section briefly outlines the Fund's processes for each.

3.1 Voting Globally

Where practical⁸, the Fund aims to vote in every single market in which it invests. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers. However given market developments in this area, the Fund will re-evaluate this position on a yearly basis.

Reference to the Fund's voting policies is provided in Section 2.2 under 'Company Expectations'.

Securities Lending Programme

The Fund has an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances.

3.2 Engagement Through Partnerships

The Fund uses various engagement platforms to maximise its influence as an active owner in collaboration with other like-minded investors. The Fund's primary engagement partnerships are highlighted below.

Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Strategic Director of Pensions is the Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing 64 local authority pension funds from across the country with combined assets of over £160 billion. The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the ESG risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies;
- a forum to engage with companies to improve governance practices; and
- proxy voting advice on proxy voting for annual general meetings.

UN-backed Principles for Responsible Investment

The Fund signed the PRI in 2011 and the Fund's Assistant Director (Investments) is a member of the PRI Board⁹. The PRI is a set of six aspirational principles¹⁰ designed to encourage and assist investors integrate ESG into their investment processes.

The Fund is an active participant in the PRI's engagement program. The Fund considers the following criteria amongst others in determining its participation in PRI-related initiatives:

- Initiative is in alignment with the Fund's RI policy.
- The ESG issue or company of concern is considered to be particularly material to the Fund.
- Certain impediments (eg, geographic) make investor collaboration the preferred option.

Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to achieve the aim of promoting sustainable growth. The Fund considers these initiatives on a case-by-case basis.

⁷ Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency.

⁸ Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so

⁹ <http://www.unpri.org/about-pri/pri-governance/pri-association-board-members/>

¹⁰ The six principles can be found here: <http://www.unpri.org/about-pri/the-six-principles/>

Responsible Investment Framework 2015

3.3 Shareholder Litigation

The Fund frequently hold securities that are the subject of individual and class action securities litigation. There are a number of litigation options available when a company has violated securities laws that result in losses to the Fund.

For US-based claims, the options would be to:

- remain in the class action and file proof of claim through our claims administrator Goal Group;
- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff.

The Fund takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Fund becoming actively involved;
- relative size of the Fund's potential losses compared to other organisations;
- likelihood of success; and
- whether the Fund is fully indemnified against costs, expenses, counterclaims and any other losses.

4) Definitions

Responsible Investment

'The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance.'¹¹ The Fund also supports the PRI's definition of responsible investment which can be found here:

<http://www.unpri.org/introducing-responsible-investment>

ESG

Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.

Governance

The process and principles by which a company or organisation undertakes its business. For the Fund, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

Active Ownership

Refers to the responsibility of the Fund to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognizes the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.

Fund

West Midlands Pension Fund

Pensions Committee

Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund's assets, which has representation from the seven West Midlands metropolitan district councils and local trade unions.

Compliance With The Myners' Report

Introduction

In 2000, UK government commissioned Paul Myners to undertake a review of institutional investment, publishing a report in 2001 which became established as the Myners' Principles on Good Investment Governance. The principles were updated through a Treasury report in October 2008, '*Updating the Myners' Principles: A Response to Consultation*'.

Local government pension funds are required, by regulation, to produce a statement on their compliance with the Myners' Principles on the basis of 'comply or explain', including the statement in their annual report. CIPFA produces guidance and advises on the application of the Myners' Principles to local government pension funds. This guidance (Investment Decision Making and Disclosure 2009) has been followed in the production of this statement.

Executive Summary

West Midlands Pension Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice. The power to establish and maintain pension funds is set out in various local government regulations, some of which establish limits and controls on investment activity. The Myners' Principles support and complement these regulations. The Secretary of State has previously highlighted the principle contained in *Roberts v Hapwood* whose administering bodies exercise their duties and powers under regulations governing the investment and management of funds:

“ A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly business-like manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of others. ”

The Myners' Principles are seen as supporting this approach.

This statement links with and is supported by the Fund's *SIP (Statement of Investment Principles)*, *FSS (Funding Strategy Statement)* and *Governance Strategy*, where much supporting detail is contained.

Compliance With The Myners' Report

Demonstration of Compliance with Myners' Principles

The table demonstrates how Myners-compliant the Fund is; details of which are further described on the following pages.

Supporting Documents and Operational Arrangements	Myners' Principle					
	1	2	3	4	5	6
a) City Council Constitution	✓					
b) Fund Strategies and Statement						
• SIP	✓	✓	✓	✓	✓	✓
• FSS	✓	✓	✓	✓		✓
• Social Responsibility Statement	✓	✓			✓	✓
• Fund Governance Statement	✓					✓
• Communication Strategy	✓					✓
c) Procedures						
• Compliance Manual	✓		✓			
• External Audit			✓			
• Internal Audit			✓			
• Risk Assessment			✓			
• Business Plan	✓		✓	✓	✓	✓
• Valuation Report		✓	✓			✓
• Annual Report and Governance Report		✓	✓	✓	✓	✓
d) Fund Reporting						
• Quarterly Technical Asset Allocation	✓		✓	✓		
• Property Strategy	✓	✓		✓		
• Annual Returns	✓		✓	✓		✓
• Quarterly Compliance Report				✓		✓
• Quarterly Governance Activity					✓	✓
• Quarterly Investment Activity	✓			✓		✓
• Employing Body Brief		✓				✓
• Annual Benefit Statements						✓
e) Advisors						
• Investments	✓	✓	✓	✓		
• Actuary	✓	✓	✓	✓		
• Company Governance	✓	✓			✓	
• Finance and Legal	✓	✓	✓			
f) Support Arrangements						
• Custodian	✓					
• Management Agreements	✓	✓	✓		✓	

Compliance With The Myners' Report

Principles

Key points

Demonstration of Compliance

Principle 1: Effective Decision-Making

Administering authorities should ensure that:

- decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and
- those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.

- 1) Elected members have a fiduciary duty to the Fund, Scheme members and local taxpayers.
- 2) Functions can be delegated and investment managers used, but overall responsibility rests with members.
- 3) Proper advice should be taken and the regulations define this as: "the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters."
- 4) The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour.
- 5) All councils must appoint one of its officers to have responsibility for ensuring arrangements are in a place for the proper/financial administration of its financial affairs.
- 6) The role of the Pensions Committee and key officers should be clear in the Council's constitution.
- 7) Best governance practices should be followed.
- 8) The Pensions Committee should ensure it has appropriate skills and is run in a way to facilitate effective decision-making.

The Fund produces a business plan and a medium-term financial plan, together with supporting codes and policies:

- SIP (Statement of Investment Principles)
- FSS (Funding Strategy Statement)
- Governance Statement

The functions delegated and the administration of the Fund's activities are undertaken with appropriately trained staff, use of professional advisors where necessary, in accordance with the Council's constitution and Fund's compliance manual and procedures.

A trustee training policy is in place for Pensions Committee IASC members, including non-voting members/observers.

Training is structured to fulfil the CIPFA knowledge and skills requirements.

Training needs analysis is carried out subjectively by senior managers and through evaluation forms which ask members which areas they feel they need training on.

All training is logged and disclosed in the annual report.

Principle 2: Clear Objectives

An overall investment objective(s) should be set out for the fund that takes account of the Scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and Scheme employers, and these should be clearly communicated to advisors and investment managers.

- 1) A three-yearly actuarial valuation as required by regulation.
- 2) A full range of investment opportunities should be considered.
- 3) A strategic asset allocation should be used and reviewed regularly.
- 4) Robust investment management agreements should be used.
- 5) The targeted investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process.
- 6) The provision for taking proper advice should be demonstrated.

The Fund takes a range of specialist advice in formulating its investment strategy, SIP and FSS, ensuring all link to the common objectives that arise from the actuarial process with emphasis on managing investment risk relative to fund cashflows and need for stable contribution rates.

These policies are reviewed regularly and interim valuations used to track progress between valuations.

The Pensions Committee places significant emphasis on reviewing and monitoring the investment strategy with regular reviews and input from professional and experienced advisors. The Investment Sub-Committee regularly reviews new investment opportunities and make up of asset portfolios.

Robust agreements are in place with investment managers.

Compliance With The Myners' Report

Principles	Key points	Demonstration of Compliance
<p>Principle 3: Risks and Liabilities</p> <p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<ol style="list-style-type: none"> 1) The Pensions Committee should set a clear investment objective. 2) Investment risk should be fully evaluated, monitored and the link to employing bodies' ability to meet liabilities recognised. 3) Appropriate guarantees should be used to protect against employer default. 4) The need for affordable, stable contributions should be reflected in the work of the Pensions Committee. 5) The Pensions Committee should satisfy itself that the standards of internal controls applied are sound and robust. 6) An understanding of risk should be demonstrated and reported upon. 	<p>Members set the Fund's investment strategy having regard to the liabilities and achieving stable affordable contributions, consulting with interested parties regularly.</p> <p>The investment setting process takes account of short-term market volatility, but with strong positive cashflows places great emphasis on the medium to long-term view.</p> <p>The Fund's annual report includes a statement on overall risk management of all activities.</p>
<p>Principle 4: Performance Assessment</p> <p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p> <p>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<ol style="list-style-type: none"> 1) Extensive formal performance measurement of investments, managers and advisors should be in place and relate to the investment objectives. 2) Effectiveness of the Pensions Committee should be reported upon at regular intervals. 3) Returns should be measured on a quarterly basis in accordance with the regulations; a longer time frame (three to seven years) should be used in order to assess the effectiveness of fund management arrangements and review the continuing compatibility of the asset/liability profile. 	<p>The overall investment objectives link to portfolios and the individual investment objectives. The performance measurement is made up of targets driven by the investment strategy and its component parts.</p> <p>An external measurement service is used to provide robust and reliable information. Off-target performance is reviewed by the Pensions Committee and Investment Sub-Committee and appropriate action agreed.</p> <p>The regular annual report details the work and achievement of the Committee.</p>

Compliance With The Myners' Report

Principles	Key points	Demonstration of Compliance
Principle 5: Responsible Ownership		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. include a statement of their policy on responsible ownership in the statement of investment principles. report periodically to scheme members on the discharge of such responsibilities. 	<ol style="list-style-type: none"> 1) Disclose approach to responsible ownership in SIP. 2) Define expectations of managers on responsible ownership. 3) The former Institutional Shareholders' Committee of Principles for institutional shareholders and/or agents (now the UK Stewardship Code) should be followed. 	<p>The Fund executes its ownership responsibilities through its Responsible Investment Framework.</p> <p>Voting and responsible investment policies, as well quarterly reports on voting and engagement, are published on the Fund's website. The Fund has also published a statement of compliance with the UK Stewardship Code which, in respect of investments in the United Kingdom, requires managers to have due regard to the UK Corporate Governance Code and, in respect of overseas investments, have due regard to relevant recognised standards. Compliance with the UK Stewardship Code is required in Investment Management Agreements with fund managers. The Fund is a signatory to the UN-backed Principles for Responsible Investment.</p>
Principle 6: Transparency and Reporting		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. provide regular communication to scheme members in the form they consider most appropriate. 	<ol style="list-style-type: none"> 1) Maintain a sound governance policy and demonstrate its implementation. 2) Maintain a communication policy and strategy. 3) Ensure all required strategies and policies are published in a clear transparent manner. 4) Annual reports are a demonstration of accountability to stakeholders and should be comprehensive and readily available. 	<p>The Fund produces and reviews regularly its key policy and strategy documents, publishing them on its website. All members, actives, deferred and pensioners receive regular communications on the Fund's activities and performance. A comprehensive annual report is produced.</p>

Communications Policy Statement 2015

Communications Policy Statement 2015



Communications Report

During 2014/2015, the Fund continued to look for ways to improve how we communicate with our stakeholders and, in doing so, recognised the shift towards electronic ways of working.

Since April 2006, each pension fund administering authority has had to prepare, publish and regularly review a communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

- Communicating with scheme members;
- Member self-service (the web portal);
- Communicating with members' representatives;
- Communicating with prospective members;
- Communicating with employing authorities;
- Detailing our customer engagement strategy.

The primary communication activity of the past twelve months was to continue to educate and inform members of the changes to the Local Government Pension Scheme (LGPS) effective as at 1 April 2014. As with all Fund communication, this was completed in a multi-media approach, including educational material in benefit statements, bespoke mailings, tailored briefing notes, as well as face-to-face surgeries, roadshows and presentations.

One of the biggest communication projects of the financial year was the redesign and upgrade of the Fund's website, wmpfonline.com. This project was tackled with the recent scheme changes in mind. In this electronic age, we understood that our redesigned website would be the first point of contact for our members curious about the scheme changes.

In delivering this change, we recognised that engagement with our customers would be key to our success, and our ability to understand their use of the website meant we were able to shape the design around their needs. We created and analysed customer service surveys and contacted members who had given feedback on our website in the past to invite them to give opinions on our new design. We set up similar groups with our staff, trustees and employers to ensure all of our stakeholders had helped to shape the design of the new site.

The efficiency savings we sought with the new design for wmpfonline.com were not just for the Fund. In our conversations with members and employers, we recognised that they wanted to spend less time looking for information, so the design reflected this with at least three routes to find pages quickly from the initial landing page.

We believe results speak for themselves: usage of the website has increased since the redesign. The Fund's website received 91,865 visits in the period 1 April 2014 to 31 March 2015, which is an increase from 87,804 for the financial year 2013/2014. Perhaps more telling is that users are reporting a more positive experience using the site. Prior to the launch of the website, 59% of our customers rated our website as being good or excellent; following launch, this has increased to almost 75% of members as more people use the site.

Getting users comfortable in self-serving for pensions information with the website has developed our members' confidence in web platforms and assisted in driving registration for the Fund's online portal which is used by members and employers to securely access individual pension records. The increased marketing for the web portal in the financial year saw web portal registrations increase by over 145% when compared to 2013/14.

Antony Lowbridge-Ellis

Communications Officer,
West Midlands Pension Fund
Date: May 2015

Communications Policy Statement 2015

Background

West Midlands Pension Fund is one of the largest pension funds in the United Kingdom with over 275,000 members, in excess of 450 individual employers and over £11bn invested. To maintain a high level of customer service success, it is vital for the Fund to understand the needs of our customers as well as their views on the services and products that we provide. This will assist in maintaining the high level of industry reputation that the Fund holds. The Fund achieves this understanding by ensuring regular dialogue with our stakeholders is established and maintained as part of day-to-day business.

Since April 2006 each pension fund administering authority has had to prepare, publish and regularly review a communications policy statement.

This document outlines the Fund's communications policy in line with that requirement and covers the following categories in our regular communication activity:

- 1) Communicating with scheme members;
- 2) Member self-service (the web portal);
- 3) Communicating with members' representatives;
- 4) Communicating with prospective members;
- 5) Communicating with employing authorities;
- 6) Customer engagement strategy.
- 7) Communicating with scheme members

1) Communicating With Scheme Members

Annual Benefit Statement

An annual benefit statement is made available online for all active and deferred members who are contributing to the Fund or have not received payment of their deferred benefits at the previous financial year. These statements are made available through the Fund's web portal self-service facility. Benefit statements can be issued in paper form on written request.

If a benefit statement cannot be made available, due to incomplete or inaccurate data, we will notify members of this by letter.

wmpfonline.com

The Fund maintains an extensive online resource at wmpfonline.com containing information about the scheme and the details about the current activities of the Fund. There are also links to other relevant partner organisations.

Scheme Literature

An extensive range of scheme literature is produced and updated by the Fund for all categories of member. Copies of scheme literature are made available at the Fund's website, wmpfonline.com.

Twitter Account

West Midlands Pension Fund has a twitter account (@wmpfonline) where we provide short information updates. The Fund aims to tweet at least weekly through this service.

Telephone Helpline: 0300 111 1665

A dedicated low-call rate telephone customer service telephone line is provided for scheme members and is publicised in all outgoing communications.

Pension Roadshows

The Fund stages information events in members' places of work. Additional events can be held on request, particularly when there may be organisational changes occurring which have pensions implications.

Pensioner Pay Advice Slip and Club Together

All Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In the months of May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March).

Scheme pensioners can also register to use the Fund's web portal application where pay advice information can be viewed electronically and printed at any time following the payment date.

Mailed with the April combined pay advice slip/P60 is a lifestyle newsletter called *Club Together*. *Club Together* is provided by Paymaster (1836) Limited on behalf of the Fund.

2) Member Self-Service (the Web Portal)

An online portal gives members secure access to their Local Government Pension Scheme (LGPS) records.

The facility provides members with the opportunity to update their personal details, ask questions about their benefits, view annual benefit statements and run pension estimate calculations. Members in receipt of pension are also able to view and change UK bank details via the portal.

3) Communicating With Members' Representatives

Materials available to members can also be provided on request to their representatives or through wmpfonline.com.

4) Communicating With Prospective Members

Scheme Booklet and Website

Upon appointment with their employer, all prospective scheme members will be provided with a link to the Fund's website where they can access scheme booklets. The website also provides information in order that members are able to make an informed decision about contributing to the Local Government Pension Scheme (LGPS) and how to opt out of the scheme.

Corporate Induction Courses

Fund officers attend corporate induction events in order to present to prospective scheme members the benefits of joining the LGPS.

Trade Unions

We work with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers can be provided upon request, and efforts will be made to ensure that all pension-related issues are communicated effectively with the trade unions.

Communications Policy Statement 2015

5) Communicating With Scheme Employers

e-Newsletter

An electronic newsletter, entitled *Employer's Briefing Note* is issued on a bi-monthly basis to all employers. This is used to communicate the activities of the Fund and inform of any regulatory changes which may impact on the employer's function or their members' pension benefits.

wmpfonline.com and Web Portal

The Fund maintains a dedicated area of its website for scheme employers containing news, learning materials and other electronic resources.

Each employer can request to join the Fund's web portal. This allows them secure access to the membership details of their current employees. The portal provides employers with the ability to make changes to member records including working hours and personal details. The web portal also provides the facility to calculate early retirement estimates and any associated early retirement costs.

Dedicated Telephone Helpline: 0300 111 6516

A dedicated low-call rate employer customer service line was introduced in 2010. This allows the Fund to respond to employer generated telephone calls at peak times.

Annual General Meeting and Mid-Year Review for Employers

The Fund invites each employer to our annual general meeting each winter. This event is used to communicate strategic issues, performance, legislation changes and triennial valuation matters. In addition to this the Fund also holds a similar employer event each summer where employers are kept up-to-date with important issues through presentations and roundtable discussions.

Employer Peer Group

A group consisting of a cross-section of Fund employers meet quarterly to provide feedback on the communication initiatives planned by the Fund for fellow employers.

6) Customer Engagement Strategy

In addition to this document, West Midlands Pension Fund also publishes a *Customer Engagement Strategy*.

The document aims to detail:

- who are our customers?
- what is customer engagement to the West Midlands Pension Fund?
- when should customer engagement be considered?
- what types of engagement activities do we undertake?
- how do we use the output from customer engagement activities?
- how do we feed back to our customers results and actions from their engagement with us?

The document provides some principles for customer engagement for West Midlands Pension Fund, including its customer journey mapping (CJM) programme. As we aim to tailor our strategy to individual customers, the document should be viewed as a guide and not as an exhaustive list of engagement activities.

Our *Customer Engagement Strategy* is updated annually and is available from wmpfonline.com.

Further Information

Administering Authority Policy Statement 2015

Under the LGPS Regulations, the Fund is required to formally publish its policy on 'discretions'. Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed.

Unless stated otherwise the references to regulations are to the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007(as amended), the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 and the local Government Pension Scheme Regulations 1997(as amended).

The following prefixes will be used in this document to indicate the relevant regulations:

- The Local Government Pension Scheme Regulations 2013 [prefix R]
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- The Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- The Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- The Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- The Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

Admission of Admission Bodies [Regulation R4, R3(5) RSch2]

The administering authority may make an admission agreement with any admission body. The administering authority can also make admission agreements with a care trust, NHS scheme employing authority or Care Quality Commission.

The Council will usually agree to an admission agreement with an admission body that is regarded as having a community of interest, provided it is satisfied about the long term financial security of the body or it has a public sector guarantee. The administering authority will enter into an admission agreement with other admission bodies provided that any requirements it has set down are met.

Right to Terminate Admission Agreement [RSch2]

The administering authority has the right to terminate an admission agreement in prescribed circumstances. The Council shall retain the right to terminate an admission agreement in the event of:

- a) The insolvency, winding up or liquidation of the admission body,
- b) A material breach by the admission body of any of its obligations under the admission agreement or these regulations which has not been remedied within a reasonable time, or
- c) A failure by the admission agreement to pay any sums due to the Fund within a reasonable period after receipt of a notice from the administering authority requiring it to do so.

