

WEST MIDLANDS PENSION FUND STATEMENT OF ACCOUNTS FOR THE YEAR ENDING 31 MARCH 2021

Fund Account

2019/20 £m		Note	2020/21 £m
	Contributions & Benefits		
353.2	Contributions Receivable	P8	1,182.7
31.2	Transfers In	P9	22.3
14.3	Other Income	P10	13.9
398.7	Total contributions and other income		1,218.9
(637.8)	Benefits Payable	P11	(646.8)
(40.0)	Payments to and on account of leavers	P12	(31.0)
(0.9)	Other Payments		(0.4)
(678.7)	Total benefits and other expenditure		(678.2)
(280.0)	Net additions/(withdrawals) from dealings with members		540.7
(91.5)	Management Expenses	P13	(110.2)
491.7	Transfer in of WMITA Fund at market value	P9	-
	Returns on Investments		
178.2	Investment Income	P14	84.8
(745.1)	Changes in Value of Investments	P16	3,123.8
20.7	Revaluation of bulk annuity insurance buy-in contract	P17	(14.1)
(546.2)	Net return on investments		3,194.5
(426.0)	Net Increase/(decrease) in the Fund during the year		3,625.0
15,714.1	Net Assets of the Fund at the beginning of the year		15,288.1
15,288.1	Net Assets of the Fund at the end of the year		18,913.1

Net Assets Statement

31 March 2020 £m		Note	31 March 2021 £m
	Investment Assets (at Market Value)	P15	
494.0	Bonds		508.4
28.9	UK Equities		27.0
1,408.8	Overseas Equities		2,567.5
10,869.9	Pooled Investment Vehicles		13,640.8
965.1	Property		1,014.0
11.7	Derivatives - Futures		-
-	Derivatives - Forward Foreign Exchange		3.1
582.5	Foreign Currency Holdings		399.6
569.6	Cash Deposits		498.2
75.8	Other Investment Assets		19.2
7.0	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		7.5
15,013.3	Investment Assets		18,685.3
	Investment Liabilities (at Market Value)	P15	
(76.8)	Derivatives - Forward Foreign Exchange		-
	Derivatives - Futures		(2.3)
(76.8)	Investment Liabilities		(2.3)
14,936.5	Net Investment Assets		18,683.0
229.4	Bulk annuity insurance buy-in contract	P17	200.0
14.5	Long-Term Debtors	P19	10.2
132.4	Current Assets	P20	40.4
(24.7)	Current Liabilities	P21	(20.5)
15,288.1	Net Assets of the Fund at the end of the year		18,913.1

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They 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 is disclosed at note 6.

The notes form part of these financial statements.

Notes to the Pension Fund Statements

Note P1 - 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 which can be found on its website.

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 scheduled and admitted bodies. At 31 March 2021, the Fund had 743 actively participating employers and 335,101 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 2020		31 March 2021	
No.			No.
117,950	Active Members		113,644
104,045	Pensioner Members		106,899
111,939	Deferred Members		114,558
333,934	Total		335,101

In 2019/20, following the enactment of UK Statutory Instrument 2019 No. 1351 ("the Local Government Pension Scheme (West Midlands Integrated Transport Authority Pension Fund and West Midlands Pension Fund Merger) Regulations 2019, all the assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund (WMITA) transferred to West Midlands Pension Fund. For any person for whom the appropriate Administering Authority had been, or would have been, the West Midlands Combined Authority, the appropriate Administering Authority became City of Wolverhampton Council. The regulations effecting this change came into full legal force on 8 November 2019 but with retrospective effect in a legal and accounting sense from 1 April 2019 (the "merger date" cited in the legislation).

The responsibility for administering the Fund is delegated to the Council's Pensions Committee. It meets at approximately quarterly intervals and has members from each of the seven metropolitan district councils in the West Midlands. A Pensions Board was also in operation during 2020/21. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: <http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

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 2016

The scheme is a contributory defined benefit pension scheme. 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 2021. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2020/21 contribution rates was conducted at 31 March 2019. Employer contribution rates during 2020/21 ranged from 15.5% to 38.6% 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 Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Further to direction from government, local authority investment pools have been created to bring together the investment assets of LGPS pension funds into eight Investment Pools. LGPS Central Limited (LGPSCL), the company established to manage investments on behalf of eight LGPS funds including West Midlands Pension Fund (WMPF), received authorisation from the Financial Conduct Authority in 2018 and the LGPS Central regional investment asset pool went live on 1 April 2018.

