



**West Midlands Pension Fund**  
Annual Report 2015



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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.

### 9) Increased Use of In-House Investment Management Expertise

The Fund plans to increase its in-house investment capability and expertise, thereby further reducing investment management costs. Its successful passive equities management function will be complemented by a new active global equities management capability during 2015/16. The Fund is further strengthening its external investment management selection and monitoring capability.



# 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](mailto: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

#### 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*)

\*Denotes member of Investment Advisory Sub-Committee

#### 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)
<b>Total expenditure</b>	<b>19,998</b>	<b>16,533</b>	<b>(3,465)</b>
Miscellaneous income	(530)	(733)	(203)
<b>Net expenditure</b>	<b>19,468</b>	<b>15,800</b>	<b>(3,668)</b>

**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
<b>Net cost of pensions</b>	<b>30.0</b>	<b>234.7</b>	<b>204.7</b>
Investment income	(141.2)	(160.5)	(19.3)
Gains in value of investments	(464.0)	(1,409.6)	(945.6)
<b>Return on investments</b>	<b>(605.2)</b>	<b>(1,570.1)</b>	<b>(964.9)</b>
<b>Management expenses (operating budget) - see footnote</b>	<b>19.4</b>	<b>15.8</b>	<b>(3.6)</b>
<b>Net increase in the Fund</b>	<b>(555.8)</b>	<b>(1,319.6)</b>	<b>(763.8)</b>
Opening Fund balance	10,144.4	10,144.4	-
<b>Closing Fund balance</b>	<b>10,700.2</b>	<b>11,464.0</b>	<b>(763.8)</b>

**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)
<b>Net budget</b>	<b>18,018</b>	<b>19,171</b>	<b>19,727</b>	<b>20,558</b>	<b>21,677</b>

**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
<b>Net cost of pensions</b>	<b>(17.3)</b>	<b>10.9</b>	<b>14.3</b>	<b>21.9</b>	<b>35.7</b>	<b>50.0</b>
<b>Net transfers (in)/out</b>	<b>252.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
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)
<b>Return on investments</b>	<b>(1,570.1)</b>	<b>(679.5)</b>	<b>(725.0)</b>	<b>(766.1)</b>	<b>(808.9)</b>	<b>(853.2)</b>
<b>Management expenses (operating budget) - see footnote</b>	<b>15.8</b>	<b>18.0</b>	<b>19.2</b>	<b>19.7</b>	<b>20.6</b>	<b>21.7</b>
<b>Net increase in the Fund</b>	<b>(1,319.6)</b>	<b>(650.6)</b>	<b>(691.5)</b>	<b>(724.5)</b>	<b>(752.6)</b>	<b>(781.5)</b>
Opening Fund balance	10,144.4	11,464.0	12,114.6	12,806.1	13,530.6	14,283.2
<b>Closing Fund balance</b>	<b>11,464.0</b>	<b>12,114.6</b>	<b>12,806.1</b>	<b>13,530.6</b>	<b>14,283.2</b>	<b>15,064.7</b>

**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
<b>Average for LGPS:</b>		
- 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

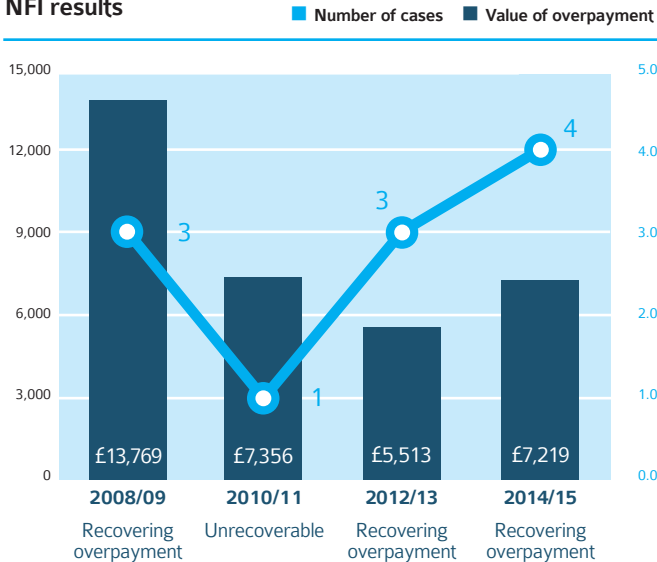
The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The following table sets out overpayments for the last five years.

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
<b>Total for year</b>	<b>99.2</b>

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)
The Chief Constable for West Midlands Police	(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)
Sheffield 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 Ullathorne 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)
Reedwood 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)
<b>Grand total of contributions receivable</b>	<b>(389,496,903)</b>	<b>(110,653,426)</b>



# 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	<b>253,693</b>
31 March 2012	95,478	76,422	8,045	64,280	10,948	<b>255,173</b>
31 March 2013	97,330	78,679	7,830	66,461	11,024	<b>261,324</b>
31 March 2014	99,771	82,287	7,721	69,170	11,381	<b>270,330</b>
31 March 2015	104,250	83,521	7,677	70,587	11,523	<b>277,558</b>

#### 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**.

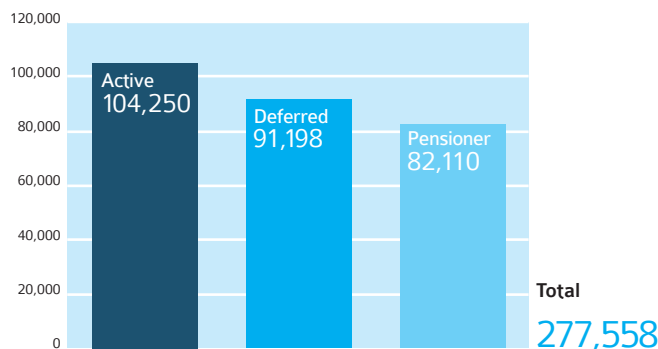
#### Deferred members

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

Processes outstanding as at 31 March 2014	Processes completed 2014/15	Processes outstanding as at 31 March 2015
12,139	108,416	11,692

##### Average processes per member of staff

Processes outstanding as at 31 March 2014	Processes completed 2014/15	Processes outstanding as at 31 March 2015
137	1,485	160

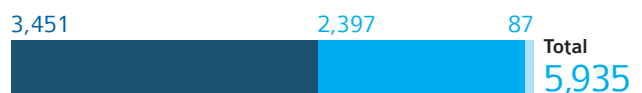
#### Benefit Operations Membership Movement

##### 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](http://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
<b>Total</b>	<b>10</b>	<b>42</b>	<b>124</b>	<b>979</b>	<b>5,825</b>	<b>11,620</b>	<b>17,044</b>	<b>19,631</b>	<b>26,156</b>	<b>35,546</b>	<b>37,936</b>

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	-	-	-	-	-	-	<b>104,250</b>
Beneficiary pensioner	562	862	1,244	1,624	1,884	1,881	1,368	687	173	28	<b>11,476</b>
Deferred	13,592	5,508	312	87	30	75	55	18	2	-	<b>83,331</b>
Deferred ex-spouse	49	19	-	-	-	-	-	-	-	-	<b>173</b>
Pensioner	3,499	14,259	19,489	13,227	9,073	5,791	3,006	1,069	195	29	<b>70,587</b>
Pensioner deferred	3	3	-	-	-	-	-	-	-	-	<b>17</b>
Pensioner ex-spouse	-	15	20	7	2	3	-	-	-	-	<b>47</b>
Preserved refund	1,135	551	47	46	43	23	20	22	4	-	<b>7,677</b>
<b>Total</b>	<b>32,095</b>	<b>27,313</b>	<b>22,503</b>	<b>15,253</b>	<b>11,032</b>	<b>7,773</b>	<b>4,449</b>	<b>1,796</b>	<b>374</b>	<b>57</b>	<b>277,558</b>

#### 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
<b>Total</b>	<b>473</b>	<b>10</b>	<b>483</b>

#### 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	4,824	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](http://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](http://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.

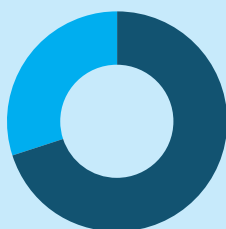
# Corporate Responsibility

## Our People

### Employee Information at 31 March 2015

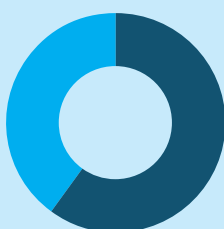
Understanding the makeup of West Midlands Pension Fund is an important part of our commitment to be an excellent employer. We are proud of the diversity that our organisation displays.