Additional Pension Contributions [R16]

The administering authority may turn down a request to pay an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) over a period of time where it would be impractical to allow such a request. The member would still be able to pay via a single lump-sum payment.

Due to the administration costs involved requests to pay additional pension contributions or shared-cost additional pension contributions over a period of time in order to address an absence from work of less than ten working days will be refused unless there are exceptional circumstances.

Medical Examination Required for Purchase of APC/SCAPC [R16]

The administering authority may require the member to undergo a medical at their own expense and may refuse an application if the authority is not satisfied that the member is in reasonably good health.

The Council will require that a member provides satisfactory medical evidence to ensure they can be reasonably expected to complete the contract undertaken and will not retire due to a pre-existing medical condition on health grounds. No medical shall be required if the member is paying for the additional pension by means of a lump-sum payment.

Payment of Additional Voluntary Contributions on the Death of a Member [R17]

The administering authority shall decide to whom to pay any AVC monies, including life assurance monies which are to be paid to on death of a member.

The Council will decide based on the individual circumstances of the case, who should receive payment of the monies having regard to the requirement that it should be paid to or for the benefit of the member's nominee, personal representative or any person appearing to the authority to have been a relative or dependent of the member.

Provision of Estimates in Relation to Transfers of AVCs/FSAVCs [TP15 and A28]

The administering authority may charge a member for providing an estimate of additional pension that would result from a transfer of in house AVC/SCAVC contributions.

The Council has determined that it will not charge for such estimates.

Pension Accounts [R22]

A pension account may be kept in any form that the administering authority considers appropriate.

The Council will decide the form in which pension accounts are kept based upon any published information or best practice and in an efficient manner.

Administering Authority Policy Statement 2015

Concurrent Employment and the Absence of an Election Form [TP10]

The administering authority shall decide in the absence of an election form from the member within 12 months of ceasing a concurrent employment, and where there is more than one ongoing employment which ongoing employment the benefits from the concurrent employment should be aggregated with.

The one with the longest likely lifespan or the ongoing employment that is most similar to the one that has ceased will be selected.

Retirement Benefits [R30]

The administering authority, in cases where the current employer or the former employer has ceased to be a scheme employer, may consent to waive, in whole or in part the actuarial reduction where the member voluntarily draws their pension before normal pension age.

The administering authority may also in cases where the current employer or the former employer has ceased to be a Scheme employer may consent to waive, in whole or in part the actuarial reduction on benefits paid on flexible retirement. Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Strain on the Fund [R68]

The administering authority may require an employer who allows a member to retire by reason of flexible retirement, redundancy or business efficiency to pay the additional charge on the Fund. This also includes the cost where the employer has chosen to waive any reduction on flexible retirement or where the member voluntarily draws benefits before normal retirement age.

The Council will require an employer to make the appropriate payment to meet the additional charge where the member has retired early through flexible retirement, redundancy, business efficiency or where the employer has exercised their discretion to waive any reduction as a result of flexible retirement or voluntary retirement.

Switching on the Rule of 85 [TP Sch 2]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to switch on the 85-year rule where the member is voluntarily drawing benefits on or after age 55 and before age 60.

Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Waiving the Reduction [TP Sch 2 & B30]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to waive any actuarial reduction on the benefits on pre- and/or post-April 2014 benefits.

Where a request is received it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Strain on the Fund [TP Sch 2]

The administering authority may require an employer to pay any additional costs as a result of the employer waiving the reduction in cases where the employer has consented to the early payment of benefits before age 60 under Benefit Regulation 30.

The Council will normally require the employer to make the additional payment to meet any additional cost.

Extension of the Time Limit to Draw Benefits [R32]

The administering authority shall decide whether to extend the time limits in which a member must give notice of their wish to draw their benefits before normal retirement age or upon flexible retirement.

Where a request is received asking for the time limit to be extended, the individual circumstances will be considered on whether it is appropriate to extend the time limit.

Commutation of Small Pensions [R34 & B39]

The administering authority may commute a small pension into a single lump-sum.

The administering authority will commute small pensions when a member has made a request.

Independent Registered Medical Practitioner – Approval [R36 & A56]

The administering authority shall approve the choice of the medical practitioner used by the employer for ill-health retirement.

A medical practitioner who is registered with the General Medical Council and who has the appropriate qualifications specified in the regulations will be approved.

Certificate Produced by an IRMP Under the 2008 Scheme [TP]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority can use a certificate produced by an IRMP under the 2008 Scheme to make a determination under the 2014 Scheme.

The certificate will be allowed except in circumstances of a particular case the certificate is not compliant with the requirements of the 2014 scheme.

Early Payment on Ill Health Grounds - Deferred Member [R38]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority shall decide whether the deferred member meets the criteria of being permanently incapable of carrying out their former job and are unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Administering Authority Policy Statement 2015

Early Payment on Ill Health Grounds – Deferred Pensioner Member [R38]

In cases where the employer or the former employer has ceased to be a scheme employer, the administering authority can decide whether a deferred pensioner is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Payment of the Death Grant [R40, R43, R46, TP17 & B23, B32, B35]

The administering authority has absolute discretion in determining the recipients of any death grant payable from the scheme.

Normally, the death grant will be paid to the nominated beneficiary or the death grant could be paid to the estate of the deceased. Where either or both of these options are seen to be inappropriate or impossible, the Council shall exercise its absolute discretion as to who should receive the death grant.

No Double Entitlement - Benefits Due Under Two or More Regulations [R49 & B42]

The administering authority may decide, in the absence of an election form from a member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations for the same period of scheme membership.

The member would be notified of the payment of the benefit that would provide the highest level of payment.

Admission Agreement Funds [R54]

The administering authority may establish an admission agreement fund.

The Council has chosen not to set up an admission agreement fund.

Governance Compliance Statement [R55]

The administering authority must prepare a governance policy stating whether the administering authority delegates its functions or part of its functions in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority, and if they do so delegate, state:

- the terms, structure and operational procedures of the delegation
- the frequency of any committee or sub committee meetings
- whether representatives of employing authorities or members are included and if so whether they have voting rights

The policy must also state:

- the extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and to the extent it does not so comply, state the reasons for not complying; and
- the terms, structure and operational procedures appertaining to the local Pensions Board.

The governance compliance statement will be prepared, maintained and published. A copy will be made available on our website at wmpfonline.com.

Funding Strategy Statement [R58]

The administering authority must after appropriate consultation prepare maintain and publish a statement setting out its funding strategy. The statement has to be published no later than 31 March 2015.

The *Funding Strategy Statement* will be prepared, maintained and published. A copy will be made available on our website at wmpfonline.com.

Pension Administration Strategy [R59]

The administering authority may prepare and publish a pension administration policy and the matters it should include.

The administering authority will publish a pension administration strategy after consultation and it will be kept under review.

Communications Policy [R61]

The administering authority must prepare and publish its communication policy. It must set out its policy concerning communication with members, representatives of members, prospective members and scheme employers, as well as the format, frequency and method of communications, and the promotion of the scheme to prospective members and their employers.

The administering authority will publish and maintain a communications policy, a copy of which will be made available on our website at wmpfonline.com.

Revision of Employer's Contribution Rate [R64]

The administering authority may obtain from the actuary, a certificate revising the employer contribution rate, if there are circumstances which make it likely a scheme employer will become an exiting employer.

A revised additional rate and adjustments certificates regarding employer contributions will be obtained where it appears to be appropriate.

Aggregate Scheme Costs – Revised Certificates [R65]

The administering authority may obtain a new rates and adjustments certificate if the Secretary of State amends the regulations as part of the 'cost-sharing' arrangements.

A new rates and adjustments certificate will be obtained where it appears to be appropriate.

Employer Contributions – Dates for Payment [R69]

The administering authority shall decide on the dates which contributions are to be paid over to the Fund.

All contributions (apart from additional voluntary contributions) should be credited to the Fund without delay by the 19th of the month following the month in which they fall due.

Administering Authority Policy Statement 2015

Information Provided by Employers About Contributions – Frequency and Format [R69]

The administering authority shall decide on the form and frequency of the information to accompany payments to the Fund.

The administering authority will provide to employers the specified formats that employers are to use for their year-end returns. A notification will be issued each year to inform employers of the deadline to submit this data along with any format changes that will be required. The Fund requires this data to be submitted to them no later than 30 April.

Notice to Recover Costs Due to Employer's Performance [R70]

The administering authority will decide to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.

The Council will review from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.

Employer Payments – Interest on Overdue Payments [R71]

The administering authority may charge interest on payments by employers which are overdue.

The Council reserves the regulatory-prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three monthly rests.

Procedure to be Followed When Exercising Stage 2 Dispute Functions and the Manner in Which Those Functions are to be Exercised. [R76 & A60]

The administering authority will decide how it will exercise its stage-two dispute procedure and the procedure to be followed.

The review would be undertaken by a person not involved in the first-stage decision and by a person appointed to deal with disputes referred to it under stage 2. The Council will ensure suitable procedures are in place.

Appeal to the Secretary of State Against Employer Decision [R79 & A63]

The administering authority may appeal to the Secretary of State against an employer decision or lack of an employer decision.

The Council will appeal to the Secretary of State if it believes an employer has made (or failed to make) a decision that is both wrong in law and material and where we have been unable to persuade the employer to alter its actions.

Exchange of Information [R80]

The administering authority shall specify the information to be supplied by employers to enable the administering authority to discharge its function.

The Council will specify the information that is to be supplied by employers having regard to the regulatory requirements and best practice.

Making Payments in Respect of Deceased Person Without Probate/Letters of Administration [R82 & A52]

The administering authority may pay the whole or part of the amount due from the Fund to the personal representatives or any person appearing to be beneficially entitled to the estate without the production of probate or letters of administration where the amounts due are less the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965.

Payment will normally be made without the production of probate or letters of administration where the amount is below the specified amount.

Payments for Persons Incapable of Managing Their Affairs [R83 & A52]

The administering authority may decide where a person (other than an eligible child) appears incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person to be applied for the benefit of the member.

Where in the Council's opinion a member is unable to manage their own affairs then, having considered the individual circumstances of the particular case, they may decide to pay some or all of the benefits to someone else to be applied for the benefit of the member.

Date to Which Benefits Shown on Annual Benefits Statement are Calculated [R89]

The administering authority will decide the date to which benefits shown on the annual benefits statement are calculated.

The date will be selected having had regard to regulatory requirement and best practice.

Bulk Transfer (Transfer of Undertakings) [R98]

The administering authority must agree any bulk transfer payment.

The terms of the bulk transfer will be discussed with the Fund's actuary and, once all parties are in agreement, payment will be made.

Transfers into the Fund and Extension of 12-Month Time Limit [R100]

The administering authority may accept a transfer value of pension rights into the Fund and may also extend the time limit of 12 months from the date the member first became an active member in their current employment.

The Council will accept a transfer value where a request is made. The Council will only agree to extend the time limit where the appropriate employer has agreed to extend the time limit.

Final Pay Reductions [TP]

The administering authority will decide whether to use an average of three years pay for final pay purposes where the member has died before making an election.

The pay figure which provides the highest overall level of benefits will be selected.

Administering Authority Policy Statement 2015

Permanent Reductions in Pay- Certificates of Protection [TP & TSch1 & L23(9)]

The administering authority will decide for a member who has a certificate of protection who has died before making an election which pay figure should be used for final pay purposes.

The pay figure which provides the highest overall level of benefits will be selected.

Eligible Child – Ignoring Breaks [RSch1 & TP]

The administering authority may treat a child as being in continuous educational or vocational training despite a break.

The Council will accept short breaks and also gap years as being breaks in education, and will restart a suspended child's pension at the end of such a break or gap.

Financial Dependence /Interdependence of Cohabiting Partner [RSch & TP & B25]

The administering authority will decide upon the evidence required to determine the financial dependence or financial interdependence of the cohabiting partner and the scheme member.

The Council will provide details of the evidence required taking account of any guidance provided.

Abatement of pre-1 April 2014 Pension [TP & A70]

The administering authority shall decide whether and how to abate the pre-1 April 2014 pension element following re-employment of a scheme pensioner by a local government employer.

In the event of a scheme pensioner obtaining further employment with a scheme employer, the pension will not be abated. The Fund resolved from 1 September 2006 not to abate pension on re-employment.

Extension of Time Period for Capitalisation of Added Years Contract [TP & TSch1 & L83(5)]

The administering authority may extend the time allowed to a member who has an added-years contract and who is made redundant to decide whether to pay a capital payment.

The Council will apply the prescribed three-month time limit, unless there are individual circumstances which need to be considered in deciding whether to grant an extension of the time limit.

Recovery of Unpaid Employee Contributions as Debt/From Benefits [A45]

The administering authority may recover any outstanding employee contributions as a debt or as a deduction from the benefits.

The Council will, where practical deduct any unpaid employee contributions from the benefits relating to the membership to which the unpaid contributions relate.

Consent for Early Payment and Waiving of Reduction [B30]

The administering authority may consent to the early payment of deferred benefits for a member aged between 55 and 60 where the former employer has ceased to be a scheme employer, it may also consent to waive the reduction on compassionate grounds.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justifiable.

Application for Early Payment of a Suspended Tier 3 Ill-Health Pension and Waiving Reduction [B30]

The administering authority may consent to the request for the early payment of pension for a member, who left with a tier-3 ill-health pension that is suspended and who now is aged between 55 and 60 where the former employer has ceased to be a scheme employer. The administering authority may also waive any reduction.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justifiable.

Request for Early Payment of Deferred Benefits on Ill-Health Grounds [B31]

The administering authority may decide to agree to a request from a deferred member for early payment of benefits on ill-health grounds where the former employer has ceased to exist.

The Council will obtain an opinion from an IRMP as to whether the member meets the criteria of permanent ill health and reduced likelihood of gainful employment.

Spouses' Pensions Arising Under the 1995 Regulations Payable for Life

The administering authority shall decide to pay spouse's pensions for life for pre-1 April 1998 retirees/pre-1 April 1998 deferreds who die on or after 1 April 1998, rather than ceasing the pension during any period of marriage or cohabitation.

The Council has deemed that any spouses' pension that comes into payment is payable for life. This does not apply to spouses' pensions that ceased prior to 1 April 1998.

Internal Audit

The Fund's Internal Audit Service is supplied by the administering authority (City of Wolverhampton Council).

The purpose of Internal Audit is to provide an independent and objective opinion on the risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives.

Internal audit is central to the framework of assurance which should satisfy the Fund that any risks to its achievement of objectives and risks inherent in undertaking work have been properly identified and managed. Internal Audit is therefore able to indicate whether controls are adequately designed and effectively operated regardless of the source of assurance.

Based on the work undertaken during the year, the implementation of agreed recommendations by management and assurance made available to the Fund by other providers, Internal Audit's overall opinion was that they could provide reasonable assurance that the Fund had adequate and effective governance, risk management and internal controls throughout 2014/15.

The main areas of work undertaken during 2014/15 are detailed in the table:

Type of review	Area reviewed
Death grants	Systems review
Overall governance and risk management	Systems review
Early retirement costs	Systems review
Benefit calculations	Key financial system
Payroll	Key financial system
Reconciliation of contributions	Key financial system

Internal Audit act as the Fund's key contact for the Audit Commission's National Fraud Initiative and have co-ordinated the data upload in 2014. Internal Audit also undertakes financial appraisals on behalf of the Fund. Where an organisation is seeking admitted body status to the Fund, a financial appraisal is completed (the purpose of which is to establish whether the organisation will or will not be able to meet its financial obligations to the Fund). 17 appraisals were completed on behalf of the Fund during 2014/15.

Analysis of Investment Income During the Reporting Period

The Fund's investment income for the period ending 31 March 2014 is detailed in Note 15 of the annual report. The classification of income required by the updated guidance is not available in respect of the 2013/14 financial year; however, arrangements have been put in place to ensure that this will be available from 2014/15 onwards.

Participating Employers in the Fund

Scheduled Bodies

District Councils

Birmingham City Council

Coventry City Council

Dudley Metropolitan Borough Council

Sandwell Metropolitan Borough Council

Solihull Metropolitan Borough Council

Walsall Metropolitan Borough Council

City of Wolverhampton Council

Major Employers

Centro

The Chief Constable For West Midlands Police

Staffordshire and West Midlands Probation Trust (with effect from 1 June 2014 transferred to Tameside Pension Fund)

West Midlands Fire and Civil Defence Authority

Universities

Birmingham City University

Coventry University

University of Wolverhampton (The)

Colleges Of Further Education And Higher Education

Birmingham Metropolitan College

Bournville College of Further Education

Cadbury Sixth Form College

City College, Coventry

City of Wolverhampton College

Dudley College of Technology

Halesowen College

Henley College

Hereward College

Joseph Chamberlain College

King Edward VI College

Sandwell College

Solihull College

Solihull Sixth Form College (The)

South and City College Birmingham

University College Birmingham

Walsall College

Other Bodies

Ace Academy - Education Central MAT (The)

Acocks Green Primary Academy

Albert Bradbeer Junior School- Education Central MAT (The)

Alderbrook School

Aldersley - Academies Trust

Alston Primary School

Anand Free School – Nishkam School Trust

Aldridge School - A Science College

Arden Academy Trust

ARK Academies

Participating Employers in the Fund

ARK Kings Academy
 ARK Rose Primary Academy
 ARK Tindal Primary Academy
 Arthur Terry Learning Partnership
 Aston Manor Academy
 Aston University Engineering Academy
 Balsall Common Primary Academy
 Balsall Parish Council
 Bartley Green School
 Baverstock Academy - The Leap Academy Trust
 Bentley Heath Church of England Primary School
 Berrybrook Academy- Perry Hall MAT
 Billesley Primary - Academy - The Elliot Foundation Academies Trust
 Birchills Academy - St Chads Academies Trust
 Birmingham Museums Limited
 Bishop Milner Catholic College - The St John Bosco CAT
 Bishop Vesey's Grammar School
 Bishop Walsh - John Paul II Multi-Academy
 Black Country University Technical College
 Blue Coat Church of England Academy Limited (The)
 Blue Coat Church of England (Walsall) Trust
 Birmingham Ormiston Academy
 Bournville School and Sixth Form Centre - Fairfax MAT
 Bramford Primary - Griffin Academy Trust
 Bristnall Hall Academy - The Academy Transformation Trust
 Broadway Academy
 Brownmead Primary Academy
 Castle Bromwich Parish Council
 Caludon Castle School
 Calthorpe Academy
 Charles Cuddy Walker Academy - Erudition Schools Trust
 Chelmsley Wood Town Council
 Cheswick Green Parish Council
 Chilwell Croft Academy
 Chivenor Academy - Griffin Schools Trust
 City Road Academy - Birmingham City University Academy Trust
 City of Wolverhampton Academy Trust
 Collegiate Academy Trust (The)
 Congreaves Primary - United Learning Academies
 Corpus Christi Catholic Primary- Pope John XX111 MAT
 Cottesbrooke Infant and Nursery School
 Coundon Court Academy
 Coventry and Solihull Waste Disposal Company Limited (The)
 Crestwood Academy
 CTC Kingshurst Academy
 Croft Primary Academy - The Elliot Foundation Trust
 CUL Academy Trust Free School
 Deanery Church of England School
 Devonshire Infant Academy- Victoria Park MAT
 Devonshire Junior Academy- Victoria Park MAT

Participating Employers in the Fund

Dorrington Academy Trust
 Earls High School (The)
 EBN Free School
 Edgar Stammers Academy - Education Central MAT
 Education Central Multi Academy Trust
 Ellowes Hall Sports Academy
 Erdington Hall Primary Academy
 Emsford Grange Community Academy - Sidney Stringer Academy Trust
 Fairfax School (Academy)
 Fairway School - Educational Central MAT
 Field View Primary School- St. Martin's Federation
 Finham Park School
 Fordbridge Parish Council
 Four Dwellings Primary Academy - Academies Enterprise Trust
 Four Dwellings Secondary Academy - Academies Enterprise Trust
 George Betts Academy - The Elliot Foundation Academies Trust
 George Dixon Academy
 The Giffard Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
 Golden Hillock Academy - Park View Educational Trust
 Goldsmith Primary Academy - Windsor Academy Trust
 Grace Academy
 Great Barr Primary School
 Greenholm Primary School
 Green Meadow Academy
 Greenwood Academy - Academies Enterprise Trust
 Grestone Primary Academy- Academies Enterprise Trust
 Hall Green Secondary School
 Hamstead Hall Academy Trust
 Handsworth Wood Girls' Academy
 Harborne Academy
 Hawkesley Church Primary Academy
 Heartlands E-ACT Academy
 Heart of England School
 Heathlands Academy- Education Central MAT (The)
 Heath Park Academy - Central Learning Partnership Trust
 Hillcrest School and Sixth Form Centre
 Hill Farm Academy - Castle Phoenix Trust
 Hillstone Junior and Infants Academy
 High Arcal School Academy Trust (The)
 Hockley Heath Academy
 Holy Cross - John Paul II Multi-Academy
 Holy Rosary Catholic Primary- Pope John XX111 MAT
 Holy Trinity C of E Primary Academy (Handsworth)
 Holly Hall Academy
 Holyhead School
 James Brindley School
 John Henry Newman Catholic College
 Joseph Leckie Academy Trust
 Jubilee Academy Mossley - ATT
 Jubilee Park Academy Trust