As at 31 March 2021, WMPF had assets of £7,869m managed in LGPS sub-funds comprising £7,670m managed through Authorised Contractual Scheme (ACS) sub-funds and a further £199m managed through a Scottish Limited Liability Partnership vehicle.

Work is underway to develop further LGPS Central Limited sub-funds in collaboration with LGPS Central investment asset pool Partner Funds and WMPF will continue to review the decision to transition assets on a case by case basis dependent on the sub-fund meeting the strategic requirements of WMPF. The transition of the Fund's remaining assets into products offered by LGPS Central Limited is expected to take several years.

WMPF has a number of advisory arrangements in place with LGPSCL to support with advice and sometimes to facilitate execution on the underlying assets of legacy portfolios managed directly by the Fund. It is likely that some of these advisory and execution mandates will remain in place for some time to come due to the illiquid nature of the investments and the cost effectiveness of transition.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position as at 31 March 2021. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (the Code) 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 P6 of these accounts.

As disclosed above, during 2019/20 all assets and liabilities of the former West Midlands Integrated Transport Authority Pension Fund transferred to the West Midlands Pension Fund and transactions occurring after that date (on an accruals basis) are attributable to WMPF. The relevant assets and liabilities were treated in the accounts as having been transferred at the values applicable on the "merger date" 1 April 2019. The Fund Account for 2019/20 therefore included:

- a transfer (shown separately) of the total market value of WMITA as at 1 April 2019 including accrued income and expenses at that date.
- all income and expense transactions related to the former WMITA Pension Fund since 1 April 2019 shown on a consolidated basis.

The transfer value of the WMITA Fund shown in the accounts was based on the Net Assets Statement in the audited accounts of the WMITA Fund for the year to 31 March 2019. The audit was performed by Grant Thornton LLP and their audit report was signed in July 2019.

The accounts have been prepared on a going concern basis.

Note P3 - Statement of Accounting Policies

A. Fund account

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year end where necessary. 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 (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in 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 transferred benefits in or out of the scheme as at 31 March 2021, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). 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.

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

i) Interest 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.

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Distributions from Pooled Funds

Distributions from pooled funds are recognised at the date of issue.

Investment income arising from the underlying investments of pooled investment vehicles is rolled up and reinvested within the pooled investment vehicles. This is reflected in the relevant unit price and reported within 'Change in Market Value'.

iv) Property-Related Income

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.

v) Changes in the Value of Investments

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.

vi) Stock lending income

Stock lending income is accounted for on a cash basis.

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 2021. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial assets

The LGPS Central pool trading company, LGPS Central Limited, only became licensed to trade on 1 April 2018. The Pension Fund's view is that for 31 March 2021, cost is still an appropriate estimate of the fair value of shares held in this company.

Financial assets are included in the Net Assets Statement on a fair value basis as at the reporting date. A financial asset is recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date, any gains or losses arising from changes in the fair value of the asset are recognised in the Fund Account.

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note 17 to the accounts). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2014).

H. Freehold and leasehold properties

Properties are valued annually as at the year end by independent valuers on a fair value basis. The market values included in these accounts are contained in a valuation report by Savills plc (in accordance with Royal Institute of Chartered Surveyors valuation standards) as at 31 March 2021. All investment property assets are subject to annual revaluation, 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 Browns, agricultural valuers, at the same date.

I. 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 2021.

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 2021.

J. Derivatives

The Fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The Fund does not hold derivatives for speculative purposes.

Purchases and sales of derivatives are recognised as follows:

Futures – on close out or expiry the variation margins are recognised as cash receipts or payments depending on whether there is a gain or loss.

Forward currency contracts settlements are reported as gross receipts and payments.

K. 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.

L. 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.

M. 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.

N. Management expenses

The Fund discloses its management expenses in accordance with the CIPFA guidance Accounting for Local Government Pension Scheme Management Expenses 2016.

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 administering authority.

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. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of the relevant mandate is used for inclusion in the Fund

The cost of any 'in-house' Fund investment activity is included in investment management expenses.

O. 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 (see note P5).

P. 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 Assurance Company Limited and Utmost Life and Pensions 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(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (see note P22).