#### Working pattern



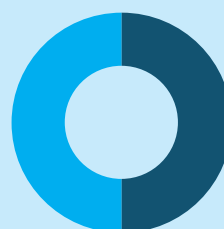
■ Full time 77%  
■ Part time 23%

#### Gender balance of Senior Management Team (SMT)



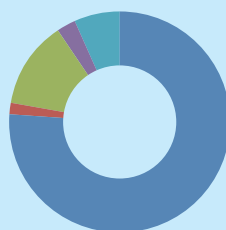
■ Male 60%  
■ Female 40%

#### Gender balance of investment professionals



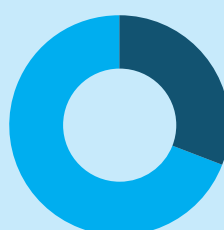
■ Male 50%  
■ Female 50%

#### Ethnic profile



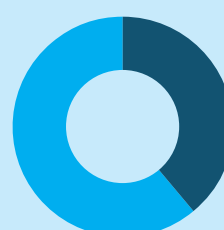
■ White (British/Irish) 76.1%  
■ Mixed race 1.8%  
■ Asian or Asian British 12.8%  
■ Black or Black British 2.7%  
■ Chinese or other 6.5%

#### 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](http://www.wmpfonline.com/ri) or contact:

Leanne Clements,  
Responsible Investment Officer,  
West Midlands Pension Fund at [responsible.investment@wolverhampton.gov.uk](mailto: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

The background of the page features a blurred financial chart with a grid. A black pen is positioned diagonally across the right side of the chart. The chart shows a line graph with several peaks and troughs. At the top of the chart, the number '-1.98' is visible. The overall color scheme is a warm, golden-brown hue.

# 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
<b>Total equities</b>	<b>50.0-70.0</b>	<b>59.4</b>	<b>6,753</b>
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	552
<b>Total fixed interest</b>	<b>15.0-25.0</b>	<b>22.7</b>	<b>2,591</b>
Property		8.3	944
Absolute return		6.2	708
Real assets and infrastructure		3.4	381
<b>Total alternatives</b>	<b>15.0-25.0</b>	<b>17.9</b>	<b>2,033</b>
<b>Total non-equities</b>	<b>30.0-50.0</b>	<b>40.6</b>	<b>4,624</b>
<b>Total</b>	<b>-</b>	<b>100.0</b>	<b>11,377</b>

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

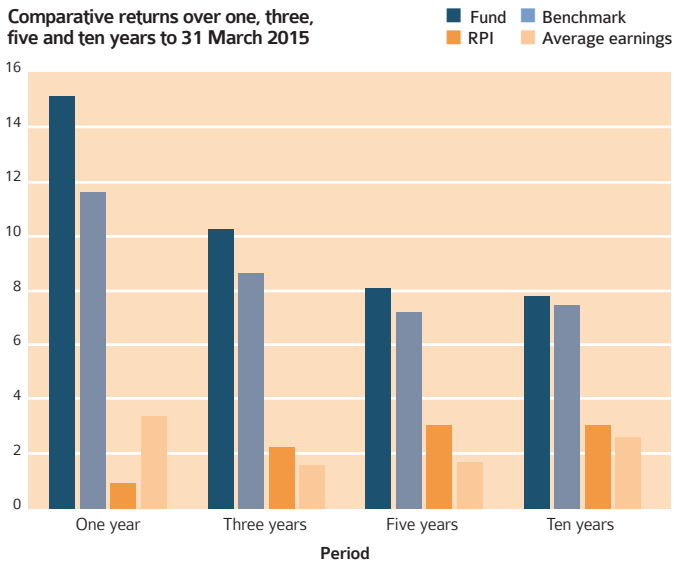
The Fund remains cashflow positive. £234 million was received in April 2014 in respect of deficit prepayments and advance employer contributions from employers and in the autumn, £246 million was transferred to Greater Manchester Pension Fund (in cash and gilts) as responsibility for the management of 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
<b>Total equities</b>	<b>6,753</b>	<b>+22.2</b>
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	552	286.8
<b>Total fixed interest</b>	<b>2,591</b>	<b>+162.5</b>
Property	944	-89.3
Absolute return	708	-59.9
Real assets and infrastructure	381	-124.2
<b>Total alternatives</b>	<b>2,033</b>	<b>-273.4</b>
<b>Total complementary</b>	<b>4,624</b>	<b>4,624</b>
<b>Total</b>	<b>11,377</b>	<b>-88.7</b>

# 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).

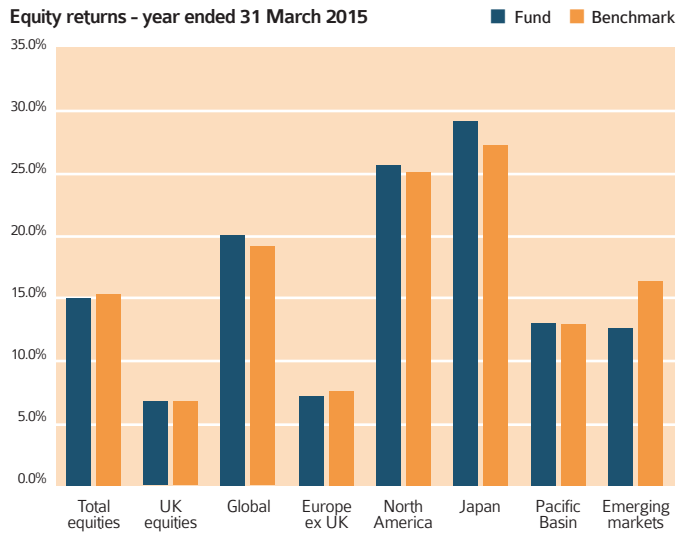
### Medium-term (three to five years)

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.

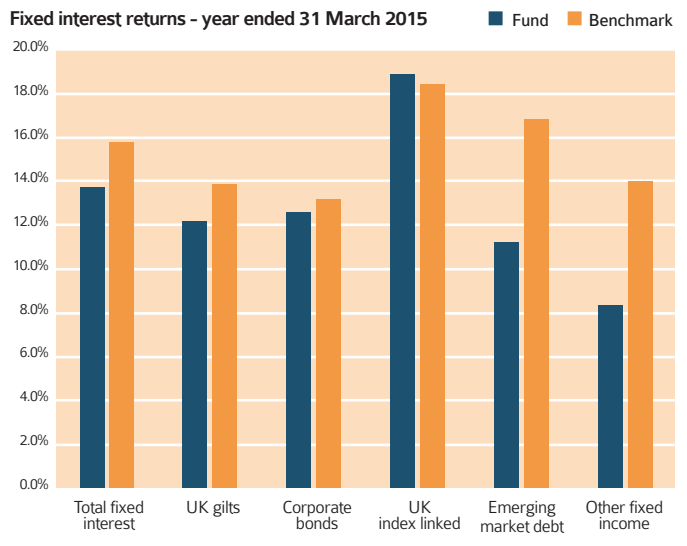
## Quoted Equities



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 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

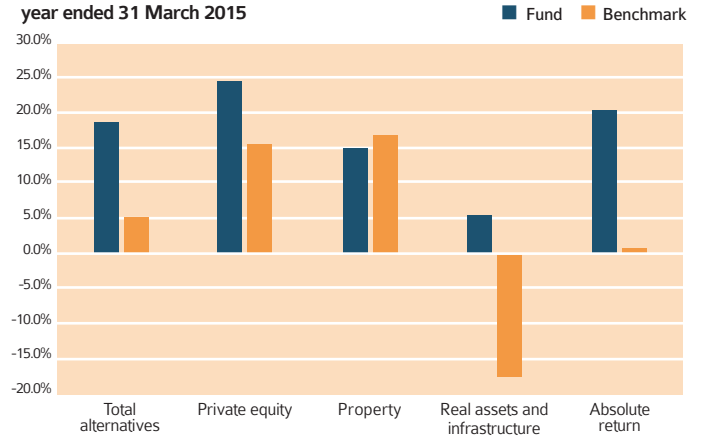
The alternative investments portfolio delivered a strong return in 2014/15 but within the overall picture there were significant variations. The private equity portfolio achieved a return of 24.6%, reflecting profitable distributions in a very favourable market environment. It was another good year for 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.