Participating Employers in the Fund

King Edward VI Aston School (Academy)
King Edward VI Camp Hill School for Boys (Academy)
King Edward VI Camp Hill School for Girls (Academy)
King Edward VI Five Ways School (Academy)
King Edward VI Handsworth School (Academy)
King Edward VI Sheldon Heath Academy
Kings Norton Girl's School and Language College
Kings Rise Academy - The Elliot Foundation Academies Trust
Kingshurst Parish Council
Kingswinford School and Science College (The)
Knowle C of E Primary Academy
Langley School
Lea Forest Primary Academy - Academies Enterprise Trust
Leigh Primary Academy - Leigh Trust
Light Hall School
Lode Heath School
Lordswood Boys School - Lordswood Academies Trust
Lordswood Girls School and Sixth Form Centre - Lordswood Academies Trust
Mansfield Green E-ACT Academy
Marston Green Infant Academy
Matrix Academy Trust
Meriden Parish Council
Merritts Brook E-ACT Primary Academy
Mesty Croft Academy
Moor Green Primary Academy - HTI MAT
Montgomery Primary Academy - Academies Enterprise Trust
Moseley Park School - Central Learning Partnership Trust
Nansen Primary School - Park View Educational Trust
Nechells Primary E-ACT Academy
Ninestiles Academy Trust
Nishkam School Trust
North Birmingham E-ACT Academy
Northern House School Academy Trust
Northwood Park Primary Academy
Oaklands Primary - Ninestiles Academy Trust
Oasis Community Learning - Foundry Primary
Oasis Community Learning - Hobmoor Primary
Oasis Community Learning - Matthew Boulton
Oasis Community Learning - Short Heath Primary
Oasis Community Learning - Blakenhale Infants
Oasis Community Learning - Blakenhale Junior
Oasis Community Learning - Woodview School
Ocker Hill Academy Trust
Oldbury Academy
Oldknow Academy
Orchards Primary Academy - Education Central MAT (The)
Ormiston Academies Trust
Ormiston Forge Academy
Ormiston George Salter Academy
Ormiston Sandwell Community Academy

Participating Employers in the Fund

Our Lady & St. Chad's Catholic Sports College- Pope John XX111 MAT
 Our Lady of Fatima Catholic Primary School- St. Nicholas Owen Catholic MAC
 Park Hall Academy
 Park Hall Infant Academy
 Park Hall Junior Academy
 Park View Educational Trust
 Parkfields Academies Trust
 Pegasus Academy - Ninestiles Academy Trust
 Percy Shurmer Primary School
 Perry Beeches - The Academy
 Perry Hall Primary School
 Plantsbrook School
 Police and Crime Commissioner West Midlands
 President Kennedy School
 Q3 Academy
 Queen Mary's Grammar School (Walsall)
 Queen Mary's High School (Walsall)
 Radford Primary Academy - Sidney Stringer Academy Trust
 Reaside Academy - Education Central MAT
 Reach Free School
 Reedswood E-ACT Primary Academy
 Redhill School
 Ridgewood Academy
 Rivers Primary Academy - Windsor Academy Trust
 Riverbank Academy- Sidney Stringer Academy Trust
 Robin Hood Academy
 Rookery School
 Rough Hays Primary - Elliot Foundation Trust
 RSA Academy
 Ryder Hayes Academy Trust
 Saltley Academy
 Sandwell Academy
 Seva Free School - Sevak Educational Trust
 Sheffield Community Academy
 Shenley E-ACT Academy
 Shireland Hall Academy - The Elliot Foundation Academies Trust
 Shire Oak Academy Trust
 Shirestone Community Academy - The Elliot Foundation Academies Trust
 Sidney Stringer Academy Trust
 Silvertrees Academy Trust
 Smestow School - Education Central MAT
 Smith's Wood Parish Council
 Smith's Wood Primary School
 Solihull Community Housing Limited
 SS Mary and John's Catholic Primary Academy - Bishop Cleary Catholic MAC
 St Bartholomew C of E Academy
 St Chad's Academy - The St John Bosco CAT
 St Clement's C of E Academy Nechells
 St Edmund's Catholic Academy - Bishop Cleary Catholic MAC
 St George's Academy C of E Academy

Participating Employers in the Fund

St George's Academy Newtown
 St John's C of E Primary School
 St John's C of E Primary Academy- Diocese Coventry MAT
 St John's C of E Primary Academy- St. Chad's Academy Trust
 St John's and St Peters C of E Academy
 St Joseph's - John Paul II Multi-Academy
 St Joseph's Academy - The St John Bosco CAT
 St Josephs' Catholic Primary School- St Nicholas Owen Catholic MAC
 St Jude's Academy - The Wulfrun Academies Trust
 St Laurence's Primary Academy - Diocese of Coventry MAT
 St Martin's C of E Primary School- St. Martin's Federation
 St Mary's Catholic Primary School- St Nicholas Owen Catholic MAC
 St Mary's Catholic Primary- Pope John XX111 MAT
 St Mary's C of E Junior & Infants School
 St Michael's Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
 St Michael's C of E Primary School Bartley Green
 St Michael's C of E Primary Academy Handsworth
 St Nicholas' - John Paul II Multi-Academy
 St Patrick's Church of England Primary Academy
 St Paul's C of E Primary Academy
 St Peter's Church of England Academy Trust
 St Teresa's Catholic Primary Academy - Bishop Cleary Catholic MAC
 Streetly Academy (The)
 Stretton Primary Academy - Diocese of Coventry MAT
 Sutton Coldfield Grammar School for Girls Academy Trust
 Tame Valley Academy - Education Central MAT
 Mirus Academy - Walsall College Academies Trust
 The University Training School
 Three Spires Academy - RNIB Specialist Learning Trust
 Tile Hill Wood School and Language College
 Timberley Academy Trust
 Timbertree Primary - United Learning Academies
 Tiverton Academy - Elliot Foundation Trust
 Town Junior School- Plantsbrook Academy Trust
 Tudor Grange Academy Solihull Trust
 Tudor Grange Primary Academy
 Twickenham Primary Academy
 Valuation Tribunal Service
 Victoria Park Primary Academy
 Walsall City Academy Trust Limited
 Walsall Studio School - The Vine Trust
 Warren Farm Primary School
 Washwood Heath Academy
 Waverley Studio School
 Wednesbury Oak Primary Academy
 Wednesfield High School- Education Central MAT (The)
 West Walsall E-ACT Academy
 Westwood Academy
 Willenhall E-ACT Academy
 Whitley Academy

Participating Employers in the Fund

Wilson Stuart School
Windsor High School and Sixth Form
WMG Academy for Young Engineers
Woden Primary - Central Learning Partnership Trust
Wodensborough Academy - Ormiston Academies Trust
Wolverhampton Girls High School
Wolverhampton Homes
Woodhouse Primary Academy - Education Central MAT
Wood Green Academy
Woodlands Academy
Woodlands Academy of Learning
Wyndcliffe Primary School (Leigh Trust)
Yardleys School
Yarnfield Academy - Ninestiles Academy Trust

Other Bodies With No Active Members

Bickenhill Parish Council
Sandwell Homes Limited

Community of Interest Admission Bodies - Admitted Bodies

With Active Members

4 Towers TMO Limited
Acivico (Building Consultancy)
Acivico (Design Construction and Facilities Management)
Action Indoor Sports Birmingham CIC Limited
ACUA Limited - terminated 31 July 2014
Age Concern Birmingham
Age Concern Birmingham (VSOP)
BID
Black Country Consortium Limited
Black Country Museum Trust Limited (The)
Black Country Partnership NHS Foundation Trust
Bloomsbury Local Management Organisation Limited
BME United Limited
Broadening Choices for Older People
Brownhills Community Association Limited
Bushbury Hill Estate Management Board Limited
Chuckery Tenant Management Organisation Limited
Coventry Law Centre Limited
Coventry Sports Trust Limited
Culture Coventry
Delves East Estate Management Limited
Dovecotes TMO
Edith Cadbury Nursery School - terminated 31 August 2014
Family Care Trust
Friendship Care and Housing Limited
Home Start Northfield
Home Start Stockland Green/Erdington
Home Start Walsall
Kingswood Trust

Participating Employers in the Fund

Leamore Residents Association Limited
Lieutenancy Services (West Midlands)Limited
Life Education Centres West Midlands
Light House Media Centre
Manor Farm Community Association
Marketing Birmingham Limited
Midland Heart Ltd
Millennium Point Trust
Murray Hall Community Trust Limited
Murray Hall Community Trust (Oldbury)
Murray Hall Community Trust (Rowley)
Murray Hall Community Trust (Wednesbury)
Mytime Active
New Heritage Regeneration Ltd
New Park Village Tenant Management Organisation
Northern Housing Consortium Limited
Optima Community Association
Palfrey Community Association
Penderels Trust Limited (The)
Pool Hayes Community Association – terminated 30 April 2014
Rightstepcareers Ltd (formally CSW Partnership Limited)
Riverside Housing Association Limited (formerly Riverside Group Limited)
S4E Limited
Sandbank Tenant Management Organisation Limited
Sandwell Community Caring Trust (The)
Sandwell Community Caring Trust (The)(Sandwell Care Homes)
Sandwell Inspired Partnership Services
Sandwell Leisure Trust
Sickle Cell and Thalassaemia Support Project (Wolverhampton)
Solihull Care Limited
St Columba's Day Care Centre
Steps to Work (Walsall) Limited
Titan Partnership
Voyage Care Limited
Walsall Housing Group Limited
WATMOS Community Homes
Whitefriars Housing Group Limited
Wildside Activity Centre
Wolverhampton Grammar School
Wolverhampton Voluntary Sector Council

Without Active Members

Adoption Support
Age Concern Wolverhampton
Aston University
All Saints Haque Centre
Aquarius Action Projects
Asian Welfare Centre
Asian Women's Adhikar Association (AWAAZ)
Belgrade Theatre Trust (Coventry) Limited

Participating Employers in the Fund

Bilston and Ettingshall SureStart
 Birmingham and Solihull Connexions Services
 Birmingham and Solihull Learning Exchange (The)
 Birmingham Heartlands Development Corporation
 Black Business in Birmingham
 Black Country Connexions
 Black Country Museum Development Trust (The)
 Burrowes Street Tenant Management Organisations Limited
 BXL
 Cannon Hill Trust (now Midlands Arts Council)
 Cerebral Palsy Midlands
 Community Justice National Training Organisation
 Coventry Heritage and Arts Trust
 Coventry Voluntary Service Council
 CV One Limited
 Druids Heath TMO
 Dudley Zoo Development Trust
 East Birmingham Family Service Unit
 Heath Town Estate Management Board
 Heart of England Care
 Job Change Limited
 Leisure and Community Partnership Limited
 Metropolitan Authorities Recruitment Agency (METRA)
 Moseley and District Churches Housing Association Limited
 Museum of British Road Transport Trust (Coventry) Limited
 National Urban Forestry Unit
 National Windows (Homes Improvements) Limited
 Newman College
 Priors Family Centre CIC Limited
 Relate
 Roman Way Estate CIC
 Sandwell Arts Trust
 Sandwell Regeneration Company Limited
 Selly Oak Nursery
 Smethwick Asra Limited
 Solihull Care Trust
 Solihull Community Caring Trust
 South Birmingham Family Services Unit
 South Warwickshire Tourism Limited
 Springfield/Horseshoe Housing Management Co-operative Ltd
 St Basil's Centre
 Sunderland ARC Limited
 The Chris Laws Day Care Centre for Older People
 Three Tuns Neighbourhood Project
 TSB Bank plc (formerly Birmingham Municipal Bank)
 University of Birmingham
 University of Warwick
 Walsall Enterprise Agency Limited
 Walsall Regeneration Company Limited
 Wednesbury Action Zone

Participating Employers in the Fund

West Bromwich Afro-Caribbean Resource Centre
 West Midlands Councils (formerly West Midlands Leaders Board)
 West Midlands (West) Valuation Tribunal
 West Midlands Examinations Board (The)
 West Midlands Local Authorities Employers' Organisation
 West Midlands Transport Information Services Limited
 Wolverhampton Community Safety Partnership
 Wolverhampton Development Corporation Limited
 Wolverhampton Family Information Service Limited
 Wolverhampton Network Consortium
 Wolverhampton Race Equality Council

Transferee Admission Bodies

With Active Members

ABM Catering Limited (Aldermoor School)
 ABM Catering Limited (Allesley)
 ABM Catering Limited (Bordesley Green School)
 ABM Catering Limited (Cannon Park)
 Action for Children (Smethwick)
 Action for Children (West Bromwich)
 Agilisys Limited (Rowley/Smethwick)
 Agilisys Limited (OCOS/WODO/Tipton)
 Alliance in Partnership Limited(Camp Hill)
 Alliance in Partnership Limited(Ernesford Grange)
 Alliance in Partnership Limited(President Kennedy)
 Alliance in Partnership Limited(Stoke Park)
 Alliance in Partnership Limited- Unity Cluster
 Amey Highways Limited
 Amey LG Limited
 Aspen Services Ltd (Gosford Park)
 APCOA Parking (UK) Limited (Wolverhampton)
 Aspens Services Limited (Aldridge School)
 Aspens Services Limited (Courthouse Green)
 Aspens Services Limited (Pinfold Street Primary)
 Aspens Services Limited (Rough Hays School)
 Balfour Beatty Living Places (Coventry) (previously Balfour Beatty Workplace Limited - Coventry)
 Barnardos (Sandwell)
 BAM Construct UK Limited
 Bespoke Cleaning Services Limited
 Bespoke Cleaning Services Limited (Westwood Academy)
 Black Country Housing Group (New Bradley Hall)
 Capita IT Services Limited
 Catering Academy Limited (John Gulson)
 Catering Academy Limited (Synergy Schools)
 Catering Academy Limited (Walsall)
 Call First Cleaning
 Carillion (Highfield & Pennfields)
 Churchill Contract Catering Limited (Calthorpe School) (formally Redcliffe Catering Limited (Calthorpe School))
 Churchill Contract Services (Cottesbrook School)
 Civica UK Limited (ARK Schools)

Participating Employers in the Fund

Cofely FM Limited (Broadway School) (formally Lend Lease FM Limited (Broadway School))
Cofely FM Limited (George Dixon School) (formally Lend Lease FM (EMEA) Limited (George Dixon School))
Cofely FM Limited (HM and Stockland Green School) (formally Lend Lease FM (EMEA) Limited (HM and Stockland Green School))
Cofely FM Limited (International School) (formally Lend Lease FM (EMEA) Limited (International School))
Cofely FM Limited (Moseley School) (formally Lend Lease FM (EMEA) Limited (Moseley School))
Cofely FM Limited (Park View School) (formally Lend Lease FM (EMEA) Limited (Park View School))
Cofely FM Limited (Saltley School) (formally Lend Lease FM (EMEA) Limited (Saltley School))
Cofely FM Limited (Sheldon Heath School)
Cofely FM Limited (Waverley School)
Cofely Work Place Limited (formally Balfour Beatty Workplace Limited Birmingham)
Creative Support Limited
DRB Contract Cleaning Limited (Yew Tree Primary)
DRB Contract Cleaning Limited (Wychall Primary School)
Enterprise Managed Services Limited (Solihull)
Enterprise Managed Services Limited(Wolverhampton)
Enterprise AOL Managed Services Limited(Telford/Wrekin)
Elite Cleaning and Environmental Services
European Electronique Limited (Tile Hill School)
Galliford (UK) Limited
Harrison Catering Services Limited
Housing 21
Interserve Catering Services Limited (formally Initial Catering Services Limited (Rowley))
Interserve Catering Services Limited (formally Initial Catering Services Limited (Smethwick))
Integral UK Limited
Integral UK Limited (Queensbridge School)
Interserve FM Limited (Rowley Campus)
Interserve FM Limited (OCOS/Wodo/Tipton)
KCLS Limited (Coventry)
KGB Cleaning & Support Services Limited (Bishop Ullathorne)
KGB Cleaning and Support Services Limited (Alderbrook) – terminated 6 August 2014
KGB Cleaning and Support Services Ltd (Lyndon)
Lawrence Cleaning Limited (Parkfields)
Lawrence Cleaning Limited (St Stephens)
Leisure Living Limited
Lend Lease Construction (EMEA) Limited (Four Dwellings School)
Lend Lease Construction (EMEA) Limited (E-ACT)
Lend Lease Construction (EMEA) Limited (George Dixon)
Lend Lease Construction (EMEA) Limited (Moseley School)
Lend Lease Construction (EMEA) Limited (Park View School)
Lend Lease Construction (EMEA) Limited (Saltley School)
Lend Lease Construction (EMEA) Limited (Stockland Green Broadway School)
Lend Lease Construction (EMEA) Limited (Waverley School)
Mears Group plc
Mears Limited
Mitje PFI Limited
Mouchel Limited
NSL Limited (Birmingham) – terminated 31 January 2015
NSL Limited (Solihull)
Pell Frishman Consultants Limited
Pendergate Limited

Participating Employers in the Fund

Places For People Leisure Limited (Wolverhampton)
 Places For People Leisure Limited (Harborne Pool)
 Premier Security Services Limited
 Premier Support Services Limited (Alumwell Junior School)
 Premier Support Services Limited (Alumwell Infant School)
 Premier Support Services Limited (St Edmund Campion School)
 Premier Support Services Limited (Hodge Hill School)
 Premier Support Services Limited (Holy Trinity RC)
 Quadron Services Limited
 Regent Office Care Limited (COWAT) – terminated 31 July 2014
 Regent Office Care Limited (Henley College)
 Regent Office Care Limited (Willenhall) – terminated 31 December 2014
 Serco Limited (Sandwell)
 Service Birmingham Limited
 Sodexo Limited
 Tarmac Limited
 Taylor Shaw Limited (Great Barr Birmingham)
 Taylor Shaw Limited (Great Barr School) – terminated 31 August 2014
 Taylor Shaw Limited (Colton Hills)
 Taylor Shaw Limited (COWAT) – terminated 31 August 2014
 Urban Enterprises (Bournville) Limited
 Willmott Dixon Partnership Limited (North Contract)
 Willmott Dixon Partnership Limited (South Contract)

Without Active Members

Accord Operations (Birmingham)
 Alliance in Partnership Limited (Aston)
 APCOA Parking (UK) Limited (Solihull)
 APCOA Parking (UK) Limited
 AWG Facilities Services Limited
 Birmingham Accord Limited
 Bovis Lend Lease Management Services
 British Telecom PLC
 Central Parking Systems
 Enterprise (AOL) Limited (Shrewsbury)
 Enterprise (AOL) Limited (Shropshire)
 Forest Community Association
 GF Tomlinson Birmingham Limited
 Icare GB Limited
 Interserve Construction Limited (Smethwick Campus)
 Interserve Construction Limited (OCOS/WODO/Tipton Schools)
 Interserve Construction Limited (Rowley Campus)
 Interserve Facilities Management Ltd (Smethwick)
 JDM Accord Limited (Shrewsbury & Atcham)
 JDM Accord Limited (Shropshire)
 JDM Accord Limited (Tamworth)
 JDM Accord Limited (Telford & Wrekin)
 Kite Food Services Limited
 Lawrence Cleaning Limited (Woodthorne School)
 Liberata UK Limited