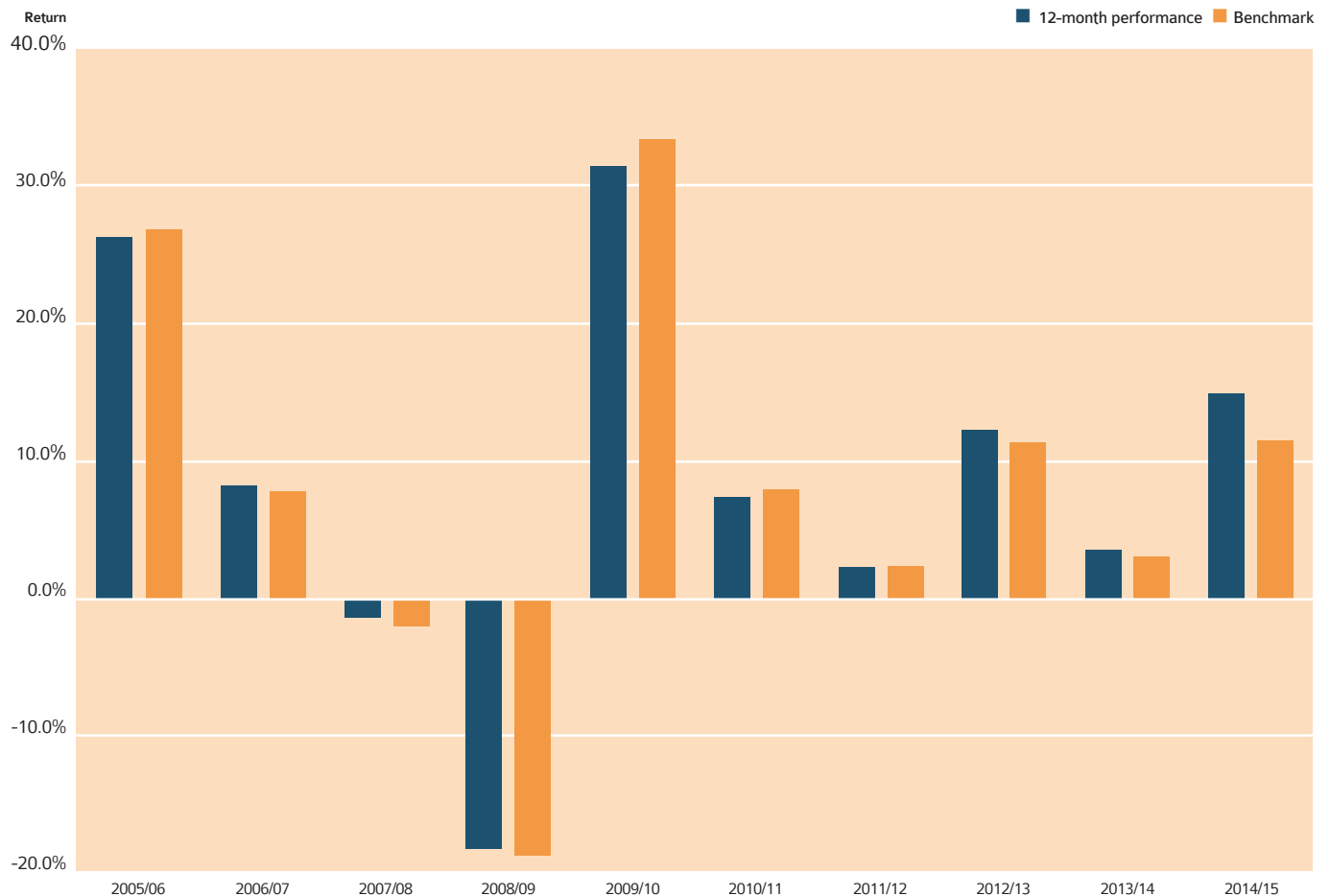
### Mark Chaloner

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





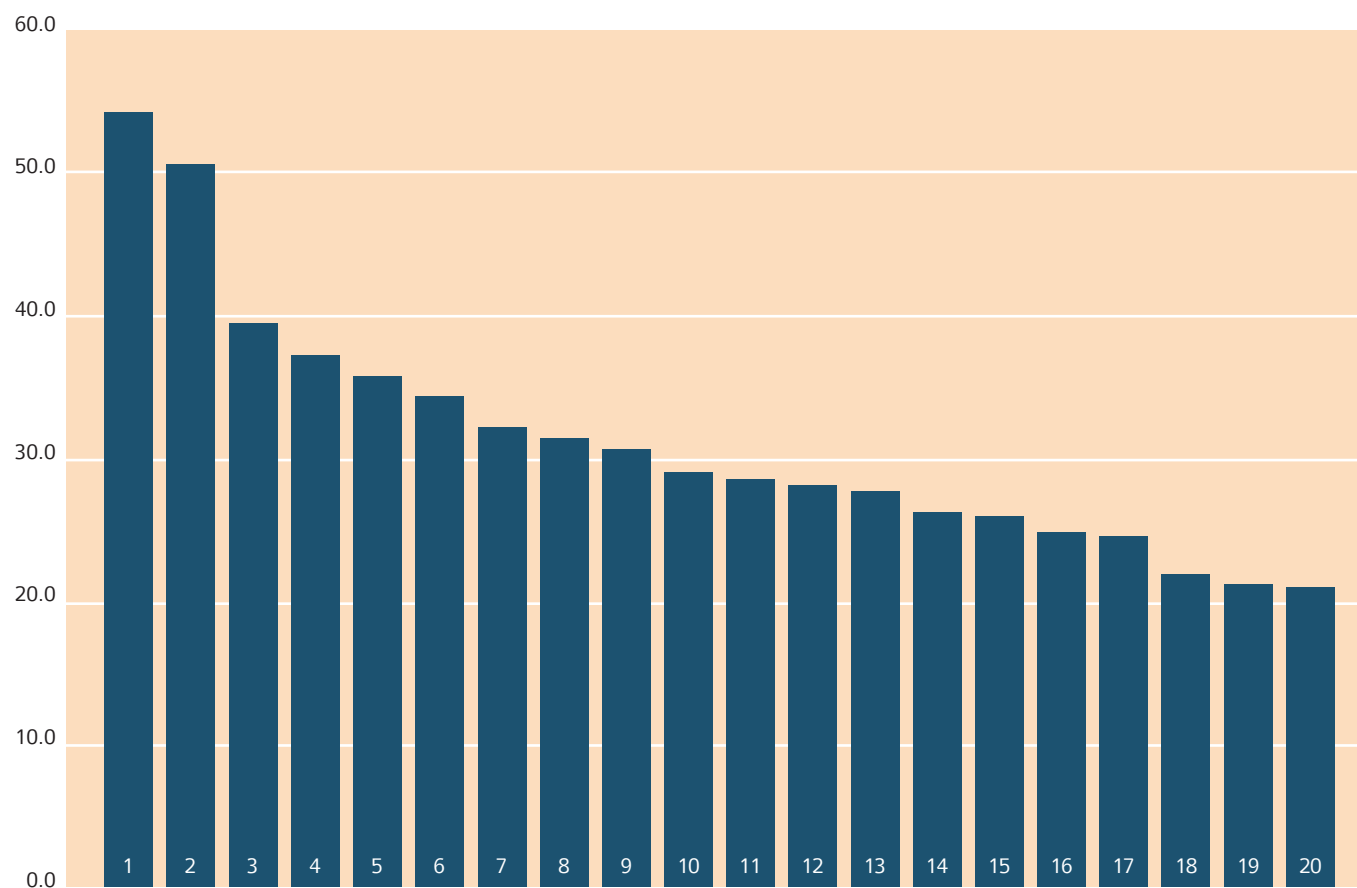
# Investment Policy and Performance

## 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**

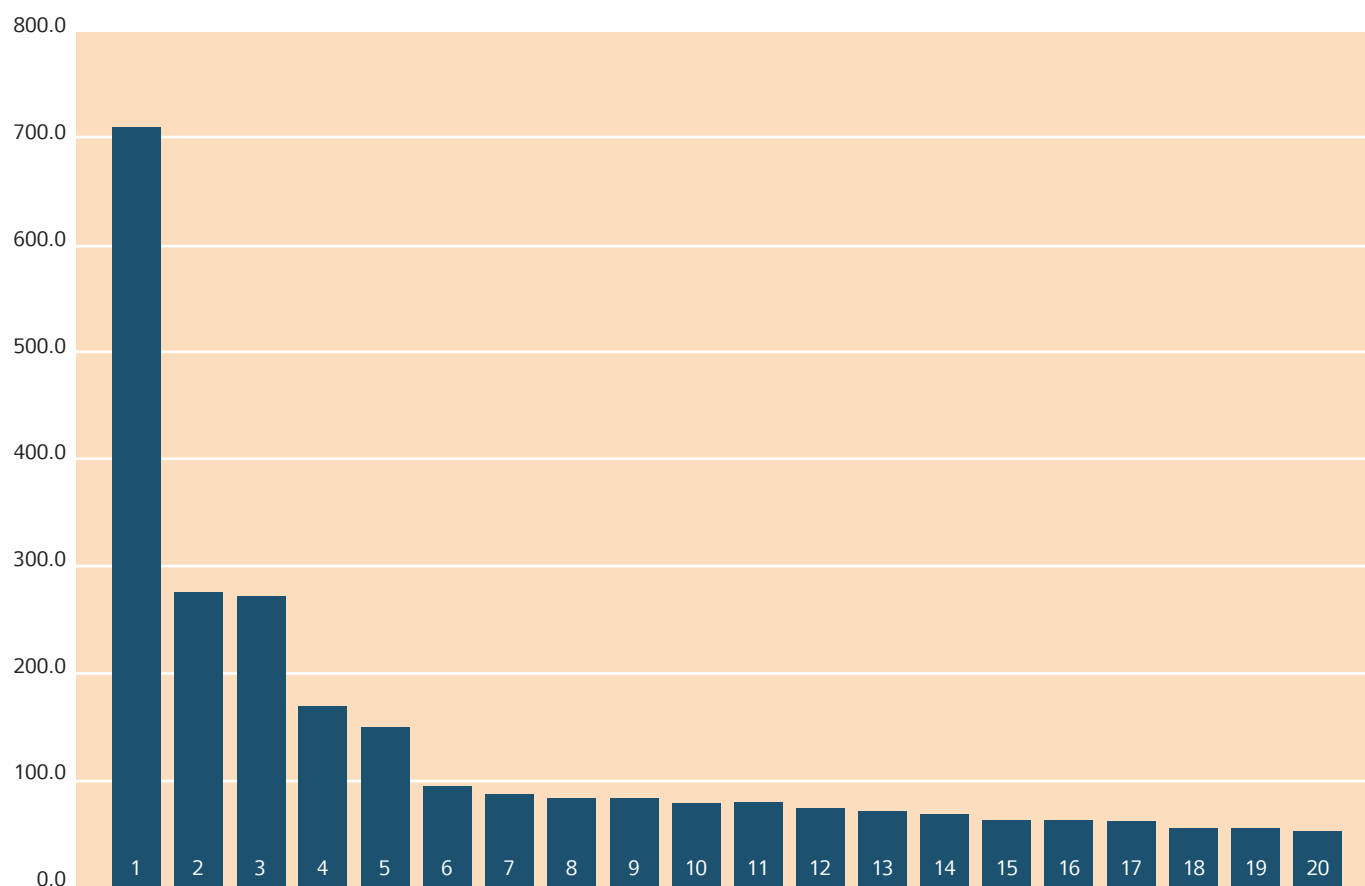


# Investment Policy and Performance

## 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	Highbidge 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 £m	% of total market value	Market value £m	% of total market value
<b>Security</b>			
639.1	6.3	709.9	6.2
Legal & General - All Stocks Index-Linked Gilts Fund			

# 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
<b>Total equities</b>	<b>45.0-65.0</b>	<b>58.2</b>	<b>5,870</b>
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
<b>Total fixed interest</b>	<b>15.0-25.0</b>	<b>21.5</b>	<b>2,177</b>
Property		9.2	928
Absolute return		6.3	642
Real assets and infrastructure		4.8	483
<b>Total alternatives</b>	<b>20.0-30.0</b>	<b>20.3</b>	<b>2,053</b>
<b>Total non-equities</b>	<b>35.0-55.0</b>	<b>41.8</b>	<b>4,230</b>
<b>Total</b>	<b>-</b>	<b>100.0</b>	<b>10,100</b>

## 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)	656.4	-	656.4
Alternatives	815.6	561.5	1,377.1
Cash and cash equivalents	459.9	91.9	551.8
<b>Total</b>	<b>4,926.1</b>	<b>6,451.4</b>	<b>11,377.5</b>

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)<sup>1</sup> 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 15.4% 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.

<sup>1</sup>More details can be found here: <http://www.unpri.org>

# 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>	
<b>Hg Renewable Power Fund</b>	Invests in sustainable energy projects and companies in Europe.
<b>Impax</b>	
<b>Blackstone</b>	Targets promising companies across the spectrum of environmentally-friendly technologies.
<i>Property</i>	
<b>Igloo Regeneration</b>	Invests in UK mixed-use real estate through sustainable place-making in partnership with the public sector and local communities.
<b>Bridges Sustainable Property Fund</b>	Invests in properties in regeneration areas and environmentally sustainable buildings.



# Investment Policy and Performance

## Responsible Investment

### Private equity

<b>Bridges Sustainable Growth Funds</b>	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.
<b>Virgin Green</b>	Invest in companies in the renewable energy and resource efficiency sectors in the US and Europe
<b>Climate Change Capital</b>	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.

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# Investment Policy and Performance

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## 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

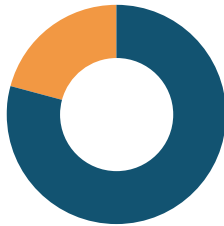
### Total



Support management  