Participating Employers in the Fund

Methodist Homes for the Aged
 Mitie Cleaning (Midlands) Limited - Birmingham City Council
 Mitie Managed Services (S&SW) Limited
 Mitie Managed Services (S&SW) Limited - Coventry
 Mitie Cleaning (Midlands) Limited - Wednesfield
 Mitie Property Services (UK) Limited
 MLA West Midlands
 Morrison Facilities Services Limited
 Premier Support Services Limited (Streetly School)
 Redcliffe Catering Limited (Bordesley Green Girls School)
 Redcliffe Catering Limited (Camp Hill School)
 Regent Office Care Limited (Hereward)
 Regent Office Care Limited (City College, Coventry)
 Regent Office Care Limited (Whitefriars)
 Research Machines plc
 RM Education plc
 Revenue Management Services
 Select Windows (Homes Improvements) Limited
 Serco Limited (Stoke)
 Serco Limited (Walsall)
 Service Team Limited
 Strand Limited
 Superclean Services
 Target Excel plc (Magistrates Courts)
 Target Excel plc (Solihull MBC)
 Target Excel plc (Walsall MBC)
 Taylor Shaw Limited (St Albans)
 Taylor Shaw (Hodge Hill)
 Technology Innovation Centre
 Temple Security Limited
 Thomas Vale Construction plc
 Veolia Environmental Serviced Cleanaway (UK) Limited
 Vertex Data Science Limited
 Wates Construction Limited (Birmingham)
 West Midlands E-Learning Company

Other Major Employers Who Have Participated in the Fund

Birmingham International Airport plc
 Department of Transport
 Department of Health and Social Security
 Severn Trent Water Authority
 West Midlands Magistrates Courts Committee

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date of Previous Score	Improvement/Deterioration	
IMPROVE FUNDING LEVEL												
D	1	A	Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	GD	75.00%	31/03/13	SMT	75.00%	31/03/10	0.00%	
TRANSFERS IN												
C	M	Transfer in quotations processed within 10 days of receiving all the required information		90%	ST	73.75%	Apr 14 - Mar 15	SMT	75.91%	Apr 14 - Feb 15	-2.16%	
		Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment		90%		46.01%			50.19%		-4.18%	
	TRANSFERS OUT											
	M	Transfer out quotations processed within 20 days		90%	ST	49.45%	Apr 14 - Mar 15	SMT	47.74%	Apr 14 - Feb 15	1.71%	
		Transfer out payments processed within 10 days		90%		39.43%			35.22%		4.21%	
	RETIREMENTS											
	M	Retirement options to members within 15 days		90%	ST	35.41%	Apr 14 - Mar 15	SMT	34.06%	Apr 14 - Feb 15	1.35%	
		Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.		90%		93.87%			93.94%		-0.07%	
		New retirement benefits processed for payment following receipt of election within 5 days		90%		89.24%			89.29%		-0.05%	
	DEATHS											
M	Acknowledgement of a death to due within 5 days of receiving the notification.		90%	ST	77.98%	Apr 14 - Mar 15	SMT	76.54%	Apr 14 - Feb 15	1.44%		
	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information		90%		68.13%			66.43%		1.70%		
	Payment of death lump sum will be made within 10 days of receipt of all the required information.		90%		98.29%			98.14%		0.15%		
EMPLOYER SERVICE - EMPLOYER SATISFACTION												
A	3	A	Overall satisfaction score for employers to be 85%	85%	ST	98.40%	2014/2015	ST	98.40%	2013/2014	0.00%	
EMPLOYER SERVICE - CALLS												
A	3	A	85% of calls received to the customer and employer helpline to be answered	85%	ST	100.00%	2014/2015	ST	100.00%	2013/2014	0.00%	
MEMBER SERVICE - CUSTOMER SATISFACTION/SURVEY												
C	4	A	Cumulative satisfaction score of 85% by financial year	85%	ST	98.38%	Apr 14 - Mar 15	SMT	unavailable	Apr 14 - Dec 14	N/A	
INVESTMENT RETURNS/OVERALL FUND PERFORMANCE												
B	5	M	Returns to be within 2% of the benchmark (3 Yr Rolling)	VARIANCE +/- 2%	GD/MC	BENCHMARK 11.60% ACTUAL 15.20% RELATIVE 3.60%	Mar-15	SMT	BENCHMARK 8.57% ACTUAL 10.09% RELATIVE 1.52%	Jan-15	2.08%	
BENEFIT STATEMENTS												
C	6	A	ABS issued to 95% of eligible active members by 31st August 2015	95%	ST	83%	Sep-14	SMT	87%	Sep-13	-4.00%	
			DBS issued to 85% of eligible deferred members by 31st August 2015	85%		89%	May-14	SMT	88%	Jul-13	1.00%	
CONTRIBUTIONS RECEIVED												
A	7	M	Main Fund 98% (total value) of contributions to be received by the due date.	98%	DK	99.18%	Apr 14 - Mar 15	SMT	99.18%	Apr 14 - Feb 15	0.00%	
			Travel Fund 98% (total value) of contributions to be received by the due date.	98%		100.00%	Apr 14 - Mar 15	SMT	100.00%	Apr 14 - Feb 15	0.00%	
CLEAN AUDIT REPORT												
A	8	A	Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	DK	Yes	Year to 31/03/2014	SMT	Yes	Year to 31/03/2013	0.00	
			Annual audit returns no significant findings	0 significant findings		0			0			
			Receive an unqualified audit opinion from the Travel Funds external auditors	Clean Report		Yes	Year to 31/03/2014		SMT	Yes		Year to 31/03/2013
			Annual audit returns no significant findings	0 significant findings		0				0		
EXTERNAL ACCREDITATION												
A	9	M	The Fund to be shortlisted for all of the awards in which it is entered.	75%	RH	Applications 16 No. Pending 4 No. Shortlisted 7 Percentage Shortlisted	Apr 14 - Mar 15	SMT		Applications 10 No. Pending 0 No. Shortlisted 5 Percentage Shortlisted	Apr 14 - Feb 15	8.33%

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date of Previous Score	Improvement/Deterioration	
						58%			50%			
SICKNESS ABSENCE												
A	10	Q	Sickness absence to be under 6 days per annum per member of staff.	6 days p.a.	ALL	1.80	Dec-14	SMT	2.40	Sep-14	↑ 0.60	
			Sickness absence to be under 6 days per annum per member of staff - cumulative.			5.90	Apr - Dec 14		2.04	2013/2014	↓ -3.86	
COST PER MEMBER												
A	11	A	Administration cost per member to be reduced from budgeted figure of £24.	<£24	ALL	£18.70	Mar-15	SMT	£19.21	Mar-14	↑ £0.51	
TRAINING HOURS												
A	12	Q	Fund staff should undertake a minimum of 25 hours CPD on average per annum. (Hours)	25 hours	ALL	15.34	Mar-15	SMT	10.09	Dec-14	↑ 5.25	
DATA QUALITY												
A	13	M	Common Data		ST		Mar-15	SMT		Feb-15		
			Missing forename(s)	0%		0.00%			0.00%		0.00%	→ 0.00%
			Missing surname	0%		0.00%			0.00%		0.00%	→ 0.00%
			Incorrect gender for member's title	0%		0.00%			0.01%		0.01%	↑ -0.01%
			Gender is not male or female	0%		0.00%			0.00%		0.00%	→ 0.00%
			Invalid or temporary NI number	0%		0.38%			0.38%		0.00%	→ 0.00%
			Missing date of birth	0%		0.00%			0.01%		0.01%	↑ -0.01%
			Invalid date of birth (this includes members over 75 and who are still active or members under 16 and not a beneficiary)	0%		0.01%			0.01%		0.01%	→ 0.00%
			Date of birth is after date joined scheme	0%		0.00%			0.00%		0.00%	→ 0.00%
			Member has no address	0%		2.62%			2.54%		0.08%	↓ 0.08%
			Missing postcode	0%		2.97%			3.69%		-0.72%	↑ -0.72%
			Missing scheme retirement date	0%		0.04%			0.04%		0.00%	→ 0.00%
			Missing date joined pensionable service	0%		0.00%			0.01%		0.01%	↑ -0.01%
			No entry in status history does not match current status	0%		0.00%			0.00%		0.00%	→ 0.00%
			Last entry in status history does not match current status	0%		2.23%			1.09%		1.14%	↓ 1.14%
Category of membership status not on member record	0%	0.00%	0.00%	0.00%	→ 0.00%							
Conditional Data												
Unavailable at present												
TRUSTEE TRAINING												
A	14	A	Satisfaction rate from feedback of Trustee training events to be 90%	90%	RH	100.00%	2014/2015	SMT	97.82%	2013/2014	↑ 2.18%	
INFORMATION TO BE PUBLISHED QUARTERLY												
A	15	Q	Expenditure exceeding £500	31-Dec-14	DK	27-Apr-15	Mar-15	SMT	29-Dec-14	Dec-14	N/A	
			Transactions on a Government Procurement Card			27-Apr-15			29-Dec-14			
			Procurement information Invitations to tender for goods and/or services with a value that exceeds £5,000.			27-Apr-15			29-Dec-14			
			Procurement information Contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000.			27-Apr-15			05-Jan-15			
STAFF TURNOVER												
A	16	Q	Staff turnover to be between 5-10% in a financial year (Calculated as no. of leavers/no. of posts at start of year)	5%-10%	RH	6.93%	Apr 14 - Mar 15	SMT	4.95%	Apr-Dec 14	↑ 1.98%	

OBJECTIVES KEY	
A	To be a top performing fund
B	To achieve target investment returns
C	To provide excellent customer service
D	To meet our funding strategy

FREQUENCY KEY	
A	Annual
Q	Quarterly
M	Monthly



Pensions Committee

24 June 2015

Report title	Service Plan Monitoring 2015/16 – Quarter One	
Originating service	Pension Services	
Accountable employee(s)	David Kane	Head of Finance
	Tel	01902 554423
	Email	david.kane@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	geik.drever@wolverhampton.gov.uk

Recommendation(s) for noting:

The Committee is recommended to note:

1. Performance against the Fund's key performance indicators as at the end of the first quarter;
2. The forecast outturn against operating budgets as at the end of the first quarter, which is an under spend of £310,000.

1.0 Purpose

- 1.1 The purpose of this report is to update the Committee on performance against key performance indicators (KPIs) and the forecast outturn for the year against operating budgets as at the end of the first quarter.
- 1.2 The KPIs and operating budgets were approved by the Committee on 18 March 2015 as part of the Service Plan 2015-2020, a full copy of which can be found on the Fund's website: www.wmpfonline.com.

2.0 Performance against medium term plan

- 2.1 The eight key priorities in the Service Plan are detailed in Appendix 1, which represents a summarised update of activities. Activities against the plan continue in line with objectives. An abridged summary of performance against KPIs is included in Appendix 2.
- 2.2 Performance against some pension administration objectives has deteriorated due to the large increase in manual calculations required while LGPS 2014 system upgrades were being developed by our software provider. It is expected that performance will improve to former levels once the upgrades have been completed later in the year.

3.0 Forecast outturn against operating budget 2015/16

- 3.1 The following table sets out the forecast outturn compared with the Fund's operating budget as at the end of the first quarter.

Budget Heading	Approved Budget 2015/16 £000	Forecast 2015/16 £000	Forecast Variance £000
Employees	4,797	4,533	(264)
Premises	328	294	(34)
Transport	60	60	-
Communications and Computing	702	702	-
Investment Management and Advice*	9,559	9,554	(5)
Other	1,923	1,916	(7)
Support Services	454	454	-
Service Development	350	350	-
Total Expenditure	18,173	17,863	(310)
Miscellaneous Income	(5)	(5)	-
Net Expenditure	18,168	17,858	(310)

* Note: this line includes invoiced external fees only

- 3.2 Forecasts have been made using a combination of reviewing spend to date and considering plans for the remainder of the financial year. A prudent approach has been taken in forecasting the cost of those plans, and the figures set out above are therefore likely to be subject to change by year-end.
- 3.3 The forecast under spend has arisen primarily on staffing budgets (£264,000), due to a number of posts being held vacant, or in the process of being recruited to, during the year to date.
- 3.4 The only other significant variance is on premises costs, for which a saving of £34,000 is forecast. This reflects the inclusion of more up-to-date information, including confirmation of actual costs for 2014/15, across a range of premises budgets.
- 3.5 As at the end of the first quarter, investment management fees are forecast to be very close to budget, at just £5,000 under budget. However, since these are heavily influenced by market movements and investment performance, this is particularly subject to change during the remainder of the year.
- 3.6 Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The following table sets out forecast cost-per-member compared to budget, using the three standard headings specified by CIPFA. These figures are stated for West Midlands Pension Fund only, reflecting the £150,000 recharge to the ITA Fund. The forecast cost-per-member is lower than budgeted for each of the three headings.

	2015/16 Budget	2015/16 Forecast
Total Administration Costs (£000)	3,621	3,437
Administration Cost per Member (£)	12.83	12.19
Total Investment Management Costs (£000)	11,975	11,907
Investment Management Cost per Member (£)	42.43	42.24
Total Oversight and Governance Costs (£000)	2,422	2,363
Oversight and Governance Cost per Member (£)	8.58	8.38

- 3.7 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 efficiency gains made.

4.0 Financial implications

- 4.1 The financial implications are discussed in the body of the report.

5.0 Legal implications

5.1 This report contains no direct legal implications for the Authority.

6.0 Equalities implications

6.1 This report has no equalities implications.

7.0 Environmental implications

7.1 This report has no environmental implications.

8.0 Human resources implications

8.1 The report has no human resources implications.

9.0 Corporate landlord implications

9.1 This report has no corporate landlord implications.

10.0 Schedule of background papers

- Service Plan 2015-20, Report to Pensions Committee, 18 March 2015

11.0 Schedule of Appendices

11.1 Appendix 1 – WMPF Service Plan 2015-20, Priorities and Implementation Targets.

11.2 Appendix 2 – KPI Monitoring as at 24 June 2015.

WMPF Service Plan 2015-20
Priorities and Implementation Targets

Activity	Benchmark Measurement	Target	Frequency	Comments
Quality procedures and practices				
a) Maintain Quality Accreditations	Investors in People (IIP), Investors in Excellence (IIE), Customer Service Excellence (CSE), CIPFA mark of governance and shortlisting in industry awards	Reaccreditation/shortlisting for awards	Annually	IIP silver award granted on first attempt, officers are currently being trained on gold standard requirements to progress at the next round of accreditation in July. The Fund is currently working towards the CIPFA mark of governance excellence having undertaken in-house assessment during April; we anticipate the results to be presented to the committee in June. The Fund has been shortlisted for 7 awards out of 11 applications made, we are waiting confirmation of the other 4.
b) Respond to best practice	Through updates to SMT	Improvements to be identified and reported on regularly	Quarterly	The Fund has appointed a solicitor in post as Head of Governance to assist with the legislative changes faced by the Fund. All changes are monitored through email updates and alerts and are reviewed and implemented in an efficient and timely manner. In addition the Fund has the use of the in-house legal team at the City Council with the Monitoring Officer holding a statutory role for the Fund.
c) Respond to legislative changes	Legislative requirement	Compliance with legislation	Quarterly	The Fund has appointed a solicitor in post as Head of Governance to assist with the legislative changes faced by the Fund. All changes are monitored through email updates and alerts and are reviewed and implemented in an efficient and timely manner. In addition the Fund has the use of the in-house legal team at the City Council with the Monitoring Officer holding a statutory role for the Fund.
d) Data quality	Performance against key indicators	Data is accurate and updated on a timely basis	Continuous with quarterly reports	Bulk data validation consistently maintained and reviewed. The Compliance and Risk Manager has undertaken a full review of the Fund's Information Governance management implementing all processes from the City Council to be approved by pension committee in March 2015.

Drive progress through performance improvement				
a) Improve data quality standards to meet regulatory requirements	Review of performance against specific targets set by the regulator in respect of completeness and accuracy of data	Achieve targets set by the regulator	Ongoing/annual	Common data is already meeting TPR standards, except for a few isolated areas for which data cleansing initiatives are being explored. The Fund is working with employees to target specific data sets in order to improve quality in this area.
	Outcome of reviews by the regulator and internal audit	Positive reports by review bodies	Ongoing/annual	Reviews to be considered as and when appropriate.
b) Develop cross-cutting key performance indicators focused on service priorities	Performance against new key performance indicators (KPIs)	The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set	Monthly	Revised KPIs have been implemented with effect from January 2015 and these have been monitored and amended where necessary. Standards are being met in the majority of cases, although performance has been below target in some areas of pension administration following the implementation of LGPS 2014.

Activity	Benchmark Measurement	Target	Frequency	Comments
Develop and implement customer engagement strategies				
a) Develop, review and consult upon and implement engagement strategies	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	The Fund's dedicated communications officer has, in the last quarter, created and implemented a new user friendly approach to the Fund's website making more information more easily accessible. The Fund has also moved to an electronic model of working with the web portal facility available for members together with electronic benefit statements. The fund actively seeks reviews and feedback on the presentations and resources it provides to member and employers and utilises survey monkey to input those results creating a benchmark for comparison going forward. Recent questionnaires indicate that 88% of members believe the Fund provides a service that is satisfactory or better, with 37% rating it excellent. The fund has also devised a customer engagement strategy to incorporate customer journey mapping which is being piloted with the LGA in the roll-out of this year's ABS statements.
b) Hold AGM and mid-year reviews annually for employers	Events held in summer and winter each year and are favourably received	Two events per year with 90% of respondentsto feedback stating event was either good or excellent	Report to SMT following event	Mid Year Review and AGM successfully held in 2014 receiving positive feedback. The Fund is in the process of planning for the 2015 mid-year review to be held on 2 July.
c) Develop communications with stakeholders' needs in mind	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and Quarterly reporting	In addition to b) the Fund hosts an Employer Peer Group and regularly provides employer briefing notes to representatives. Employers have been actively involved in the governance reforms through the local pension board and their input and communication has been valuable in shaping the new governance structure.
d) Implement and review customer journey mapping (CJM) programme	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly	Comprehensive CJM programme is being implemented following the pilot delivery with LGA. Consideration is being given to prescriptive communications for different member groups.

Activity	Benchmark Measurement	Target	Frequency	Comments
Management of risk strategies				
a) Regular risk management reviews	Annual risk review	To have an action plan for the most significant risks	Annual/quarterly monitoring	The risk register has recently undergone a full review not only in risks noted but also in the way the register is created. Compliance have attended team meetings and engaged with all staff to seek feedback on the risks in their areas. The risk register will run as an active document with the compliance testing working alongside those risks highlighted as the top ten.
b) Review of major changes and new activities of business	Review/approval from Pensions Committee	All Fund risks are adequately managed	Ongoing/quarterly reviews of risk register	The risk register underwent a full review through the previous quarter to be approved by pension committee in June 2015. It is reviewed on a quarterly basis by senior management to ensure all risks are updated in line with their impact and probability.
c) Develop and maintain risk management approach in order to give annual assurance statement	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review	The risk management of the Fund is constantly being reviewed: as well as a) above, regular testing is conducted with regards to performance and compliance monitoring. No issues have been identified for the year to date.
d) Develop and implement business continuity planning	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2015	Annual review	The business continuity policy has been reviewed and updated in March 2015 with a full annual review to be completed each year. A full test of the plan was undertaken in April with feedback being presented to SMT and individual teams.
Review and implement investment strategy				
a) Review of investment strategy	Annual asset allocation review/SIP	Ensure investment strategy has regard to Fund's funding position and liabilities	Annual with quarterly monitoring	New Investment Advisory Panel has been created to strengthen governance. Investment strategy review at September's Pensions Committee.
b) Implementation of investment strategy	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost-effectively	Quarterly	Quarterly updates on investment strategy implementation made to IASC. Reshaping of listed equities portfolio has taken place in the first half of 2015 along with, setting-up of internal active global equities management. Streamlining and simplification of portfolio ongoing: exit from hedge funds and commodities.
c) Monitoring of performance and portfolio changes	Reporting to investment Advisory Sub-Committee	Ensure investment performance at least matches agreed benchmarks	Quarterly	Quarterly asset allocation and investment performance reports made to IASC. New Investment Advisory Panel created to strengthen oversight. Recent investment performance has at least matched benchmarks.
d) Voting and implementation of ESG policies	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI Statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly	Responsible investment officer is managing an increasingly high workload and strengthening the fund's capacity in this area.

Activity	Benchmark Measurement	Target	Frequency	Comments
Triennial actuarial valuation				
a) Engage with employing bodies and discuss issues	Consultation programme extended to all participating employers	Meet agreed timetable	Next actuarial valuation 2016	Extensive engagement undertaken with employing bodies, particularly around the 2013 valuation. Engagement for the 2016 valuation to begin around the summer/autumn of 2015.
b) Collect data for valuation	Formal valuation project plan	Meet agreed timetable	Annually	Data successfully collected for all employers and in accordance with deadlines.
c) Communicate individual results	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next actuarial valuation 2016	Results communicated to all employers in a timely manner.
d) FSS to be updated accordingly to include the Fund's strategy for deficit repair	Regulatory requirements	Comprehensive and up-to-date	Next actuarial valuation 2016	FSS updated accordingly in line with the outcomes of the valuation and the Fund's strategy in this area. Placed on the Fund's website.
e) Ongoing review of investment strategy to maintain SIP	Regulatory requirements	Comprehensive and up-to-date	Annual	SIP updated after changes in Investment strategy agreed. Reinforced with the adoption (in December 2014) of a statement of investment beliefs.
f) Regular employer covenant review	All employer covenants reviewed and necessary actions taken	Risk-based employer covenants	Annual	Employer covenant review underway to take into account latest financial information and the 2013 valuation results.
Trustee and Pensions Board member training				
a) Maintain and expand the opportunities to build trustee and pension board member knowledge and understanding	CIPFA Skills and Knowledge Framework and the legislative requirements concerning the knowledge of Pensions Board members. Wide range of knowledge-building opportunities provided. Intensive off-site training when required.	Minimum of three days' provision to Committee members	Ongoing/yearly report	The fund has a programme of training which aims to develop knowledge throughout the year, developing more complex training in line with the level of experience of a trustee/pension board member. In 2014/2015 Trustees exceeded their training hours with an increase of over 100% from the previous year. Pensions Committee will be asked to approve the training matrix for 2015/2016 and the implementation of a new training timetable to meet the legislative requirement going forward which will also cover the requirements on the pension board.
b) Monitoring of approved training policy	Wide range of knowledge-building opportunities provided	100% target achieved	Ongoing	The Trustee Management Officer is responsible for maintaining a record of trustee and pension board member training ensuring the requirements of knowledge and understanding are met by each trustee. Where a shortfall of training hours is identified, the Trustee Management Officer provides support and guidance on available resources as well as offering and arranging 1-2-1 sessions with individual trustees.
c) Identification of training needs and development of training plan	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing	As above
d) To ensure trustees meet TPR competency requirements	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing	As above

Activity	Benchmark Measurement	Target	Frequency	Comments
Developing people				
a) Ensure a skilled, flexible and professional workforce	Staff induction, training plan and appraisal	22 hours' training per annum and appraisals for all staff	Ongoing	The in-house training team are adept at developing staff, ensuring their technical knowledge of systems is up to date. The Business Support Officer monitors performance of each team providing reports to SMT to monitor their team's training hours and identifying where there are shortfalls. The team are also developing their soft skills training which will be implemented into induction sessions for new staff.
b) Measure and improve competency levels through performance appraisals	Annual appraisal	All staff to have up-to-date appraisals	Annual appraisal with six-month review	Annual appraisals successfully delivered. This process is constantly under review and the business development service are reviewing feedback and ways to improve for the future.
c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals	Training needs addressed with development plan created	Training needs analysis to be reviewed annually	Annual	The Fund has developed a new training strategy for staff wanting to take on a degree or relevant training which will be assessed on a business case. In addition, the in-house training team have devised an intranet site on Sharepoint which provides training information, relevant links to external sites, materials from training sessions and a comments blog to identify and share common problems that may be easily resolved.
d) Cultivate a working environment where knowledge is shared	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing	As well as above, staff briefing sessions have been very active lately due to a number of changes occurring in pension funds.
e) Maintain accreditations including Investors in People (IIP) and Customer Service Excellence (CSE)	Investors in People (IIP), Customer Service Excellence (CSE)	Reaccreditation	Annual	IIP silver award granted on first attempt, officers are currently being trained on gold standard requirements to progress at the next round of accreditation. The Fund is waiting on confirmation of it obtaining the CIPFA mark of governance excellence following assessment undertaken during April.

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KPI - DETAILED ACTIONS, TIMESCALE AND REPORTING REQUIREMENTS MAY 2015

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date Last Reported	Improvement/Deterioration	
D	1	A	IMPROVE FUNDING LEVEL Funding level to increase from current levels of 70% (Taken from IAS26 Report)	>70%	GD	75.00%	31/03/13	SMT	75.00%	31/03/10	→ 0.00%	
C	2	TRANSFERS IN										
		M	Transfer in quotations processed within 10 days of receiving all the required information	90%	ST	73.75%	Apr-15	SMT	73.75%	Apr 14 - Mar 15	→	0.00%
		M	Transfer notification of transferred in membership to be notified to the scheme member within 10 days of receiving payment	90%		46.01%			46.01%		→	0.00%
		TRANSFERS OUT										
		M	Transfer out quotations processed within 20 days	90%	ST	53.85%	Apr-15	SMT	49.45%	Apr 14 - Mar 15	↑	4.40%
		M	Transfer out payments processed within 10 days	90%		36.67%			39.43%		↓	-2.76%
		RETIREMENTS										
		M	Retirement options to members within 15 days	90%	ST	21.16%	Apr-15	SMT	35.41%	Apr 14 - Mar 15	↓	-14.25%
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		94.85%			93.87%		↑	0.98%
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%		85.91%			89.24%		↓	-3.33%
		DEFERRED RETIREMENTS										
		M	Retirement options to members within 15 days	90%	ST	N/A	N/A	SMT	N/A	New KPI wef Apr 15		N/A
		M	Notification of the actual retirement benefits will be issued to the scheme member within 5 days following receipt of the required information.	90%		N/A			N/A			N/A
		M	New retirement benefits processed for payment following receipt of election within 5 days	90%		N/A			N/A			N/A
		DEATHS										
M	Acknowledgement of a death to due within 5 days of receiving the notification.	90%	ST	96.40%	Apr-15	SMT	77.98%	Apr 14 - Mar 15	↑	18.42%		
M	Notification of benefits payable to dependents will be issued within 5 days of receiving the required information	90%		72.22%			68.13%		↑	4.09%		
M	Payment of death lump sum will be made within 10 days of receipt of all the required information.	90%		93.10%			98.29%		↓	-5.19%		
A	3	EMPLOYER AND MEMBER SERVICE - EMPLOYER SATISFACTION										
		A	Overall satisfaction score for employers to be 85%.	85%	ST	98.40%	2014/2015	SMT	98.40%	2013/2014	→	0.00%
A	3	EMPLOYER AND MEMBER SERVICE - CALLS										
		A	85% of calls received to the customer and employer helpline to be answered.	85%	ST	100.00%	2014/2015	SMT	100.00%	2013/2014	→	0.00%
C	4	MEMBER SERVICE - CUSTOMER SATISFACTION/SURVEY										
		Q	Cumulative satisfaction score of 85% by financial year.	85%	ST	98.38%	Apr 14 - Mar 15	SMT	N/A	New KPI wef Apr 15		N/A
B	5	INVESTMENT RETURNS/OVERALL FUND PERFORMANCE										
		M	Returns to be within 2% of the benchmark (3 Yr Rolling) (West Midlands Pension Fund)	VARIANCE +/- 2%	GD/MC	BENCHMARK 8.64% ACTUAL 10.26% RELATIVE 1.62%	Mar-15	SMT	BENCHMARK 7.97% ACTUAL 9.44% RELATIVE 1.47%	Feb-15	↑	0.15%
C	6	BENEFIT STATEMENTS										
		A	ABS issued to 95% of eligible active members by 31st August 2015	90%	ST	83%	Sep-14	SMT	87%	Sep-13	↓	-4.00%
A	DBS issued to 85% of eligible deferred members by 31st August 2015	85%	89%	May-14		SMT	88%	Jul-13	↑	1.00%		
A	7	CONTRIBUTIONS RECEIVED										
		M	Main Fund 98% (total value) of contributions to be received by the due date.	98%	DK	98.72%	Apr-15	SMT	99.18%	Apr 14 - Mar 15	↓	-0.46%
M	Travel Fund 98% (total value) of contributions to be received by the due date.	98%	100.00%	Apr-15		SMT	100.00%	Apr 14 - Mar 15	→	0.00%		
A	8	CLEAN AUDIT REPORT										
		A	Receive an unqualified audit opinion from the Main Funds external auditors	Clean Report	DK	Yes	Year to 31/03/2014	SMT	Yes	Year to 31/03/2013	→	0.00
			Annual audit returns no significant findings	0 significant findings		0			0			
		A	Receive an unqualified audit opinion from the Travel Funds external auditors	Clean Report		Yes	Year to 31/03/2014	SMT	Yes	Year to 31/03/2013	→	0.00
Annual audit returns no significant findings	0 significant findings		0	0								

KPI - DETAILED ACTIONS, TIMESCALE AND REPORTING REQUIREMENTS MAY 2015

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date Last Reported	Improvement/Deterioration
EXTERNAL ACCREDITATION											
A	9	M	The Fund to be shortlisted for all of the awards in which it is entered.	75%	RH	Applications 4 No. Pending 4 No. Shortlisted 0 Percentage Shortlisted 0%	Apr-15	SMT	Applications 16 No. Pending 4 No. Shortlisted 7 Percentage Shortlisted 58%	Apr 14 - Mar 15	↓ -58.33%
		A	Retain CSE and IIP accreditations	100%	RH	100%	Apr-15	SMT	100%	New KPI wef Apr 15	→ 0.00
SICKNESS ABSENCE											
A	10	M	Average number of days lost to sickness per FTE member of staff. Sickness absence to be under 6 days per annum per member of staff - cumulative.	6 days	ALL	1.03	Apr 15 - May 15		0.58	Apr-15	↓ -0.45
COST PER MEMBER											
A	11	A	Administration cost per member to be reduced from budgeted figure of £20.	£20	ALL	£20.57	May 15 (forecast to year end)	SMT	£18.70	Mar-15	↓ -£1.87
TRAINING HOURS											
A	12	Q	Average CPD per Fund employee.	22 hours	ALL	15.34	Mar-15	SMT	10.09	Dec-14	↑ 5.25
DATA QUALITY											
A	13	Q	Common Data								
			Missing forename(s)	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%	
			Missing surname	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%	
			Incorrect gender for member's title	0%	0.01%	0.00%	0.00%	0.00%	0.01%	↓ 0.01%	
			Gender is not male or female	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%	
			Invalid or temporary NI number	0%	0.25%	0.38%	0.38%	0.38%	-0.13%	↑ -0.13%	
			Missing date of birth	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%	
			Invalid date of birth (this includes members over 75 and who are still active or members under 16 and not a beneficiary)	0%	0.01%	0.01%	0.01%	0.01%	0.00%	→ 0.00%	
			Date of birth is after date joined scheme	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%	
			Member has no address	0%	1.62%	2.62%	2.62%	2.62%	-1.00%	↑ -1.00%	
			Missing postcode	0%	1.92%	2.97%	2.97%	2.97%	-1.05%	↑ -1.05%	
			Missing scheme retirement date	0%	0.01%	0.04%	0.04%	0.04%	-0.03%	↑ -0.03%	
			Missing date joined pensionable service	0%	0.01%	0.00%	0.00%	0.00%	0.01%	↓ 0.01%	
			No entry in status history does not match current status	0%	0.01%	0.00%	0.00%	0.00%	0.01%	↓ 0.01%	
			Last entry in status history does not match current status	0%	0.70%	2.23%	2.23%	2.23%	-1.53%	↑ -1.53%	
Category of membership status not on member record	0%	0.00%	0.00%	0.00%	0.00%	0.00%	→ 0.00%				
Conditional Data											
Unavailable at present											
TRUSTEE TRAINING											
A	14	Q	Satisfaction rate from feedback of trustee training events to be 90%.	90%	RH	100.00%	Apr-15	SMT	100.00%	2014/2015	→ 0.00%
			Attendance rate of trustees at training events.	85%	RH	N/A	N/A	SMT	N/A	New KPI wef Apr 15	N/A
			Amount of training provided to trustees during the year	22 hours	RH	N/A	N/A	SMT	N/A	New KPI wef Apr 15	N/A
INFORMATION TO BE PUBLISHED QUARTERLY											
A	15	Q	Expenditure exceeding £500		DK	27-Apr-15			29-Dec-14		
			Transactions on a Government Procurement Card		DK	27-Apr-15			29-Dec-14		
			Procurement information Invitations to tender for goods and/or services with a value that exceeds £5,000.	30-Apr-15	RH	27-Apr-15	Mar-15	SMT	29-Dec-14	Dec-14	N/A
			Procurement information Contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000.		RH	27-Apr-15			05-Jan-15		

KPI - DETAILED ACTIONS, TIMESCALE AND REPORTING REQUIREMENTS MAY 2015

Objective Reference	No	Freq	Description	Target	Lead Officer	Actual (Score and RAG)	Reporting Period	Reported to:	Previous Score	Date Last Reported	Improvement/Deterioration
STAFF TURNOVER											
A	16	Q	Staff turnover to be between 5-10% in a financial year <i>(Calculated as no. of leavers/no. of posts at start of year)</i>	5%-10%	RH	● 6.93%	Apr 14 - Mar 15	SMT	● 4.95%	Apr-Dec 14	↑ 1.98%
AVAILABILITY OF ONLINE SERVICES											
A	17	Q	Website and web portal to be available 95% of the time	95%	RH	N/A	N/A	SMT	N/A	New KPI wef Apr 15	N/A
			Number of members predicted to be registered on web portal by 31 March 2016	50,000		N/A	N/A		N/A	New KPI wef Apr 15	N/A
QUARTERLY ACCOUNTS											
A	18	Q	Days taken to prepare quarterly accounts	20 days	DK	N/A	N/A	SMT	N/A	New KPI wef Apr 15	N/A
QUALIFICATIONS											
A	19	Q	At least 75% of staff to hold a relevant qualification	75%	ALL	N/A	N/A	SMT	N/A	New KPI wef Apr 15	N/A

OBJECTIVES KEY	
A	To be a top performing fund
B	To achieve target investment returns
C	To provide excellent customer service
D	To meet our funding strategy

FREQUENCY KEY	
A	Annual
Q	Quarterly
M	Monthly

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Pensions Committee

24 June 2015

Report title	Annual Internal Audit Report 2014/15	
Originating service	Internal Audit	
Accountable employee(s)	Peter Farrow Tel Email	Head of Audit 01902 554460 peter.farrow@wolverhampton.gov.uk
Report has been considered by	Geik Drever Tel Email	Strategic Director of Pensions 01902 552020 geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The contents of the Annual Internal Audit Report 2014/15.

1.0 Purpose

- 1.1 The purpose of this report is to update Committee members on the contents of the Annual Internal Audit Report 2014/15.

2.0 Background

- 2.1 Internal Audit has carried out audit work for the period 2014/15 in accordance with the Internal Audit Plan. The appended report summarises the outcomes of that work, including any key issues arising during the year. It also supplies an opinion on the overall level of assurance that can be derived from the Fund's governance, risk management and control processes.

3.0 Report content

- 3.1 Internal Audit can provide reasonable assurance that the Fund has adequate and effective governance, risk management and internal control processes.
- 3.2 The report identifies a limited number of control issues, which are set out in section 4 of the report. Management action has been taken to address these issues.

4.0 Financial implications

- 4.1 Internal audit is a fundamental part of the system of internal financial controls, thereby contributing to the security of the Fund's financial and physical assets and the effectiveness and efficiency of its operations.

5.0 Legal implications

- 5.1 This report has no legal implications.

6.0 Equalities implications

- 6.1 This report has no equalities implications.

7.0 Environmental implications

- 7.1 This report has no environmental implications.

8.0 Human resources implications

- 8.1 This report has no human resources implications.

9.0 Corporate landlord implications

- 9.1 This report has no corporate landlord implications

10.0 Schedule of background papers

- WMPF Internal Audit Plan 2014/15, Report to Pensions Committee, 25 June 2014

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Annual Internal Audit Report 2014/15

Contents:

- 1. Introduction**
- 2. Internal Audit Opinion**
- 3. Compliance with Public Sector Internal Audit Standards**
- 4. Summary of work completed**

1. Introduction

- 1.1 Our internal audit work for the period 2014/15 was carried out in accordance with the Internal Audit Plan. The Plan was constructed in such a way as to allow us to make a statement on the adequacy and effectiveness of the Fund's governance, risk management and control processes.

In this way our annual report provides one element of the evidence that underpins the Fund's Assurance Framework, which supports the Annual Governance Statement. This is only one aspect of the assurances available to the Fund as to the adequacy of governance, risk management and control processes. Other sources of assurance on which the Fund may rely, could include:

- The work of the External Auditors (PwC)
- Statutory policies and plans
- The work of the Fund's Compliance Monitoring Team
- Other pieces of consultancy or third party work designed to alert the Fund to areas of improvement

Internal Audit is central to this framework of assurance and is required to acquire an understanding not only of the Fund's risks and its overall whole control environment but also all sources of assurance. In this way, Internal Audit will be able to indicate whether key controls are adequately designed and effectively operated, regardless of the sources of that assurance.

- 1.2 The definition of internal audit, as described in the Public Sector Internal Audit Standards, is:

“Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

Internal audit activity is organisationally independent and further details behind the framework within which internal audit operates, can be found in the Internal Audit Charter.

Overall Assurance

- 1.3 As the providers of internal audit to the Fund, we are required to provide the Managing Director, Strategic Director and Section 151 Officer with an opinion on the adequacy and effectiveness of the governance, risk management and control processes. In giving our opinion it should be noted that assurance can never be absolute. The most that internal audit can provide to the Managing Director, Strategic Director and Section 151 Officer is reasonable assurance that there are no major weaknesses in the Fund's governance, risk management and control processes. In assessing the level of assurance to be given, we have taken into account:

- All audits undertaken during 2014/15.
- Any follow-up action taken in respect of audits from previous periods.
- Any key recommendations not accepted by management and the consequent risks.
- Any limitations which may have been placed on the scope of internal audit.
- The extent to which any resource constraints may impinge on the ability to meet the full audit needs of the Fund.

2. Internal audit opinion

- 2.1 We have conducted our audits in accordance with the Public Sector Internal Audit Standards. Within the context of the parameters set out in paragraph 1.3 above, our opinion is as follows:
- 2.2 Based on the work undertaken during the year, the implementation by management of the recommendations made and the assurance made available to the Fund by other providers as well as directly by Internal Audit, Internal Audit can provide **reasonable assurance** that the Fund has adequate and effective governance, risk management and internal control processes.
- 2.3 In reaching our opinion, the following factors were taken into particular consideration:
- The need for management to plan appropriate and timely action to implement our and other assurance providers recommendations.
 - Key areas of significance, identified as a result of our audit work performed in year are detailed in section 4 of this report.

3. Compliance with the Public Sector Internal Audit Standards

Public Sector Internal
Audit Standards

Applying the IS: International Standards to
the UK Public Sector

Internal Audit has a quality assurance and improvement programme. During the year, the internal audit activity has followed this programme and there have been no significant areas of non-conformance or deviations from the standards as set out in the Public Sector Internal Audit Standards.

4. Summary of work completed

A detailed written report and action plan is prepared and issued for every review. The responsible officer will be asked to respond to the report by completing and returning an action plan. This response must show what actions have been taken or are planned in relation to each recommendation.

Where appropriate each report we issue during the year is given an overall opinion based on the following criteria:

Substantial	<ul style="list-style-type: none">• a robust framework of controls which ensures that objectives are likely to be achieved and controls are applied continuously or with only minor lapses
Satisfactory	<ul style="list-style-type: none">• a sufficient framework of key controls for objectives to be achieved but the control framework could be stronger or the application of controls could be more consistent
Limited	<ul style="list-style-type: none">• a risk of objectives not being achieved due to the absence of key internal controls or a significant breakdown in the application of controls

The following internal audit reviews were completed during 2014/15

Key: AAN = Assessment of Assurance Need

Systems Reviews	AAN Rating	Recommendations			Total	Number accepted	Level of Assurance
		Red	Amber	Green			
Overall Governance and Risk Management	High	-	1	5	6	6	Substantial
Early Retirement Costings and Recharges	High	1	2	2	5	5	Limited

Key Financial Systems	AAN Rating	Recommendations			Total	Number accepted	Level of Assurance
		Red	Amber	Green			
Members Payroll	High	-	2	1	3	3	Satisfactory
Benefit Calculations	High	-	-	1	1	1	Substantial
Reconciliation of Members Contributions	High	-	-	1	1	1	Substantial
Member Records	High	-	3	2	5	5	Satisfactory

Follow up Reviews

Death Grants Follow up Audit, completed in 2013/14, all recommendations satisfactorily implemented.

Data Quality Follow up Audit, completed in 2013/14, satisfactory progress is being made in implementing recommendations.