Against management

68.25%  
31.75%

### UK



Support management  
Against management

79.39%  
20.61%

### Europe



Support management  
Against management

67.85%  
32.15%

### USA and Canada



Support management  
Against management

60.48%  
39.52%

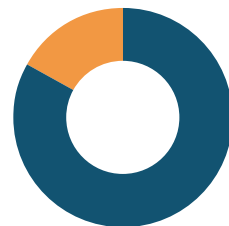
### Asia



Support management  
Against management

48.02%  
51.98%

### Japan



Support management  
Against management

83.24%  
16.76%

### Australia/New Zealand/South Africa



Support management  
Against management

57.10%  
42.90%

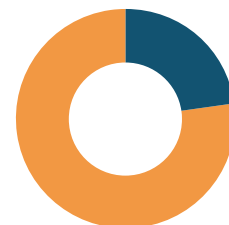
### South America



Support management  
Against management

51.83%  
48.17%

### Rest of the World



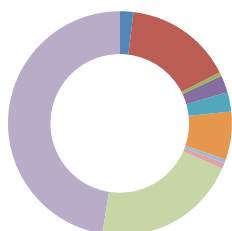
Support management  
Against management

22.85%  
77.15%

# Investment Policy and Performance

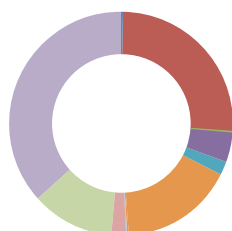
## Voting Summary

### Total



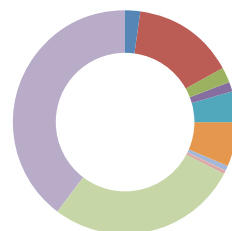
Shareholder resolution	2.21%
Remuneration	15.36%
Share capital	0.60%
Annual report	2.40%
Articles of association	2.96%
Auditors	6.95%
Corporate actions	0.59%
Corporate donations	0.63%
Other	21.00%
Directors	47.30%

### UK



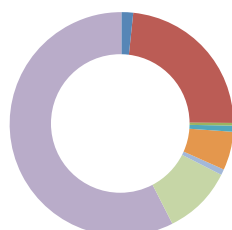
Shareholder resolution	0.24%
Remuneration	25.73%
Share capital	0.15%
Annual report	4.40%
Articles of association	1.85%
Auditors	16.54%
Corporate actions	0.39%
Corporate donations	2.16%
Other	11.82%
Directors	36.72%

### Europe



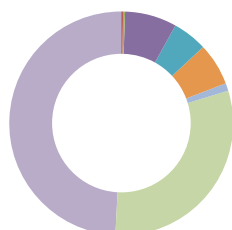
Shareholder resolution	2.30%
Remuneration	14.89%
Share capital	2.15%
Annual report	1.48%
Articles of association	4.22%
Auditors	6.55%
Corporate actions	0.67%
Corporate donations	0.13%
Other	27.95%
Directors	39.66%

### USA and Canada



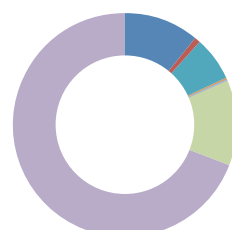
Shareholder resolution	1.71%
Remuneration	23.36%
Share capital	0.10%
Annual report	0.00%
Articles of association	0.97%
Auditors	5.78%
Corporate actions	0.60%
Corporate donations	0.00%
Other	10.13%
Directors	57.35%

### Asia



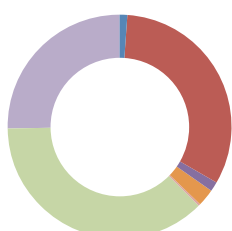
Shareholder resolution	0.00%
Remuneration	0.36%
Share capital	0.44%
Annual report	7.40%
Articles of association	4.91%
Auditors	6.23%
Corporate actions	1.03%
Corporate donations	0.00%
Other	30.48%
Directors	49.15%

### Japan



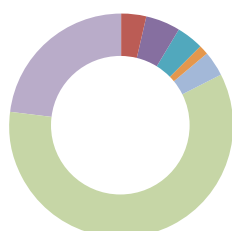
Shareholder resolution	10.97%
Remuneration	0.83%
Share capital	0.00%
Annual report	0.00%
Articles of association	6.51%
Auditors	0.10%
Corporate actions	0.10%
Corporate donations	0.00%
Other	12.41%
Directors	69.08%

### Australia/New Zealand/South Africa



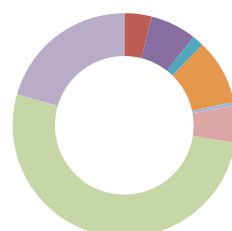
Shareholder resolution	1.35%
Remuneration	32.14%
Share capital	0.00%
Annual report	1.32%
Articles of association	0.00%
Auditors	2.56%
Corporate actions	0.00%
Corporate donations	0.33%
Other	37.10%
Directors	25.20%

### 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	59.49%
Directors	22.78%

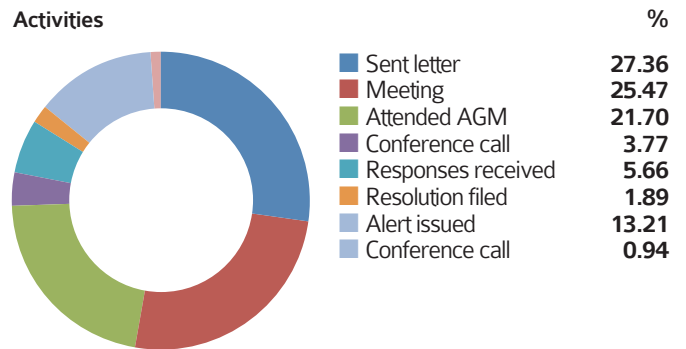
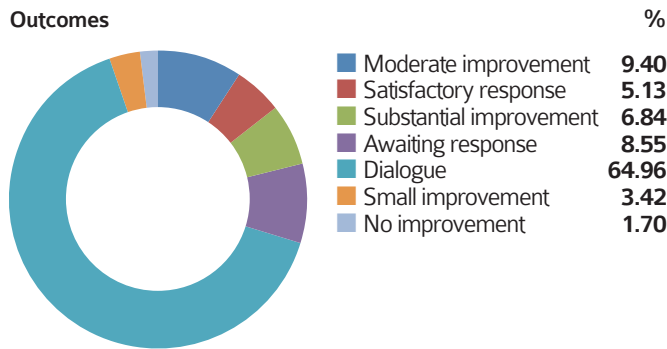
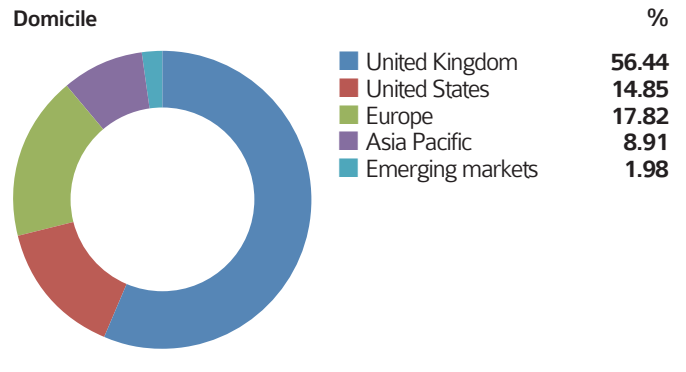
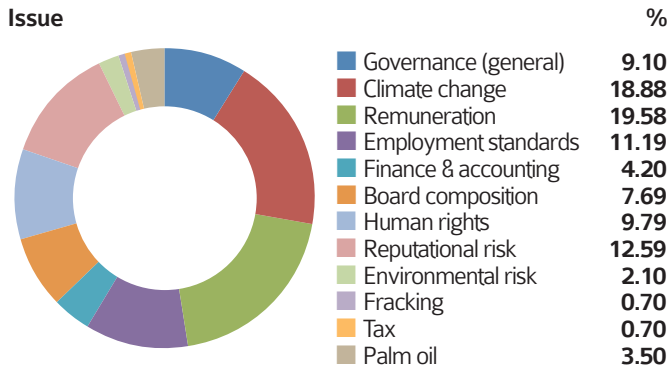
### Rest of the World



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](http://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.

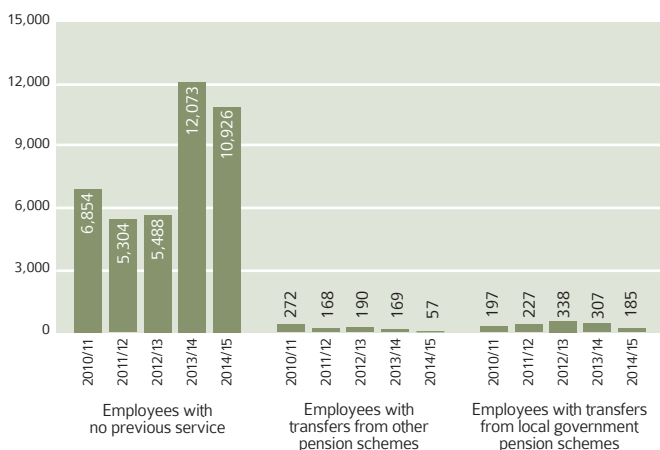
The Fund provides Pensions Committee with quarterly statistical reports demonstrating trends and service levels, particularly at notification periods for deferred and annual benefits statements. Included in these reports is the Fund's performance against its core key performance indicators (KPIs), which 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.

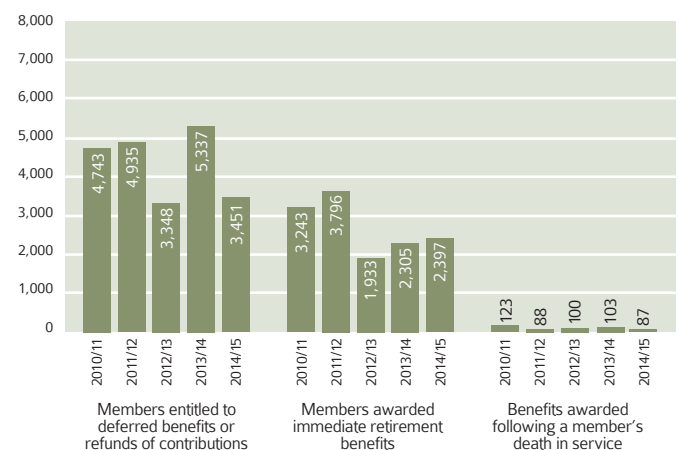
The Fund issued a revised *Pensions Administration Strategy (PAS)*, effective 1 April 2015, which was consulted upon with employers during March 2015. The PAS covers primary matters as outlined in the regulations such as administration standards, performance measures and communication with employers. 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

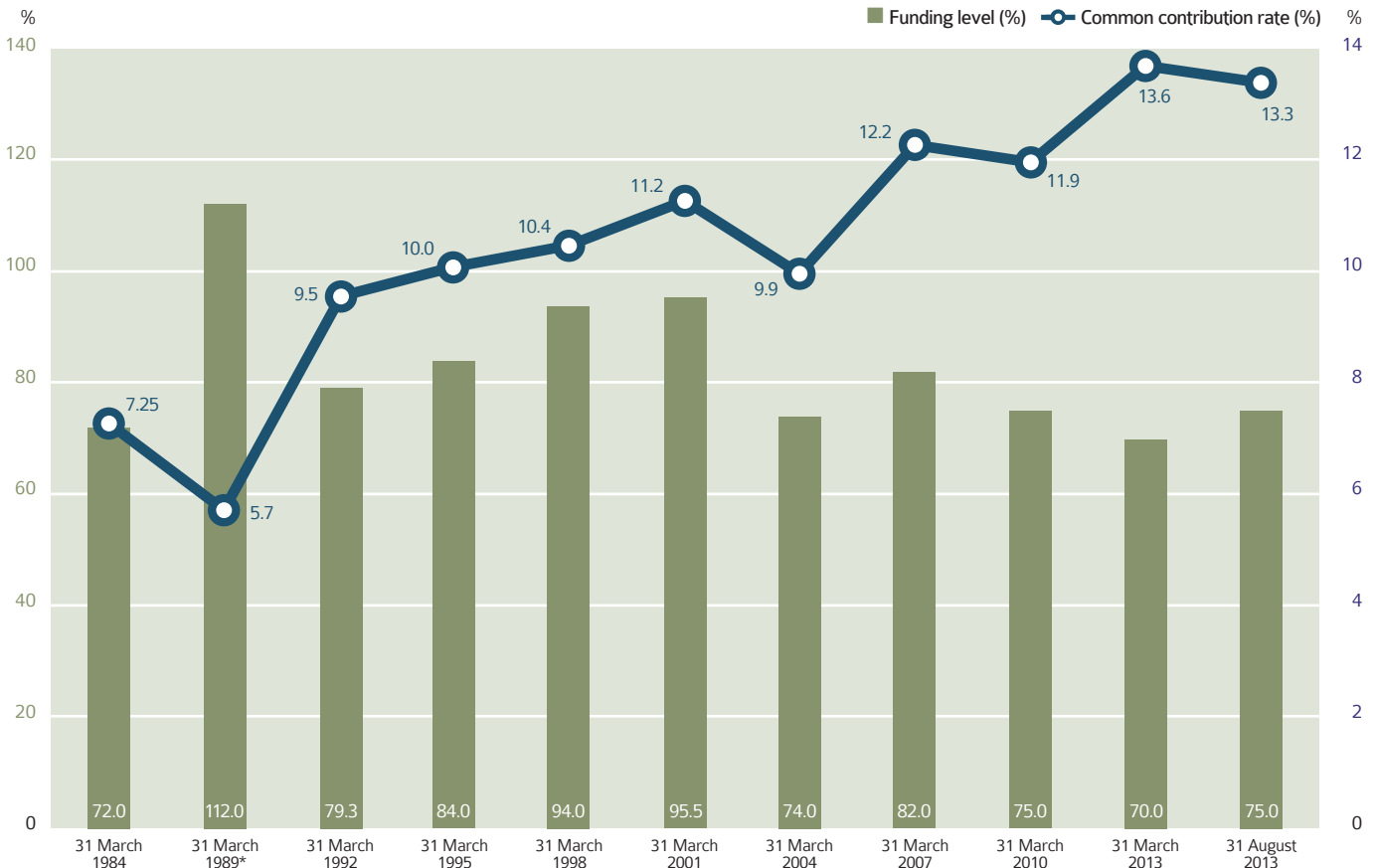
membership for the future and targeted member campaigns. Since April 2014, the Fund continues to see improvements in longevity as shown in the table on page 27; however, during the year, the Fund has dealt with 111 death-in-service cases. A total of 11,168 members have joined the scheme since 2014, of 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