Corporate Work

In addition to Pension Fund specific work, Audit Services has also undertaken a substantial amount of work during 2014/15 on behalf of the Fund regarding the implementation of the new corporate finance system, Agresso. Further, we continue to act as the Fund's corporate fraud contact.

Page 7 of 7

Key issues arising in the year:

Overall Governance and Risk Management

The audit of the arrangements for governance and risk management identified one key issue in that the business continuity plan had not been updated to reflect the large scale changes in employee responsibility. Recommendations made were agreed with management. It should be noted that we also identified many areas of good practice with this audit.

Early Retirement Costings and Recharges.

The review of early retirement costings and recharges identified an issue regarding the accuracy of information relating to debts outstanding. Further there was a lack of clarity between the roles and responsibilities of the Employer Relations and Finance Teams which had resulted in insufficient action taken to recover debts.

Appropriate recommendations were agreed with management to address the issues identified.

Members Payroll

A review of the payroll system confirmed that satisfactory arrangements are in place for the processing of accurate payments via payroll.

Issues identified at the time of audit related to the delayed processing of some payments which were outside the timescales set within the key performance indicators. A plan has been developed to reduce backlogs.

Reconciliation of Members Contributions

A review of the system and sample testing confirmed that the recording of employers' contributions is working well. However, due to the implementation of the new corporate finance system, Agresso, which was beyond the control of pensions staff, there was a delay in the reconciliation and update to the general ledger during the year. Management are aware of this and steps have been taken to ensure the completion of regular reconciliations.

Benefits Calculations

Our review confirmed that substantial assurance could be placed on the processes in place for undertaking the calculation of benefits. Manual interventions required during the implementation of LGPS 2014 were clearly documented and independently checked. Many examples of good practice throughout the benefit calculation process were identified. However, one recommendation was made in relation to monitoring the causes of delays to the payment of benefits which is resulting in interest costs been incurred on lump sums.

Member Records

A review of progress against agreed actions arising from the review of the data quality for member records was completed. The introduction of the bulk data input facility and improvements to the web portal, have contributed to improvements in the processing times for new joiners and reduced the volume of outstanding queries. Efforts have been made to engage employers to resolve queries relating to deferment cases. However, improvements are required to adequately monitor progress in targeting the backlog of queries relating member data. Recommendations have been made and an action plan has been agreed with management to address these issues.

National Fraud Initiative

We co-ordinate the Audit Commission's National Fraud Initiative (NFI) data matching exercise on behalf of the Fund. In January 2015 we were sent 2,264 recommended matches to investigate, this includes matches such as pensioners in payment to DWP data, deceased records, and internal and external payrolls. We are currently investigating the data matches and any significant results will be reported when available.

Financial Appraisals

Where an organisation is seeking admitted body status to the Fund, a financial appraisal is completed (the purpose of which is to establish whether the organisation will or will not be able to meet its financial obligations to the Fund). We completed 19 such appraisals on behalf of the Fund during 2014/15. The financial appraisals provide a business failure score rating from 1 to 100, with 1 being the highest risk and 100 the lowest. Where appropriate, recommendations are made to obtain either a bond or guarantee from the organisation.

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Pensions Committee

24 June 2015

Report title	Annual Internal Audit Plan 2015/16	
Originating service	Internal Audit	
Accountable employee(s)	Peter Farrow	Head of Audit
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Report has been considered by	Geik Drever	Strategic Director of Pensions
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Recommendations for noting:

The Committee is asked to note:

1. The contents of the Annual Internal Audit Plan 2015/16.

1.0 Purpose

- 1.1 The purpose of this report is to update Committee members on the contents of the Annual Internal Audit Plan 2015/16.

2.0 Background

- 2.1 Internal Audit has prepared its plan for the current financial year, in consultation with the Fund's Senior Management Team (see Appendix 1). Paragraph 1.1 of the plan provides important context on the purpose and role of internal audit:

“The purpose of internal audit is to provide the Strategic Director and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Pension Fund's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.”

3.0 Plan content

- 3.1 The plan sets out Internal Audit's strategic approach to developing an audit plan, and the factors that it takes into consideration when doing so. The specific areas of work that are planned to be carried out during 2015/16 are set out at the end of the plan.

4.0 Financial implications

- 4.1 Internal audit is a fundamental part of the system of internal financial controls, thereby contributing to the security of the Fund's financial and physical assets and the effectiveness and efficiency of its operations.

5.0 Legal implications

- 5.1 This report has no legal implications.

6.0 Equalities implications

- 6.1 This report has no equalities implications.

7.0 Environmental implications

- 7.1 This report has no environmental implications.

8.0 Human resources implications

8.1 This report has no human resources implications.

9.0 Corporate landlord implications

9.1 This report has no corporate landlord implications

10.0 Schedule of background papers

- None.

11.0 Schedule of Appendices

11.1 Appendix 1 Internal Audit Plan 2015/16

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West Midlands Pension Fund

Internal Audit Plan - 2015/16



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A quick guide to the audit and assurance planning process

Step 1- Audit universe/auditable areas

Identify the audit universe (i.e. a list of themes and areas within them that may require assurance) using a variety of methods:

- Areas of potential risk identified through a variety of sources (including the strategic risk register) as having the potential to impact upon the Funds ability to deliver its objectives. Then, identify if we can gain assurance that any of these risks are being managed adequately from other sources of assurance.
- Key Financial Systems, such as the managed audit work we do to assist the external auditors.
- Areas where we use auditor's knowledge, management requests and past experience etc.



Step 2 – Ranking

Where appropriate score each auditable area as a high, medium or low assurance need using the CIPFA scoring methodology of materiality/business impact/audit experience/risk/ potential for fraud.



Step 3 – Three year cycle

List the likely medium and high assurance need themes and/or areas for the next three years. High need themed areas will be reviewed annually, medium need usually once in a three year cycle, while a watching brief will remain on the low needs.



Step 4 - Next Years Plan

List the themes and where appropriate the types of work that will be undertaken in 2015/16 in the internal audit plan.

A Glossary of Terms

Definition of internal auditing

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Governance

The arrangements in place to ensure that the Pension Fund fulfils its overall purpose, achieves its intended outcomes for members and operates in an economical, effective, efficient and ethical manner.

Control environment

Comprises the systems of governance, risk management and internal control. The key elements include:

- establishing and monitoring the achievement of the Pension Fund's objectives
- the facilitation of policy and decision-making ensuring compliance with established policies, procedures, laws and regulations – including how risk management is embedded
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement
- the financial management of the Pension Fund and the reporting of financial management
- the performance management of the Pension Fund and the reporting of performance management.

System of internal control

The totality of the way an organisation designs, implements, tests and modifies controls in specific systems, to provide assurance at the corporate level that the organisation is operating efficiently and effectively.

Risk Management

A logical and systematic method of establishing the context, identifying, analysing, evaluating, treating, monitoring and communicating the risks associated with any activity, function or process in a way that will enable the organisation to minimise losses and maximise opportunities.

Risk based audit and assurance reviews

A review that:

- identifies and records the objectives, risks and controls
- establishes the extent to which the objectives of the system are consistent with higher-level corporate objectives
- evaluates the controls in principle to decide whether or not they are appropriate and can be reasonably relied upon to achieve their purpose, addressing the organisation's risks identifies any instances of over and under control and provides management with a clear articulation of residual risks where existing controls are inadequate
- tests the effectiveness of controls i.e. through compliance and/or substantive testing

- arrives at conclusions and produces a report, leading to management actions as necessary and providing an opinion on the effectiveness of the control environment.

Pensions Committee

The governance group charged with independent assurance of the adequacy of the internal control environment and the integrity of financial reporting.

Assurance

A confident assertion, based on sufficient, relevant and reliable evidence, that something is satisfactory, with the aim of giving comfort to the recipient. The basis of the assurance will be set out and it may be qualified if full comfort cannot be given. The Head of Audit may be unable to give an assurance if arrangements are unsatisfactory. Assurance can come from a variety of sources and internal audit can be seen as the 'third line of defence' with the first line being the Pension Fund's policies, processes and controls and the second being managers' own checks of this first line.

Internal Audit standards



The internal audit team comply with the standards as laid out in the Public Sector Internal Audit Standards that came into effect on 1 April 2013.

1 Introduction

- 1.1 The purpose of internal audit is to provide the Strategic Director and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Pension Fund's agreed objectives. In order to provide this opinion, we are required to review annually the risk management and governance processes. We also need to review on a cyclical basis, the operation of the internal control systems. It should be pointed out that internal audit is not a substitute for effective internal control. The true role of internal audit is to contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.
- 1.2 There is a statutory requirement for internal audit to work in accordance with the 'proper audit practices'. These 'proper audit practices' are in effect the 'Public Sector Internal Audit Standards'. Wolverhampton Audit Services has an Internal Audit Charter which defines the activity, purpose, authority and responsibility of internal audit. This document sits alongside the charter, and helps determine how the internal audit service will be developed.
- 1.3 The purpose of this document is to provide the Pension Fund with an internal audit plan, based upon an assessment of its assurance needs. The assessment of assurance needs exercise is undertaken to identify the systems of control and determine the frequency of audit coverage. The assessment will be used to direct internal audit resources to those aspects of the Pension Fund which are assessed as generating the greatest risk to the achievement of its objectives.

2 Assessing the effectiveness of risk management and governance

- The effectiveness of risk management and governance will be reviewed annually, to gather evidence to support our opinion to the Strategic Director and the Pensions Committee. This opinion is reflected in the general level of assurance given in our annual report and where appropriate within separate reports in areas that will touch upon risk management and governance.

3 Assessing the effectiveness of the system of control

- 3.1 In order to be adequate and effective, management should:

•	Establish and monitor the achievement of the Pension Fund's objectives and facilitate policy and decision making.
•	Identify, assess and manage the risks to achieving the Pension Fund's objectives.
•	Ensure the economical, effective and efficient use of resources.
•	Ensure compliance with established policies, procedures, laws and regulations.
•	Safeguard the Pension Fund's assets and interests from losses of all kinds, including those arising from fraud, irregularity or corruption.
•	Ensure the integrity and reliability of information, accounts and data.

These objectives are achieved by the implementation of effective management processes and through the operation of a sound system of internal control. The annual reviews of risk management and governance will cover the control environment and risk

assessment elements, at a high level. The programme of work developed as the outcome of the assessment of assurance need exercise will cover the system level control activities.

- 3.2 The plan contained within this report is our assessment of the audit work required in order to measure, evaluate and report on the effectiveness of risk management, governance and internal control.

4 Assessment of assurance needs methodology

- 4.1 Internal audit should encompass the whole internal control system and not be limited only to financial control systems. The scope of internal audit work should reflect the core objectives of the Pension Fund and the key risks that it faces. As such, each audit cycle starts with a comprehensive analysis of the whole system of internal control that ensures the achievements of the Pension Fund's objectives.
- 4.2 Activities that contribute significantly to the Pension Fund's internal control system, and also to the risks it faces, may not have an intrinsic financial value necessarily. Therefore, our approach seeks to assign a relative risk value. The purpose of this approach is to enable the delivery of assurance to the Pension Fund over the reliability of its system of control in an effective and efficient manner.
- 4.3 We have undertaken our assessment using the following process:
- We identified the core objectives of the Pension Fund and, where available, the specific key risks associated with the achievement of those objectives.
 - We then identified auditable themes and areas that impact significantly on the achievement of the control objectives.
 - We assigned risk values to the auditable themes and areas, based on the evidence we obtained.
- 4.4 The audit plan is drawn out of the assessment of assurance need. The proposed plan covers the 2015/16 financial year and is detailed at the end of this document.

5 The assessment of assurance needs - identifying the Pension Fund's objectives and the associated risks

- 5.1 The following are the Pension Fund's key objectives as set out in their Business Plan:
- To be a top-performing fund
 - To achieve target investment returns
 - To provide excellent customer service
 - To meet our funding strategy

The Pension Fund has identified the top ten strategic risks as potentially impacting upon its ability to achieve its objectives:

The Pension Administration Strategy (PAS) is not complied with by employers

The Fund breaches Information Governance and Data Protection laws / regulations

Pension benefits are calculated with inaccurate or incomplete data
--

Liabilities need to be orphaned across the Funds remaining employers in the event of an employer failing
--

Elected Members do not maintain appropriate levels of independence from their Authorities
The Fund invests in an inappropriate asset allocation
Payment of pensions increase is not made
The Fund invests with unsuitable managers
The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario
Fund processes are subject to fraud

Identifying the “Audit Universe”

- 5.2 In order to undertake the assessment of assurance need, it is first necessary to define the audit universe for the Pension Fund. The audit universe describes all the systems, functions, operations and activities undertaken by the Pension Fund. Given that the key risk to the Fund is that it fails to achieve its objectives, we have identified the audit universe by determining which systems and operations impact upon the achievement of the core objectives of the Fund, as identified in 5.1 above, and the management objectives in 3.1 above. These auditable areas include the control processes put in place to address the key risks.

In addition to this, there are also common systems and functions which are generic to all areas, along with a number of mandatory reviews. Where deemed appropriate they may also be included in the audit universe set out in detail at the end of this document.

Assessing the risk of auditable areas within the assurance framework

- 5.3 Risk is defined as “The threat that an event or action will adversely affect an organisation's ability to achieve its business objectives and execute its strategies.”
Source: Economist Intelligence Unit - Executive Briefing.
- 5.4 There are a number of key factors for assessing the degree of assurance need within the auditable area. These have been used in our calculation for each auditable area and are based on the following factors:

• Materiality
• Business impact
• Audit experience
• Risk
• Potential for fraud

- 5.5 In this model, the assignment of the relative values are translated into an assessment of assurance need. These ratings used are high, medium or low to establish the frequency of coverage of internal audit.

6 Developing an internal audit plan

- 6.1 The internal audit plan is based, wherever possible, on management's risk priorities, as set out in the Pension Fund's own risk analysis/assessment. The plan has been designed so as to, wherever possible, cover the key risks identified by such risk analysis.
- 6.2 In establishing the plan, the relationship between risk and frequency of audit remains absolute. The level of risk will always determine the frequency by which auditable themes and areas will be subject to audit. This ensures that key risk themes and areas are looked at on a frequent basis. The aim of this approach is to ensure the maximum level of assurance can be provided with the minimum level of audit coverage.

It is recognised that a good internal audit plan should achieve a balance between clearly setting out the planned audit work and retaining flexibility to respond to changing risks and priorities during the year. Traditionally Audit Services have produced quite detailed internal audit annual plans identifying all the individual audits planned for the year, and this approach does have the advantage of providing a clear route map to the end of year opinion. However, as the year progresses it is likely that the risks and organisational priorities will change, resulting in changes to the plan. This is a particular issue within the local authority environment at this moment in time, due to the pace of change and high level of uncertainty affecting the risk environment. Therefore, for 2015/16 we are keeping the audit plan more open than previously, and, where appropriate, the new plan reflects themes and types of work rather than individual audits. More detailed working plans will be maintained operationally within Audit Services. This approach should hopefully result in a more realistic and flexible plan.

Auditor's judgement will be applied in assessing the number of days required for each audit identified in the plan.

- 6.3 The assessment of assurance need's purpose is to:
- determine priorities and establish the most cost-effective means of achieving audit objectives;
 - assist in the direction and control of all audit work

This exercise builds on and supersedes previous internal audit plans.

- 6.4 Included within the plan, in addition to audit days for field assignments are:
- a contingency allocation, which will be utilised when the need arises, for example, special projects, investigations, advice and assistance, unplanned and ad-hoc work as and when requested.
 - a follow-up allocation, which will be utilised to assess the degree of implementation achieved in relation to key recommendations agreed by management during the prior year.
 - an audit management allocation, which is used for management, quality control, client and external audit liaison and for preparation for, and attendance at various member meetings and Pensions Committee etc.

7 Considerations required of the Pensions Committee and Senior Pensions Fund Management

Are the objectives and key risks identified consistent with those recognised by the Pension Fund?

Does the plan include all the themes which would be expected to be subject to internal audit?

Are the risk scores applied to the plan reasonable and reflect the Pension Fund?
--

Does the plan cover the key risks as they are recognised?

Is the allocation of audit resource accepted, and agreed as appropriate, given the level of risk identified?
--

8 How the internal audit service will be delivered

Communication of results

The outcome of internal audit reviews is communicated by way of a written report on each assignment undertaken. However, should a serious matter come to light, this will be reported to the appropriate level of management without delay.

Staffing

Employees are recruited, trained and provided with opportunities for continuing professional development. All employees are subject to the Council's appraisal scheme, which leads to an identification of training needs. In this way, we ensure that employees are suitably skilled to deliver the internal audit service. This includes the delivery of specialist skills which are provided by staff within the service with the relevant knowledge, skills and experience.

Quality assurance

All audit work undertaken is subject to robust quality assurance procedures as required by relevant (i.e. CIPFA, CIIA) professional standards. These arrangements are set out in the division's standards manual and require that all working papers and reports are subject to thorough review by professionally qualified accountancy (CCAB) staff.

Combined assurance

We work in conjunction with the Fund's External Auditors (PwC) in order to ensure that the assurance both internal and external audit can provide, is focussed in the most efficient manner and that any duplication is eliminated.

2015/16 Internal Audit Plan

Top Ten Strategic Risks	Audit Reviews
<p>Identified by the Pension Fund (numbered 1 to 10 in brackets) note: planned audits do not provide absolute assurance for each risk. Reliance should also be obtained from other sources.</p>	<p>Planned audit reviews have been discussed with Pensions Management based on, but not entirely, the top ten risks. The specifications of each review will be finalised at the time of audit. There is also the opportunity to undertake any additional audit work as requested on a consultancy basis.</p>
Administration	
<ul style="list-style-type: none"> • Non-compliance with PAS (1) • Inaccurate calculation of benefits (3) • Liabilities not orphaned across employers(4) • Non-payment of pensions increase (7) 	<ul style="list-style-type: none"> • Review of Pensions Administration Strategy (PAS) - A review of the controls and monitoring procedures in relation to individual employers' adherence to the PAS. • Admitted Bodies - Guarantee Scheme - A review of controls and procedures for the acceptance of guarantees from new employers.
Investments	
<ul style="list-style-type: none"> • Investment in inappropriate asset allocation (6) • Investment with unsuitable managers (8) 	<ul style="list-style-type: none"> • Asset Allocation Review – A review to ensure the investment strategy is appropriately managed and linked to the funding strategy. • Fund Management: A systems review of individual fund management arrangements.
Governance	
<ul style="list-style-type: none"> • Breach of information governance and data protection (2) • Independence of elected members (5) • Disaster recovery (9) • Fraud (10) 	<ul style="list-style-type: none"> • Assurance Mapping - Development of a Fund Assurance Map to provide evidence that risks are being considered by both internal and external sources. • Business Continuity/Resilience Management - A review of management processes adopted.

Annual Audits	
Key Financial Systems	Annual audits completed in conjunction with the external auditors to provide assurance that controls within key systems have been satisfactorily operated throughout the year. Typically, this includes payroll, member contributions, administration of member records, investment income and expenditure and benefit calculations.
Risk Management and Governance	An annual high level review of the overall control environment, This year's review will ascertain that new governance structures have been appropriately embedded.

Corporate Work (delivered across the Council)	Purpose
National Fraud Initiative	In accordance with Audit Commission requirements, we will lead on the NFI data matching exercise, including working with the successor body and to the Audit Commission (the Cabinet Office).
Counter Fraud Activities	A series of pro-active fraud activities, including the targeted testing of areas open to the potential of fraudulent activity, hosting fraud awareness seminars, fraud surgeries and the production of anti-fraud and corruption newsletters.
Recommendation Follow up	The follow up of key internal audit recommendations made in 2014/15.
Development and Advice	Reviewing systems developments on key controls and providing advice relating to systems not necessarily covered by audits scheduled for 2015/16.
Financial Appraisals	Provision of financial risk information to the Fund for new admission body applications.
Contingency	Special projects, advice and assistance, unplanned and ad-hoc work as and when requested.
Pensions Committee	Preparation and presentation of papers for committees, and providing advice and training to committee members as and when required.



Pensions Committee

24 June 2015

Report Title Responsible Investment Activities
January to March 2015

Originating service Pension Services

Accountable employee Leanne Clements Responsible Investment Officer
Tel 01902 55 2086
Email Leanne.Clements@wolverhampton.gov.uk

Report has been considered by Geik Drever Strategic Director of Pensions
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Recommendations for noting:

The Committee is asked to note:

1. The Fund's voting and LAPFF's engagement activity for the three months ending 31 March 2015, including Appendix 1.
2. The issues discussed by the Local Authority Pension Fund Forum (LAPFF) in the Quarterly Engagement Report which is available on their website:
<http://www.lapfforum.org/Publications/engagement>
3. Updates on the National Express and BP shareholder resolutions as well as the Israeli-Palestinian related research and engagement program respectively.

1.0 Purpose

- 1.1 To inform the Pensions Committee of the work undertaken by the Investment team regarding their responsible investment activities between the period 1 January to 31 March 2015.

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests, and challenging companies who do not meet the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment policy. There are two main areas of responsible investment that we focus on: **voting globally** and **engagement through partnerships**.

3.0 Voting Globally

Summary of Voting Activity

- 3.1 The Fund currently has its own bespoke UK voting policy which our voting provider, Pensions and Investments Research Consultants Ltd (PIRC), executes on our behalf. However, the Fund follows the voting advice of PIRC for European, US, Japanese and Pacific region company meetings.
- 3.2 The voting activity for the quarter across markets and issues can be found in Appendix 1. During the period the Fund voted at a total of 394 company meetings –52 UK, 70 European, 66 North American, 45 Japanese, 4 Australia/New Zealand, 128 Asia (excluding Japan), 8 South American and the remaining predominantly being Turkey, Qatar and Kazakhstan (21). During this period there were 21 meetings where the Fund supported all the resolutions put forward by companies. Approximately 41% of the resolutions were not supported by the Fund.

*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”.

BP and Shell Shareholder Resolutions on Carbon Management

- 3.3 As reported at the last Pensions Committee meeting, LAPFF sought member funds to co-file on 2015 shareholder resolutions at BP and Royal Dutch Shell respectively with regards to their carbon management practices. The Fund decided to co-file these shareholder resolutions with other like-minded LAPFF members as it believed that it was in alignment with its investment beliefs and responsible investment policy. The co-filing procedure was completed through the Fund's custodian in December 2014.
- 3.4 In an unprecedented move, BP and Royal Dutch Shell both publicly stated in January 2015 that they would recommend that their respective shareholders support the resolution.

BP's AGM was held on 14 April and the resolution was passed with 98.28% of votes in favour and Shell's on 19 May with 98.91% of votes in favour.

4.0 Engagement through Partnerships

Local Authority Pension Fund Forum

- 4.1 Our engagement program is predominantly implemented through the Fund's membership of the Local Authority Pension Fund Forum (LAPFF). 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 has a current membership of 60 public sector pension funds in the UK with combined assets of over £125 billion. LAPFF members regularly meet together to discuss environmental, social, and governance (ESG) issues and ways to promote high standards of corporate behaviour at investee companies.
- 4.2 A summary of LAPFF's engagement activities for the quarter are provided alongside the voting activity report in Appendix 1. The issues discussed by the LAPFF are set out in the Quarterly Engagement Report which is available on their website: <http://www.lapfforum.org/Publications/engagement>.
- 4.3 At the December Pensions Committee meeting, there was also a discussion regarding National Express's North American operations and a proposed way forward, including the co-filing of a shareholder resolution for their upcoming 2015 AGM. Based on further research resulting from that discussion, the Fund decided that the following course of action was deemed appropriate which was approved by the Pensions Committee:
- Support the shareholder resolution at the upcoming 2015 AGM, in alignment with our voting policy;
 - Attend the 2015 AGM to vocally register our discontent at the Board; and,
 - Rally other like-minded investors - including major shareholders - to support the resolution in the coming months.

During period under review, the Fund conducted an informal outreach program outlining its position of support regarding the resolution to key stakeholders. The AGM was held on 6 May 2015 and was attended by a representative from the Fund's Investment team. At the AGM, a member of the LAPFF executive registered the Fund's concerns with regards to its approach to labour relations and the potential for reputational risk. The resolution subsequently received approximately 16% support in total (including the Fund), which is notable given that a significant percentage of the company is owned by one family. LAPFF is currently in discussions as to appropriate next steps from an engagement perspective. The Fund will continue to keep the Pensions Committee updated as and when appropriate.

Israeli-Palestinian Campaign

4.4 In August 2014, a request was made by a member in Coventry asking for disinvestment in all arms manufacturing companies and also in any companies that profit from the violations by Israel of international laws in Palestine. Councillor Turner and certain members of the Pensions Committee have since received template letters from a number of members with regards to this campaign, to which the Fund has responded on his behalf highlighting our policy on ethical exclusions.

4.5 While the Pensions Committee has decided to retain its policy of not excluding companies for ethical reasons as noted above, a decision was made to conduct some additional research and engagement into this issue.

4.6 The Fund has instigated an engagement program to provide further clarification on the findings of the company research. The program is currently underway and the Fund plans to report on its findings to the next Pensions Committee in September.

5.0 Financial implications

5.1 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.

6.0 Legal implications

6.1 This report has no legal implications.

7.0 Equalities implications

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

8.0 Environmental implications

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

9.0 Human resources implications

9.1 This report contains no direct implications for the Authority's Human Resources Policies.

10.0 Corporate landlord implications

10.1 The report contains no direct corporate landlord implications.

11.0 Schedule of background papers

11.1 Background papers include

- Appendix 1 (Voting and Engagement Activity)
- LAPFF Quarterly Engagement Report January to March 2015:
<http://www.lapfforum.org/Publications/engagement>

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Voting report

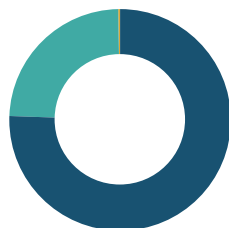
Over the last quarter, we voted at 395 meetings (5,137 resolutions). At 351 of those meetings, we opposed or abstained one or more resolutions. We supported management on all resolutions at 44 meetings.

Total
We voted at 395 meetings (5,137 resolutions) over the quarter.



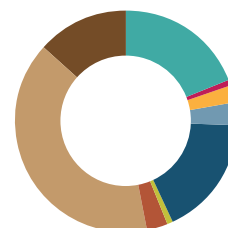
■ Total resolutions voted in favour	55.4%
■ Resolutions where voted against or abstained	41.3%
■ Non-voting	3.3%

UK
We voted at 52 meetings (625 resolutions) over the quarter.



■ Total resolutions voted in favour	75.8%
■ Resolutions where voted against or abstained	24.0%
■ Withdrawn	0.2%

UK: votes against and abstentions by category



■ Remuneration	19.01%
■ Share capital	0.83%
■ Annual report	2.48%
■ Articles of association	3.31%
■ Auditors	17.36%
■ Corporate actions	0.83%
■ Corporate donations	3.31%
■ Directors	39.67%
■ Other	13.22%

North America
We voted at 66 meetings (603 resolutions) over the quarter.



■ Total resolutions voted in favour	55.2%
■ Resolutions where voted against or abstained	44.8%

Europe
We voted at 71 meetings (1,189 resolutions) over the quarter.



■ Total resolutions voted in favour	60.8%
■ Resolutions where voted against or abstained	28.2%
■ Non-voting	11.0%

Japan
We voted at 45 meetings (558 resolutions) over the quarter.



■ Total resolutions voted in favour	81.7%
■ Resolutions where voted against or abstained	18.3%

Asia (excluding Japan)
We voted at 128 meetings (733 resolutions) over the quarter.



■ Total resolutions voted in favour	25.4%
■ Resolutions where voted against or abstained	74.6%

Rest of the World
We voted at 33 meetings (365 resolutions) over the quarter.



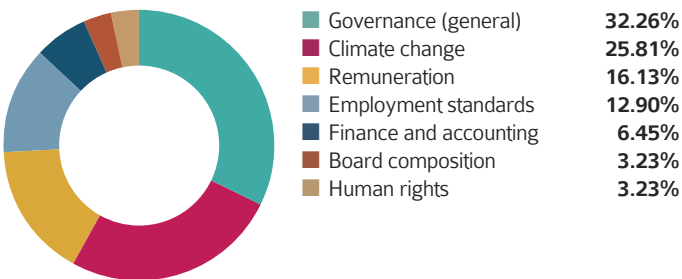
■ Total resolutions voted in favour	23.6%
■ Resolutions where voted against or abstained	75.6%
■ Non-voting	0.8%

January to March 2015

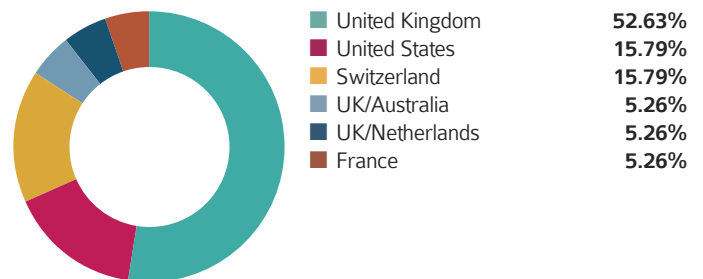
Engagement summary

Over the last quarter, the Local Authority Pension Fund Forum (LAPFF) engaged with 19 companies on a range of environmental, social and governance issues on behalf of the Fund and other members. Where applicable, LAPFF will engage with companies on more than one issue simultaneously. The engagements included in these figures are supplementary to our voting-based engagements during proxy season.

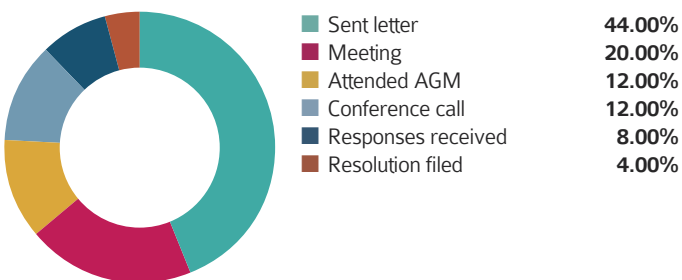
Engagement by topics



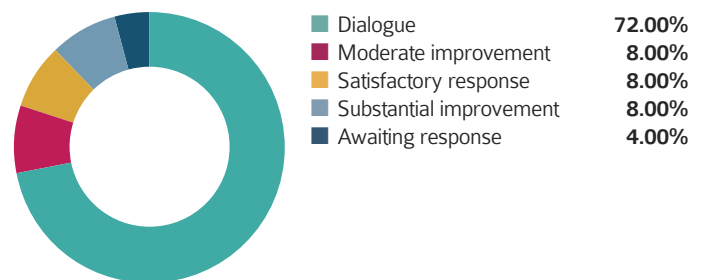
Engagement by domicile



Engagement by activities



Engagement by outcomes





Pensions Committee

24 June 2015

Report Title	Responsible Investment Framework	
Originating service	Pension Services	
Accountable employee	Leanne Clements	Responsible Investment Officer
	Tel	01902 55 2086
	Email	Leanne.Clements@wolverhampton.gov.uk
Report has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 55 2020
	Email	Geik.drever@wolverhampton.gov.uk

Recommendations for approval:

The Committee is asked to approve:

1. The Fund's new Responsible Investment Framework, which replaces the current Socially Responsible Investment Statement.

Recommendations for noting:

1. That the Fund's Statement of Investment Principles has been amended throughout the year to reflect Committee's decisions.
2. That the Corporate Governance and Socially Responsible Investment section of the Fund's Statement of Investment Principles will be replaced by key elements of Responsible Investment Framework.

1.0 Purpose

- 1.1 To request that the Pensions Committee approves the Responsible Investment Framework, which will replace the Socially Responsible Investment Statement.

2.0 Background

- 2.1 The Fund has a longstanding policy of supporting good corporate governance in the companies in which it invests, and challenging companies who do not meet the standards set by their peers or reasonable expectations as measured by best practice. The Fund's approach is part of its overall investment management arrangements and its active responsible investment policy. There are two main areas of responsible investment that we focus on: **voting globally** and **engagement through partnerships**.

3.0 Responsible Investment Framework

- 3.1 With the recruitment of a dedicated Responsible Investment Officer, the Fund has made a commitment to advance its responsible investment approach. To that end, a new Responsible Investment Framework is proposed in place of the Socially Responsible Investment Statement to better reflect evolving market practices in this area, notably:

- A clear set of responsible investment beliefs and guiding principles
- Responsible investment expectations of the Fund, companies and fund managers
- How responsible investment is implemented

Further to decisions at Committee and in light of the responsible investment framework, the Statement of Investment Principles has also been updated to reflect these changes. The Statement of Investment Principles and Responsible Investment Framework has been provided in the annual report

4.0 Financial implications

- 4.1 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.

5.0 Legal implications

- 5.1 This report has no legal implications.

6.0 Equalities implications

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

7.0 Environmental implications

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

8.0 Human resources implications

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

9.0 Corporate landlord implications

9.1 The report contains no direct corporate landlord implications.

10.0 Background papers

- Socially Responsible Investment Statement 2014
www.wmpfonline.com

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Pensions Committee

24 June 2015

Report Title	Investment policy and performance report 2014/15	
Originating service	Pension Services	
Accountable officer(s)	Mark Chaloner	Assistant Director of Pensions
	Tel	01902 552094
	Email	mark.chaloner@wolverhampton.gov.uk
Report to be/has been considered by	Geik Drever	Strategic Director of Pensions
	Tel	01902 552020
	Email	geik.drever@wolverhampton.gov.uk

Recommendations for noting:

The Committee is asked to note:

1. The Fund's investment policy and investment returns for the year to 31 March 2015.

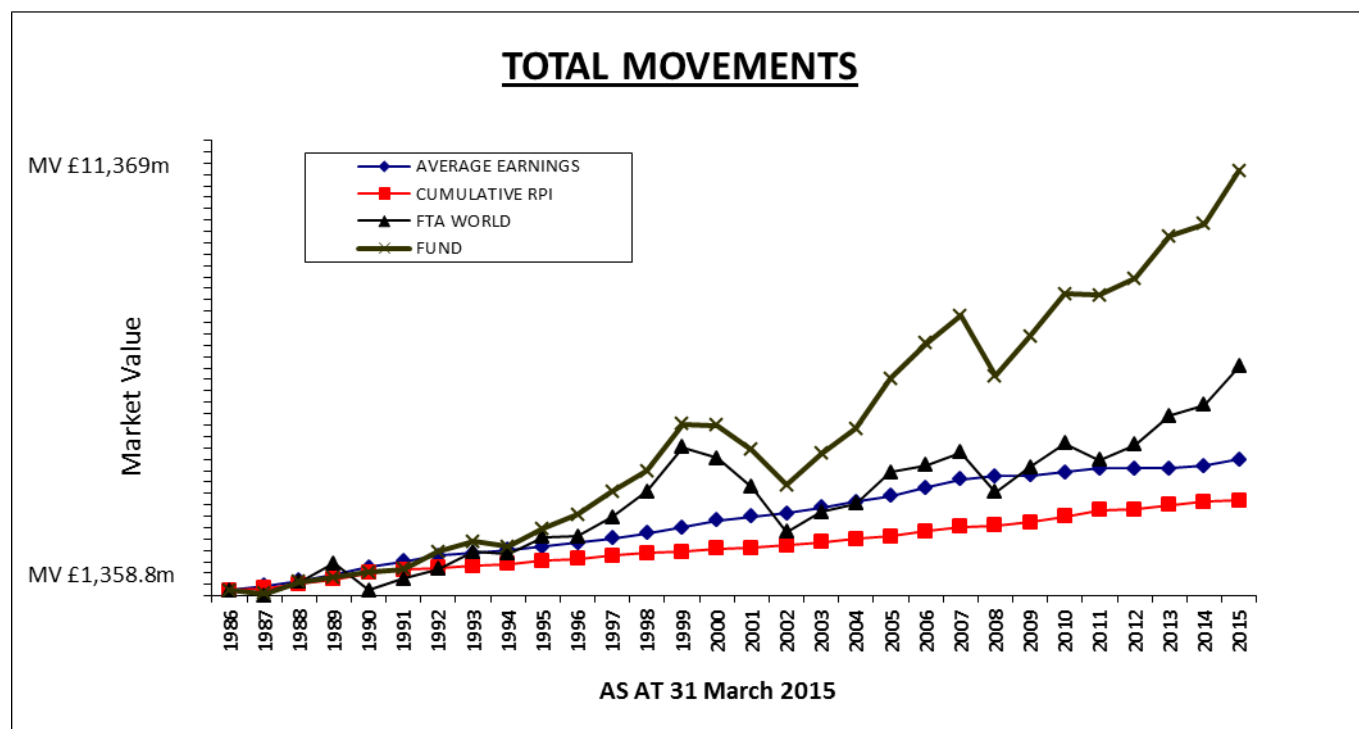
1.0 Purpose

1.1 This report covers the Fund's investment policy and investment returns for the year to 31 March 2015.

2.0 Investment Policy

2.1 Investment policy is reviewed annually with the next Strategic Investment Allocation Benchmark (SIAB) to be presented to the Committee in September 2015. The Fund's focus has been on a long term investment strategy focussing on three principal asset classes – quoted equities, fixed interest and alternative investments. These are combined to provide diversification and reduce volatility. The Fund continues to have a return seeking strategy with a total return target of 6.9% per annum with returns predominantly generated from markets (6.0%) and the balance (0.9%) from active management.

2.2 At the beginning of the period, the Fund's market value was £10.1bn. By the end of March 2015, the value of the Fund was £11.4bn, which reflects net cashflow and appreciation in market value. The graph below illustrates the cumulative movement of the Fund since 1986 resulting from the implementation of investment policies, market movements, unrealised profits and net cash inflows.



2.4 The Fund continues to have positive cash inflows from net contributions and investment income, but during the year there were two exceptional transfers. In April 2014, £184m

was received from employers in respect of deficit advance payments. In the final quarter of 2014, £246m was transferred to Greater Manchester Pension Fund (GMPF) as the responsibility for the management of the local probation trust pension assets was rolled into the National Probation Service pension scheme under the direction of GMPF.

3.0 Asset allocation

3.1 The following table shows a summary of the asset distribution for the year ended 31st March 2014 compared with the Strategic Risk Bands agreed by the Pensions Committee. The Fund's closing market value of £11.4bn reflects a net disinvestment of £97.7m and appreciation of investments during the period.