$$+ \frac{g'(n)}{g(n)}$$

# Actuarial Report

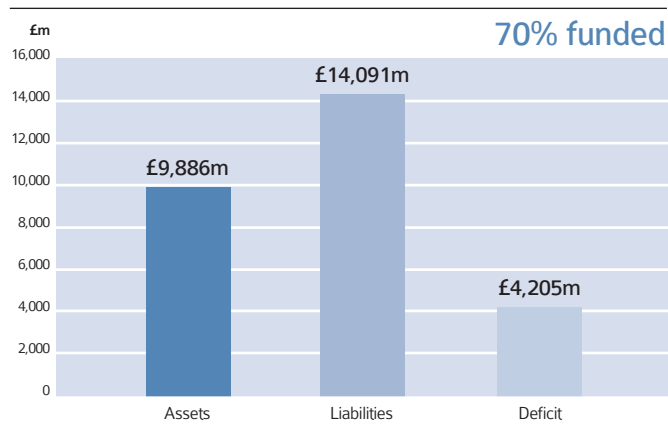
## Statement of the Consulting Actuary

### 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.

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# Actuarial Report

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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

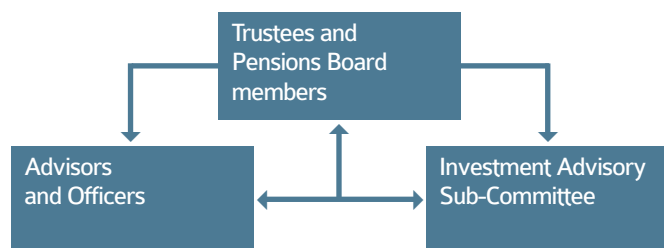
- Governance Compliance Statement
- Member Training



# 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.
- iv) Senior pensions staff responsible for pensions benefits administration and communications.

# Governance Compliance Statement

v) 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*.

vi) 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 Hulland (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
					<b>865.0</b>

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

The background features a close-up of a calculator on the left and a document with financial data on the right. The document has a blue and white color scheme with various numbers and text.

30	815,073,273
30	549,630,000
	384,741,000
	1,076,839,500
	677,850,600
	591,625,900
	395,670,000
	540,000,000

04/2004  
STANI



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# Statement of Accounts

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## 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.

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# Statement of Accounts

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Independent Auditors' Statement to the Members of the West Midlands Pension Fund (the 'Authority') on the Pension Fund Financial Statements

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# Statement of Accounts

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## 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
	<b>Contributions and benefits</b>		
(419.3)	Contributions receivable	8	(500.2)
(11.3)	Transfers in	9	(9.5)
(16.2)	Other income	10	(15.7)
<b>(446.8)</b>	<b>Total contributions and other income</b>		<b>(525.4)</b>
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
<b>495.7</b>	<b>Total benefits and other expenditure</b>		<b>760.2</b>
<b>92.5</b>	<b>Management expenses</b>	<b>13</b>	<b>86.3</b>
	<b>Returns on investments</b>		
(134.8)	Investment income	14	(160.5)
(161.7)	Changes in value of investments		(947.6)
(103.0)	Profits and losses on disposal of investments		(532.6)
<b>(399.5)</b>	<b>Net return on investments</b>		<b>(1,640.7)</b>
<b>(258.1)</b>	<b>Net (increase) in the Fund during the year</b>		<b>(1,319.6)</b>
<b>9,886.3</b>	<b>Net assets of the Fund at the beginning of the year</b>		<b>10,144.4</b>
<b>10,144.4</b>	<b>Net assets of the Fund at the end of the year</b>		<b>11,464.0</b>

# Statement of Accounts

## Net Assets Statement

31 March 2014 £m		Notes	31 March 2015 £m
	<b>Investment assets (at market value)</b>	<b>15</b>	
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		458.3
-	Other investment assets		1.6
4.9	Outstanding dividend entitlement and recoverable withholding tax		44.3
<b>10,095.2</b>	<b>Investment assets</b>		<b>11,421.8</b>
	<b>Investment liabilities (at market value)</b>	<b>15</b>	
(3.3)	Other investment liabilities		-
<b>(3.3)</b>	<b>Investment liabilities</b>		<b>-</b>
<b>10,091.9</b>	<b>Net investment assets</b>		<b>11,421.8</b>
-	<b>Other long-term assets</b>	<b>18</b>	<b>11.6</b>
<b>71.1</b>	<b>Current assets</b>	<b>19</b>	<b>54.8</b>
<b>(18.6)</b>	<b>Current liabilities</b>	<b>20</b>	<b>(24.2)</b>
<b>10,144.4</b>	<b>Net assets of the Fund at the end of the year</b>		<b>11,464.0</b>

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	
<b>270,330</b>	<b>Total</b>	<b>277,558</b>	

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

# Statement of Accounts

## Notes to the Accounts

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 therefore £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
	<b>From employers</b>	
301.4	Basic contributions	361.0
0.3	Augmented membership	-
8.8	Additional cost of early retirement	28.6
<b>310.5</b>		<b>389.6</b>
	<b>From members</b>	
107.8	Basic contributions	109.9
1.0	Additional contributions	0.7
<b>108.8</b>		<b>110.6</b>
<b>419.3</b>	<b>Total contributions</b>	<b>500.2</b>

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
<b>419.3</b>	<b>Total</b>	<b>500.2</b>

# Statement of Accounts

## Notes to the Accounts

### 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
	<b>Benefits recharged to employers</b>	
9.0	Compensatory added years	8.5
7.2	Pensions increases	7.2
<b>16.2</b>	<b>Total</b>	<b>15.7</b>

### 11) Benefits Payable

Benefits payable by type:

2013/14 £m		2014/15 £m
	<b>Pensions</b>	
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
<b>377.1</b>	<b>Total pensions</b>	<b>393.2</b>
	<b>Lump-sum benefits</b>	
83.5	Retiring allowances	92.2
11.8	Death grants	12.9
<b>95.3</b>	<b>Total lump-sum benefits</b>	<b>105.1</b>
<b>472.4</b>	<b>Total benefits payable</b>	<b>498.3</b>

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
<b>472.4</b>	<b>Total</b>	<b>498.3</b>

### 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
<b>23.0</b>	<b>Total</b>	<b>261.5</b>

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
87.3	Investment management expenses	81.2
2.0	Oversight and governance costs	2.1
<b>92.5</b>	<b>Total management costs</b>	<b>86.3</b>

Performance-related fees are negotiated with a number of managers. Included in external management of investments are performance-related fees of £24.1 million in 2014/15 and £28.9 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 £81.2 million (2013/14: £11.0 million to £87.3 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.



# Statement of Accounts

## Notes to the Accounts

### 14) Investment Income

2013/14 £m		2014/15 £m	31 March 2014 £m		31 March 2015 £m
	<b>Dividends and interest</b>			<b>Pooled investment vehicles</b>	
	<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	-
	<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)		<b>Unit trusts</b>	
<b>105.8</b>	<b>Total dividends and interest</b>	<b>130.5</b>	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)	<b>4,908.2</b>		<b>5,102.5</b>
<b>29.0</b>	<b>Total property management</b>	<b>30.0</b>		<b>Property</b>	
<b>134.8</b>	<b>Total investment income</b>	<b>160.5</b>	586.8	UK freehold	604.6
			43.0	UK leasehold*	51.8
			<b>629.8</b>		<b>656.4</b>

### 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			
	<b>Fixed-interest securities</b>				
171.3	UK companies - segregated (external)	185.9	21.3	United States dollars	4.4
<b>171.3</b>		<b>185.9</b>	11.3	Euro	8.1
	<b>UK equities</b>		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
<b>971.3</b>		<b>1,019.6</b>	0.5	Swedish kroner	6.4
	<b>Overseas equities</b>		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
<b>3,155.9</b>		<b>3,861.3</b>	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
			<b>42.2</b>		<b>91.9</b>
				<b>Cash deposits</b>	
			211.6	UK	458.3
				<b>Other investments</b>	
			(3.3)	Broker balances	1.6
			4.9	Outstanding dividend entitlement and recoverable withholding tax	44.3
			<b>10,091.9</b>	<b>Total net investment assets</b>	<b>11,421.8</b>

\*all leasehold properties are held on long leases



# Statement of Accounts

## Notes to the Accounts

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	<b>Security</b> 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	2,047.7	17.9
298.0	3.0	Managers: Indirect property	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
<b>10,087.0</b>	<b>100.0</b>		<b>11,377.5</b>	<b>100.0</b>
4.9		Outstanding dividend entitlement and recoverable withholding tax	44.3	
<b>10,091.9</b>		<b>Total investment assets</b>	<b>11,421.8</b>	

# Statement of Accounts

## Notes to the Accounts

### 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	-	(5.4)	20.0	185.9
UK equities	971.3	52.7	(17.2)	12.8	1,019.6
Overseas equities	3,155.9	1,744.5	(1,256.7)	217.6	3,861.3
Pooled investment vehicles	4,908.2	762.4	(1,206.3)	638.2	5,102.5
Property	629.8	51.3	(83.7)	59.0	656.4
	<b>9,836.5</b>	<b>2,610.9</b>	<b>(2,569.3)</b>	<b>947.6</b>	<b>10,825.7</b>
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				458.3
<b>Total investments</b>	<b>10,091.9</b>				<b>11,421.8</b>

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 £0.7 million (2013/14: £1.2 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	-
1.1	Equities - overseas quoted	0.7
<b>1.2</b>		<b>0.7</b>

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.

# Statement of Accounts

## Notes to the Accounts

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	-	(5.7)	3.1	171.3
UK equities	943.5	29.0	(25.9)	24.7	971.3
Overseas equities	2,072.5	1,099.5	(85.9)	69.8	3,155.9
Pooled investment vehicles	5,729.4	1,029.2	(1,870.2)	19.8	4,908.2
Property	567.6	21.5	(3.6)	44.3	629.8
	<b>9,486.9</b>	<b>2,179.2</b>	<b>(1,991.3)</b>	<b>161.7</b>	<b>9,836.5</b>
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
<b>Total investments</b>	<b>9,826.2</b>				<b>10,091.9</b>

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
<b>1,067.3</b>		<b>940.8</b>

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
-	<b>Total</b>	<b>11.6</b>

### 19) Current Assets

31 March 2014 £m		31 March 2015 £m
	<b>Receivables and prepayments</b>	
	Contributions receivable	
22.6	• Employers	14.4
9.2	• Members	7.0
39.4	Other receivables	33.0
<b>71.2</b>	<b>Total receivables and prepayments</b>	<b>54.4</b>
(0.1)	Cash	0.4
<b>71.1</b>	<b>Total current assets</b>	<b>54.8</b>

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
	<b>Analysis of receivables</b>	
	Contributions receivable	
1.3	Administering authority	4.9
20.2	Other local authorities	16.6
49.6	Other entities and individuals	32.9
<b>71.1</b>	<b>Total</b>	<b>54.4</b>

# Statement of Accounts

## Notes to the Accounts

### 20) Current Liabilities

31 March 2014 £m		31 March 2015 £m
	<b>Payables and receipts in advance</b>	
(4.3)	Pensions and lump-sum benefits	(2.4)
(14.3)	Other payables	(21.8)
<b>(18.6)</b>	<b>Total</b>	<b>(24.2)</b>

31 March 2014 £m		31 March 2015 £m
	<b>Analysis of payables</b>	
(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)
<b>(18.6)</b>	<b>Total</b>	<b>(24.2)</b>

### 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
<b>2.7</b>	<b>30.2</b>	<b>Opening value of the Fund</b>	<b>2.4</b>	<b>35.8</b>
-	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
<b>2.4</b>	<b>35.8</b>	<b>Closing value of the Fund</b>	<b>2.1</b>	<b>38.7</b>

### 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
	<b>Financial assets</b>	
(138.5)	Fair value through profit and loss	(947.6)
<b>(138.5)</b>	<b>Total</b>	<b>(947.6)</b>

#### 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
		<b>Financial assets</b>		
9,836.5	9,836.5	Fair value through profit and loss	10,825.6	10,825.6
255.4	255.4	Loans and receivables	596.2	595.2
<b>10,091.9</b>	<b>10,091.9</b>	<b>Total</b>	<b>11,421.8</b>	<b>11,421.8</b>

# Statement of Accounts

## Notes to the Accounts

### 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
<b>Values at 31 March 2015</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	6,796.4	1,588.7	2,440.5	10,825.6
Loans and receivables	596.2	-	-	596.2
<b>Total financial assets</b>	<b>7,392.6</b>	<b>1,588.7</b>	<b>2,440.5</b>	<b>11,421.8</b>

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
<b>Values at 31 March 2014</b>				
<b>Financial assets</b>				
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
<b>Total financial assets</b>	<b>6,197.3</b>	<b>1,528.6</b>	<b>2,366.0</b>	<b>10,091.9</b>



# Statement of Accounts

## Notes to the Accounts

### 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.

# Statement of Accounts

## Notes to the Accounts

### Credit rating sensitivity analysis

Summary	Rating	Balances as at 31 March 2014 £m	Balances as at 31 March 2015 £m
<b>Money market funds</b>			
AIM STIC Global Sterling Portfolio		28.3	45.0
HSBC Sterling Liquidity Fund		43.3	263.2
<b>Short-term deposits</b>			
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	-
<b>Bank deposit accounts</b>			
NatWest Liquidity Select		50.0	49.8
GBP Current Accounts		-	1.3
<b>Total</b>		<b>211.6</b>	<b>449.3</b>

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## Notes to the Accounts

### 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, the value of that collateral 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
<b>Total assets</b>	<b>11,368.5</b>		<b>13,299.9</b>	<b>9,437.1</b>

\*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

The total Fund volatility, taking into account the expected interactions between the different asset classes shown (based on the underlying volatilities and correlations of the assets and in line with mean variance portfolio theory) is 12.5%. On this basis, the total value on increase is £12,789.6 million, and the total value on decrease is £9,947.4 million. Under this approach, in which the beneficial impact of diversification is recognised, the monetary impact on the total Fund assets is lower than the sum of the monetary impact for each asset class.

# Statement of Accounts

## Notes to the Accounts

### 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 one-year expected standard deviation for an individual currency as at 31 March 2015 is 13%. This assumes no diversification with other assets and, in particular, that interest rates remain constant. The following tables summarise the Fund's currency exposure as at 31 March 2015:

Currency risk by asset class	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
<b>Total</b>	<b>6,416.9</b>	<b>13.0%</b>	<b>7,251.1</b>	<b>5,582.7</b>

### 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
<b>Total change</b>	<b>1,394.1</b>	<b>(206.2)</b>	<b>206.2</b>

### 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
<b>Total</b>	<b>19</b>	<b>603.90</b>

### 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
<b>Total</b>	<b>96</b>	<b>41,882.32</b>

### 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:

<b>Pensioner:</b>	Councillors Turner and Page
<b>Active:</b>	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](http://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.

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# Pensions Administration Strategy 2015

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## 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](http://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](mailto: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 charges 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](mailto: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](http://wmpfonline.com).

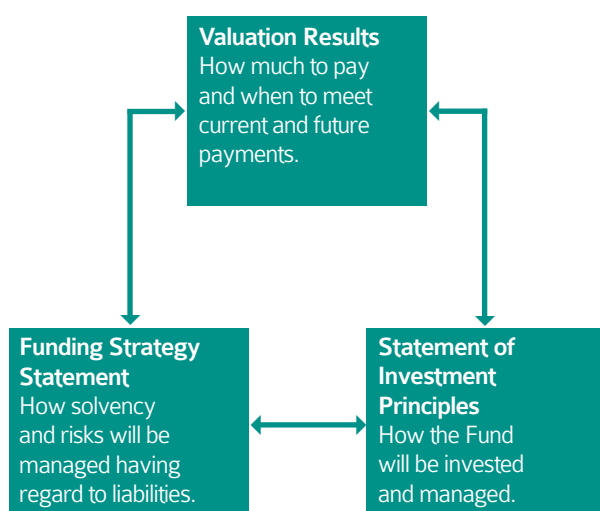
# Funding Strategy Statement 2015



# 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.

# Funding Strategy Statement 2015

- 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.



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# 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.



# Statement of Investment Principles 2015

**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:

#### ii) 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.

# Statement of Investment Principles 2015

- 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.

#### 5.1.1 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%).

#### 5.1.2 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

# Statement of Investment Principles 2015

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 guidelines<sup>1</sup>. 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.

<sup>1</sup> Further details of the Fund's voting approach can be found here: <http://www.wmpfonline.com/article/5693/Voting-Globally>

# Statement of Investment Principles 2015

## *UN-backed Principles for Responsible Investment*

The Fund signed the PRI in 2011. The PRI is a set of six aspirational principles<sup>2</sup> 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.