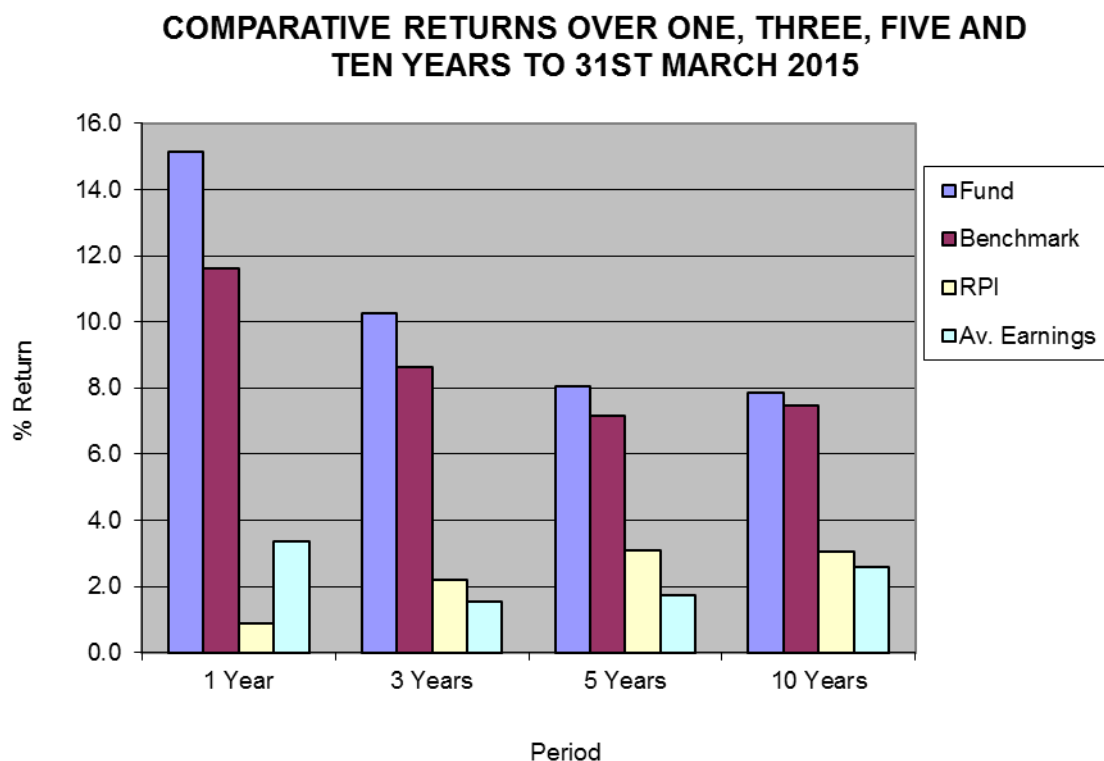
Portfolio	Strategic Risk Bands %	Opening Levels %	Closing Levels %	Closing Market Value £M	Net Investment £M
UK Equities		10.0	9.3	1,060	+26.2
Global Equities		5.2	7.5	856	+219.1
Overseas Equities		30.7	30.7	3,486	-48.6
North America		9.7	7.8	889	-294.2
Continental Europe		6.7	8.0	908	+184.8
Pacific Ex Japan		4.1	3.8	436	-17.4
Japan		1.8	3.8	427	+178.3
Emerging Markets		8.4	7.3	826	-100.1
Private Equity		12.3	11.9	1,351	-174.5
Total Equities	50.0-70.0	58.2	59.4	6,753	+22.2
Stabilising					
UK Gilts		1.9	1.3	151	-61.4
Index Linked Gilts		6.3	6.2	710	-50.0
Cash		2.6	4.8	543	+277.8
Return Seeking					
Specialist Fixed Interest		3.3	3.1	351	-12.9
Corporate Bonds		4.8	4.7	534	0.0
Emerging Market Debt		2.6	2.6	293	-0.0
Total Fixed Interest	15.0-25.0	21.5	22.7	2,582	+153.5
Property		9.2	8.3	944	-89.3
Absolute Return		6.4	6.2	708	-59.9
Real Assets & Infrastructure		4.8	3.4	381	-124.2
Total Alternatives	15.0-25.0	20.3	17.9	2,033	-273.4
Total Non-Equities	30.0-50.0	41.8	40.6	4,615	-119.9
Total	100.0	100.0	100.0	11,368	-97.7

3.2 All main asset classes closed within their wider strategic risk bands.

- 3.3 The investment strategy allocation is determined in accordance with the regulations (LGPS - Management and Investment of Funds - Regulations 2009) and its formulation is set out in the Fund's Statement of Investment Principles. In accordance with the investment management regulations, the schedule of limits on investments has an upper limit of 30% for commitments to partnerships and 15% for investments in unlisted securities of companies. These limits are kept under review and reviewed every time the SIP is reviewed.
- 3.4 The most significant asset allocation changes made during the year were an increase in the allocation to quoted equities (net investment of £196.7m), which was largely offset by record distributions from the private equity portfolio (£174.5m). The allocation to fixed interest was reduced (by £124.3m), the commodities fund portfolio was sold (netting £147.1 million) and there were net property sales (totalling £89.3m). As a result, cash balances increased by £277.8m over the year to reach £541.5m on 31 March 2015.
- 3.5 A major reshaping of the quoted equities portfolio took place in the first quarter of 2015 with a move to fixed weights for the regional overseas equities allocations – 7.5% for each of North America, Europe ex UK, emerging markets and 3.75% for each of the Pacific and Japan. The remaining active equities mandates for the developed overseas equities markets were terminated so that these allocations are managed passively by the in-house team. Active management in quoted equities is now targeted at global and emerging markets equities.
- 3.6 Underlying the changes made to the portfolio during the year was a desire for simpler, lower cost and more cost effective management arrangements. New investments were made very selectively, notably in insurance linked funds, infrastructure and private equity.

5.0 Returns to 31 March 2015

5.1 The Fund's returns over one, three, five and ten years compared to its bespoke benchmark, retail prices index (RPI) and average earnings are illustrated in the chart shown below.



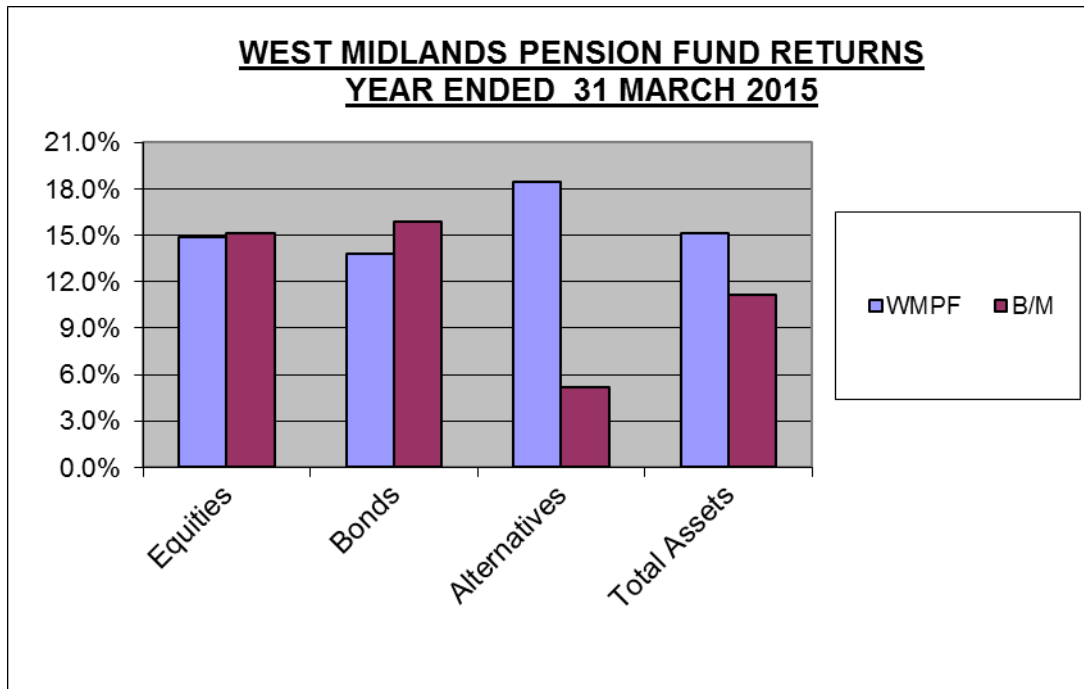
5.2 In the year to 31 March 2015, the Fund delivered a return of 15.1%, well ahead of its bespoke benchmark of 11.6%. The main contributors to the outperformance were good relative performances from the private equity and absolute return portfolios. This was offset in part by underperformance in fixed interest (following a strong 2013/14) and in some parts of the quoted equities portfolio (mainly emerging markets).

5.3 A return of 10.2% per annum was achieved by the Fund in the three years to 31 March 2015, ahead of the bespoke benchmark return of 8.6%. Strong performances from quoted equities and private equity were the key contributors over this time period.

5.4 A return of 8.0% per annum was achieved by the Fund in the five years to 31 March 2015, ahead of the bespoke benchmark return of 7.2%. Good performances from quoted equities and private equity were the key contributors over this time period.

5.5 The Fund's 10 year return of 7.9% per annum was usefully ahead of the benchmark return of 7.5% and well ahead of increases in RPI and Average Earnings.

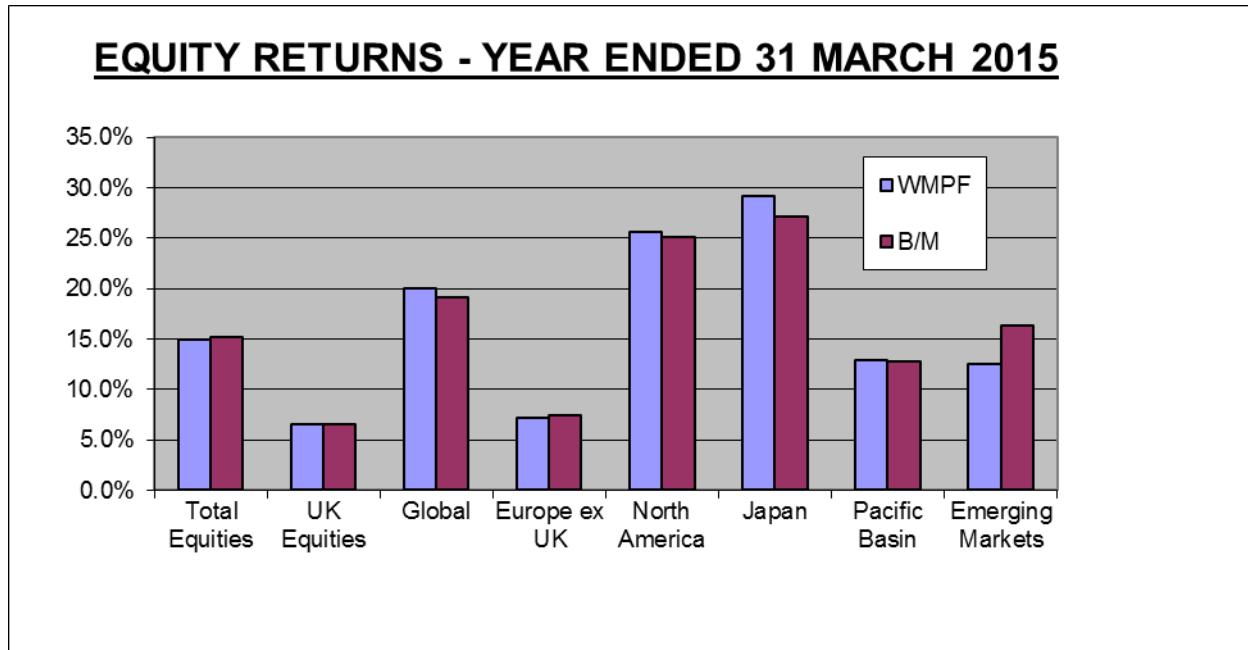
5.5 The graph following illustrates the returns of the Fund's main asset classes for the year ended 31 March 2015 and compares them to the returns from its bespoke benchmark.



Note: the scheme-specific benchmark for individual asset classes are recognised indices, but for the wider asset classes is a combination of weighted indices.

5.6 The Fund's total return was well ahead of its scheme specific benchmark by 3.5%. This outperformance was achieved mainly because of outperformance in private equity and the absolute return portfolios. There was some offsetting underperformance in fixed interest (following a relatively strong 2013/14 performance), notably emerging markets debt. The quoted equities portfolio marginally underperformed, mainly due to the emerging markets equities portfolio lagging in a strong rising market.

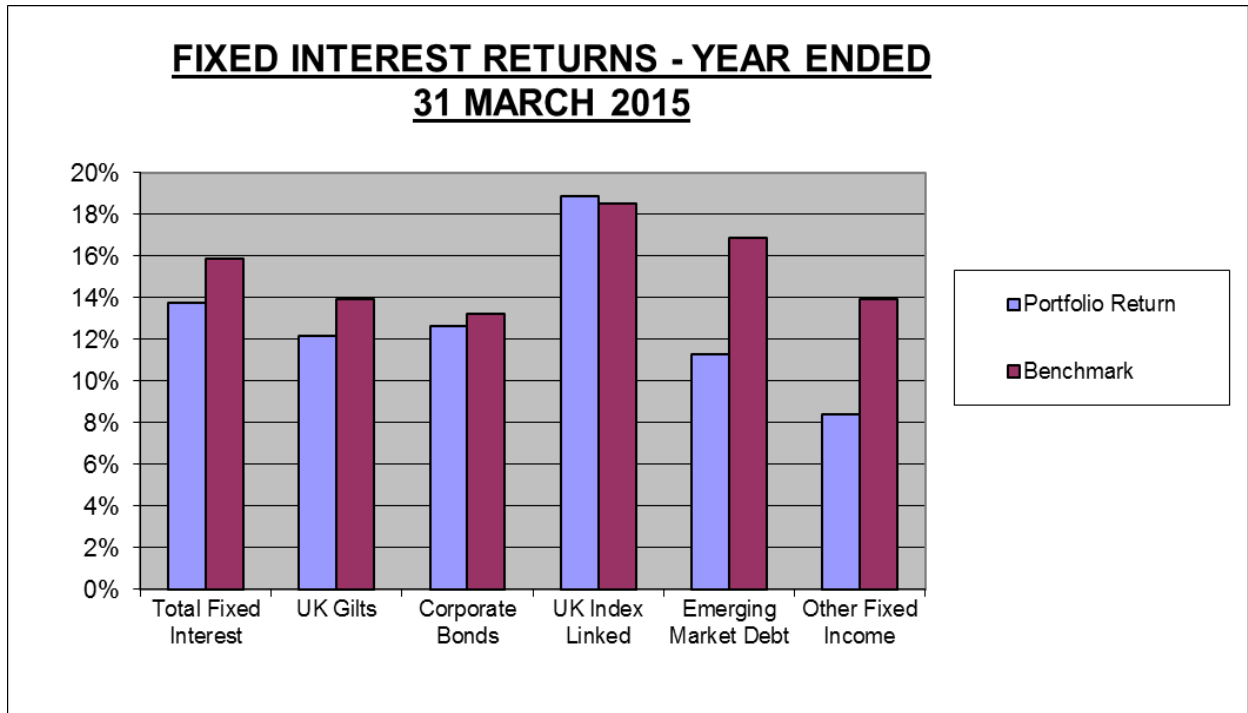
5.7 The graph below illustrates the returns of the different quoted equity markets:



5.8 Developed markets equities posted positive returns, with North America (aided by US Dollar strength) and Japan faring notably well. The UK and Europe posted fairly modest returns.

5.9 The Fund's quoted equities portfolio marginally underperformed, with a return of 14.9% achieved compared with a benchmark return of 15.2%. Most areas performed satisfactorily in relative terms and the emerging markets equities portfolio was the main contributor to underperformance, lagging in a strongly rising market.

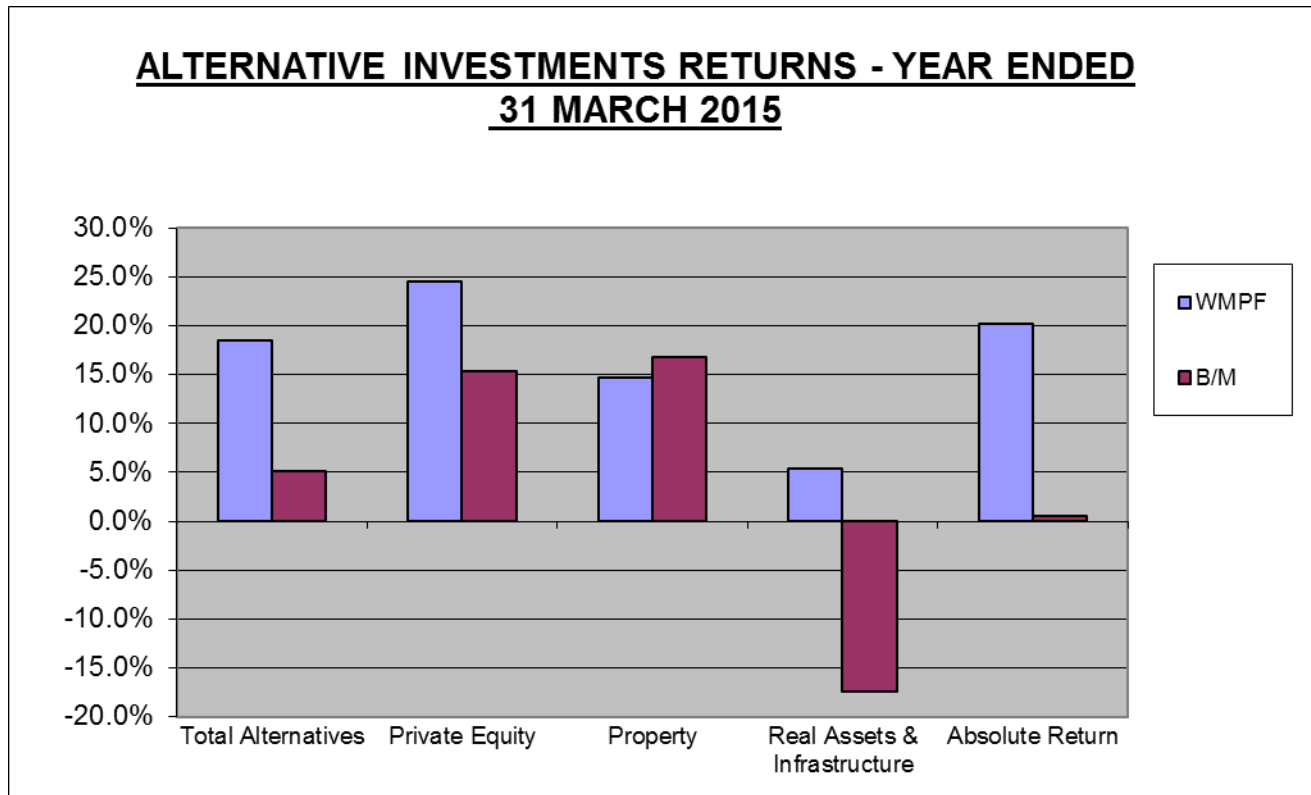
5.10 The graph below illustrates the returns of the different fixed interest markets:



5.11 Fixed interest markets had a strong year (following a difficult 2013/14) with most segments posting double digit returns.

5.12 The Fund's fixed interest portfolio underperformed, posting a return of 13.8% compared with a benchmark return of 15.9%. The emerging market debt allocation was a laggard and the specialist fixed interest funds (which performed well in 2013/14) were largely responsible for the underperformance.

5.13 The graph below shows the returns from the Fund's investments that make up the alternative assets:



5.14 The alternative investments portfolio delivered a strong return in 2014/15 but within the overall picture there were significant variations. The private equity portfolio achieved a return of 24.6%, reflecting profitable distributions in a very favourable market environment. It was another good year for property but the Fund's return from the sector, at 14.7%, lagged its benchmark, mainly due to underperformance from the indirect sector.

5.15 The commodities portfolio was sold in the year, ensuring that the Fund was not unduly exposed to the sharp falls in commodities prices. This part of the portfolio delivered a return of -12.2% compared with the benchmark return of -32.9%. In the absolute return segment, a 20.2% return was delivered with most segments faring well, notably insurance linked funds.

6.0 West Midlands Pension Fund historical returns

6.1 The returns as at 31 March 2015 achieved by the Fund in the main asset classes in which it invests are shown in the table below, as are the three and five year annualised returns where available.

	1 Year %	3 Year %	5 Year %
UK Equities	6.53	10.72	8.54
European Equities	7.14	14.69	7.50
US Equities	25.63	18.49	14.41
Pacific Basin Equities	12.86	7.89	6.17
Japanese Equities	29.21	13.17	7.37
Emerging Markets Equities	12.52	3.08	2.47
Global Equities	20.03	14.69	10.32
Gilts	12.19	4.60	6.67
Index Linked	18.88	8.10	9.72
Corporate Bonds	12.61	9.10	8.14
Emerging Market Debt	11.27	4.58	5.54
Property	14.71	11.21	9.62
Private Equity	24.55	14.59	11.56
Real Assets & Infrastructure	5.42	2.12	1.36
Absolute Return Strategies	20.24	9.83	7.39
Total Fund	15.07	10.23	8.03

6.2 The above table highlights the positive returns achieved by most asset classes over the past year. Three year and five year returns have been strong, reflecting the policy measures taken by the authorities in the wake of the financial crisis of 2008. It is suggested that the double digit returns delivered last year and over three years are rather higher than what the Fund can realistically expect in the coming three years, with single digit annualised returns at best in prospect.

6.3 Following the market turmoil of 2008, a new investment strategy was adopted in 2009, with a reduction in the target allocation to quoted equities (from 60% to 48% currently) and a corresponding increase in the allocation to alternative investments. The increased diversification is designed to protect the portfolio in tougher market conditions.

7.0 Investment management and portfolio construction

- 7.1 The investment policy of the Fund is considered at each quarterly meeting of the Investment Advisory Sub-Committee and implemented by the Investments Division. The Division consists of a number of specialist teams which reflect the asset allocation and functions of the Fund. These teams currently cover quoted equities, alternative investments and fixed interest.
- 7.2 The Division manages approximately 80% of total investments in-house, with the balance managed via external segregated management arrangements.
- 7.3 The Fund recognises that the mainstream quoted equities and fixed interest markets are relatively efficient, thus passive management dominates within these asset classes. Although most use of specialist managers is within alternative assets, the Fund uses active management in mainstream liquid assets where inefficiencies and market opportunities exist, for example in global and emerging market equities.

8.0 Financial implications

- 8.1 This report demonstrates the Fund's return seeking investment strategy through a diversified investment portfolio.

9.0 Legal implications

- 9.1 This report contains no direct legal implications.

10.0 Equalities implications

- 10.1 None identified.

11.0 Environmental implications

- 11.1 None identified.

12.0 Human resources implications

- 12.1 None identified.

13.0 Corporate landlord

- 13.1 None identified.

14.0 Schedule of background papers

- 14.1 There are no background papers except those listed in the report.

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