<sup>2</sup> The six principles can be found here: <http://www.unpri.org/about-pri/the-six-principles/>



# Statement of Investment Principles 2015

## Appendix A - Portfolio Structure May 2015

The structure summary is as follows:

<b>Equities</b>	
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
<b>Fixed interest</b>	
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
<b>Alternative investments</b>	
PFID through a selection of specialist funds	
Direct property	CBRE
Indirect property	PFID through specialist funds
<b>PFID - Pension Fund Investment Division (Direct)</b>	

## Appendix B - Investment Benchmark

	Medium-Term Asset Allocation May 2015		Medium-Term Strategic Ranges
	%	%	%
<b>Quoted equities</b>		<b>48</b>	<b>40-60</b>
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		
<b>Total equities</b>		<b>58</b>	<b>50-70</b>
<b>Fixed interest</b>		<b>19</b>	<b>15-25</b>
UK index-linked	6.0		
UK gilts	3.0		
Corporate bonds	5.5		
Emerging market debt	3.5		
Cash	1.0		
<b>Alternative</b>		<b>23</b>	<b>15-25</b>
Direct property	7.0		
Indirect property	3.0		
Real assets and infrastructure	6.0		
Absolute return strategies	7.0		
<b>Total non-equities</b>		<b>42</b>	<b>30-50</b>
<b>Total Fund</b>		<b>100</b>	

**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



# Statement of Investment Principles 2015

## 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)
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 Change<sup>1</sup>;
- 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 Code<sup>2</sup> on a comply or explain basis. Further, the Fund has bespoke UK corporate governance guidelines which are available on its website<sup>3</sup>, 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 principles<sup>4</sup>, 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' position<sup>5</sup>, 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 codes<sup>6</sup> depending on the market in which it invests.

<sup>1</sup> <http://www.iigcc.org/publications/publication/2014-global-investor-statement-on-climate-change>

<sup>2</sup> <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

<sup>3</sup> <http://www.wmpfonline.com/article/5693/Voting-Globally>

<sup>4</sup> Draws from international best practice corporate governance standards such as OECD and ICGN: <http://www.wmpfonline.com/article/5693/Voting-Globally>

<sup>5</sup> [https://www.ivis.co.uk/media/5893/ABI\\_RID\\_guidelines.pdf](https://www.ivis.co.uk/media/5893/ABI_RID_guidelines.pdf)

<sup>6</sup> 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 report<sup>7</sup> 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 practical<sup>8</sup>, 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 Board<sup>9</sup>. The PRI is a set of six aspirational principles<sup>10</sup> 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.

<sup>7</sup> Refers to either formal written reporting and to informal verbal communications, which can be regular and/or ad-hoc in frequency.

<sup>8</sup> Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so

<sup>9</sup> <http://www.unpri.org/about-pri/pri-governance/pri-association-board-members/>

<sup>10</sup> The six principles can be found here: <http://www.unpri.org/about-pri/the-six-principles/>

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# Responsible Investment Framework 2015

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## 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.'<sup>11</sup>

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.

<sup>11</sup> Mercer, ABC of ESG, 2014

# 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.

	Myners' Principle					
Supporting Documents and Operational Arrangements	1	2	3	4	5	6
<b>a) City Council Constitution</b>	✓					
<b>b) Fund Strategies and Statement</b>						
• SIP	✓	✓	✓	✓	✓	✓
• FSS	✓	✓	✓	✓		✓
• Social Responsibility Statement	✓	✓			✓	✓
• Fund Governance Statement	✓					✓
• Communication Strategy	✓					✓
<b>c) Procedures</b>						
• Compliance Manual	✓		✓			
• External Audit			✓			
• Internal Audit			✓			
• Risk Assessment			✓			
• Business Plan	✓		✓	✓	✓	✓
• Valuation Report		✓	✓			✓
• Annual Report and Governance Report		✓	✓	✓	✓	✓
<b>d) Fund Reporting</b>						
• Quarterly Technical Asset Allocation	✓		✓	✓		
• Property Strategy	✓	✓		✓		
• Annual Returns	✓		✓	✓		✓
• Quarterly Compliance Report				✓		✓
• Quarterly Governance Activity					✓	✓
• Quarterly Investment Activity	✓			✓		✓
• Employing Body Brief		✓				✓
• Annual Benefit Statements						✓
<b>e) Advisors</b>						
• Investments	✓	✓	✓	✓		
• Actuary	✓	✓	✓	✓		
• Company Governance	✓	✓			✓	
• Finance and Legal	✓	✓	✓			
<b>f) Support Arrangements</b>						
• Custodian	✓					
• Management Agreements	✓	✓	✓		✓	

# Compliance With The Myners' Report

Principles	Key points	Demonstration of Compliance
<p><b>Principle 1: Effective Decision-Making</b></p> <p>Administering authorities should ensure that</p> <ul style="list-style-type: none"> <li>decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and</li> <li>those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest.</li> </ul>	<ol style="list-style-type: none"> <li>Elected members have a fiduciary duty to the Fund, Scheme members and local taxpayers.</li> <li>Functions can be delegated and investment managers used, but overall responsibility rests with members.</li> <li>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."</li> <li>The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour.</li> <li>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.</li> <li>The role of the Pensions Committee and key officers should be clear in the Council's constitution.</li> <li>Best governance practices should be followed.</li> <li>The Pensions Committee should ensure it has appropriate skills and is run in a way to facilitate effective decision-making.</li> </ol>	<p>The Fund produces a business plan and a medium-term financial plan, together with supporting codes and policies:</p> <ul style="list-style-type: none"> <li>SIP (Statement of Investment Principles)</li> <li>FSS (Funding Strategy Statement)</li> <li>Governance Statement</li> </ul> <p>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.</p> <p>A trustee training policy is in place for Pensions Committee IASC members, including non-voting members/observers.</p> <p>Training is structured to fulfil the CIPFA knowledge and skills requirements.</p> <p>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.</p> <p>All training is logged and disclosed in the annual report.</p>
<p><b>Principle 2: Clear Objectives</b></p> <p>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.</p>	<ol style="list-style-type: none"> <li>A three-yearly actuarial valuation as required by regulation.</li> <li>A full range of investment opportunities should be considered.</li> <li>A strategic asset allocation should be used and reviewed regularly.</li> <li>Robust investment management agreements should be used.</li> <li>The targeted investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process.</li> <li>The provision for taking proper advice should be demonstrated.</li> </ol>	<p>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.</p> <p>These policies are reviewed regularly and interim valuations used to track progress between valuations.</p> <p>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.</p> <p>Robust agreements are in place with investment managers.</p>

# Compliance With The Myners' Report

Principles	Key points	Demonstration of Compliance
<p><b>Principle 3: Risks and Liabilities</b></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"> <li>1) The Pensions Committee should set a clear investment objective.</li> <li>2) Investment risk should be fully evaluated, monitored and the link to employing bodies' ability to meet liabilities recognised.</li> <li>3) Appropriate guarantees should be used to protect against employer default.</li> <li>4) The need for affordable, stable contributions should be reflected in the work of the Pensions Committee.</li> <li>5) The Pensions Committee should satisfy itself that the standards of internal controls applied are sound and robust.</li> <li>6) An understanding of risk should be demonstrated and reported upon.</li> </ol>	<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><b>Principle 4: Performance Assessment</b></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"> <li>1) Extensive formal performance measurement of investments, managers and advisors should be in place and relate to the investment objectives.</li> <li>2) Effectiveness of the Pensions Committee should be reported upon at regular intervals.</li> <li>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.</li> </ol>	<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
<b>Principle 5: Responsible Ownership</b>		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> <li>adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents.</li> <li>include a statement of their policy on responsible ownership in the statement of investment principles.</li> <li>report periodically to scheme members on the discharge of such responsibilities.</li> </ul>	<ol style="list-style-type: none"> <li>1) Disclose approach to responsible ownership in SIP.</li> <li>2) Define expectations of managers on responsible ownership.</li> <li>3) The former Institutional Shareholders' Committee of Principles for institutional shareholders and/or agents (now the UK Stewardship Code) should be followed.</li> </ol>	<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>
<b>Principle 6: Transparency and Reporting</b>		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> <li>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.</li> <li>provide regular communication to scheme members in the form they consider most appropriate.</li> </ul>	<ol style="list-style-type: none"> <li>1) Maintain a sound governance policy and demonstrate its implementation.</li> <li>2) Maintain a communication policy and strategy.</li> <li>3) Ensure all required strategies and policies are published in a clear transparent manner.</li> <li>4) Annual reports are a demonstration of accountability to stakeholders and should be comprehensive and readily available.</li> </ol>	<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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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](http://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.

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# Internal Audit

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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

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# Participating Employers in the Fund

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ARK Kings Academy

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ARK Rose Primary Academy

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ARK Tindal Primary Academy

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Arthur Terry Learning Partnership

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Aston Manor Academy

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Aston University Engineering Academy

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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

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Billesley Primary - Academy - The Elliot Foundation Academies Trust

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Birchills Academy - St Chads Academies Trust

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Birmingham Museums Limited

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Bishop Milner Catholic College - The St John Bosco CAT

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Bishop Vesey's Grammar School

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Bishop Walsh - John Paul II Multi-Academy

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Black Country University Technical College

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Blue Coat Church of England Academy Limited (The)

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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)

---

Corngreaves 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)

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Crestwood Academy

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CTC Kingshurst Academy

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Croft Primary Academy - The Elliot Foundation Trust

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CUL Academy Trust Free School

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Deanery Church of England School

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Devonshire Infant Academy- Victoria Park MAT

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Devonshire Junior Academy- Victoria Park MAT

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# 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  
 Ernsford 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

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# Participating Employers in the Fund

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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

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# 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 Ulathorne)
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
Mitie 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