The AVC arrangements pertaining to the former WMITA Fund have transferred to West Midlands Pension Fund under the merger. These arrangements with Prudential Assurance Company Limited and Utmost Life and Pensions Limited operate on the same basis as described above and will continue to be provided within the West Midlands Pension Fund.

Note P4 - 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 2021 was £1,315.5 million (£1,203.3 million at 31 March 2020).

Bulk annuity insurance buy-in contract

The transfer of assets from the WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the WMITA pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

The bulk annuity insurance buy-in contract is included in the Net Assets Statement as an asset and is valued at year end by the Actuary.

Pension Fund liability

The pension 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 P6. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note P5 - 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 and pensions are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, 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 2021	Approx. % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	11%	3,236.3
1 year increase in member life expectancy	5%	1,462.7
0.5% p.a. increase in salary increase rate	1%	310.7
0.5% p.a. increase in CPI inflation	10%	2,880.9

Fair value of investments

Uncertainties

Certain types of investments are not publicly listed and, as such, there is a degree of estimation involved in their valuation.

COVID-19 valuation uncertainty

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, RICS formally lifted its recommendation.

Obtaining timely valuation is a perennial issue with Private Equity where the valuation of investment vehicles often has to be 'stale' or 'lagged' due to the unavailability of pricing information as at the Fund's year end date (by the time the Statement of Accounts has been prepared and audited). Valuations are by necessity estimated and may not fully reflect the performance of the vehicles underlying portfolios of investments.

Effect if actual results differ from assumptions

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,920.7m at 31 March 2021 (£3,806.1m at 31 March 2020). The assets classified as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

Note P6 - Actuarial valuation of the Fund

The contribution rates applicable to the period 1 April 2020 to 31 March 2023 were determined by the Fund's Actuary, G Muir of Barnett Waddingham LLP as part of the full actuarial valuation of the Fund made as at 31 March 2019.

On the basis of the assumptions adopted, the 2019 valuation revealed that the value of the Fund's assets of £15,634 million represented 94% of the funding target of £16,648 million at the valuation date. The valuation also showed that a primary rate of contribution of 20.4% 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.

In general, the Fund applies a maximum deficit recovery period of 17 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2020. 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.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2020. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils was certified as follows:

Future Service Rate (% of pay) plus lump sum (£)					
	2018/19	2019/20	2020/21	2021/22	2022/23
Birmingham City Council	16.8% plus £61.8m (£124.0m)	18.3% plus £61.5m (£124.2m)	21.3% plus £48.2m (£124.2m)	21.3% plus £49.9m (£123m)	21.3% plus £51.8m (£121.9m)
Coventry City Council	16.8% plus £12m (£31.1m)	16.8% plus £12m (£31.1m)	20.4% plus £3.6m (£32.9m)	20.4% plus £3.7m (£32.6m)	20.4% plus £3.9m (£32.3m)
Dudley MBC	17.0% plus £9.7m (£31.3m)	18.6% plus £9.6m (£32.3m)	20.7% plus £3.0m (£31.5m)	20.7% plus £3.1m (£30.6m)	20.7% plus £3.2m (£29.9m)
Sandwell MBC	16.2% plus £17m (£17.0m)	17.7% plus £16.9m (£16.9m)	20.5% plus £10.5m (£10.3m)	20.5% plus £10.9m (£10.2m)	20.5% plus £11.3m (£10.1m)
Solihull MBC	16.5% plus £5.1m (£16.6m)	18.4% plus £5.1m (£17.4m)	20.7% plus £2.9m (£19.9m)	20.7% plus £3.0m (£19.4m)	20.7% plus £3.1m (£19.0m)
Walsall MBC	16.9% plus £14.8m (£30.2m)	18.3% plus £15m (£31.5m)	20.3% plus £9.8m (£30.2m)	20.3% plus £10.1m (£30.6m)	20.3% plus £10.5m (£29.7m)
City of Wolverhampton Council	16.8% plus £14m	18.1% plus £14.6m	20.0% plus £6.8m (£28.8m)	20.0% plus £7.1m	20.0% plus £7.3m

The amounts shown in brackets are due in the year where the Council has opted to make a cash payment in advance. These amounts were received by the Fund in April 2020. 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:

	2019	2016
Rate of return on investments:	4.6% per annum	4.7% per annum
Rate of pay increases:	3.6% per annum	3.9% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	2.6% per annum	2.4% per annum

The assets were assessed at market value.

The 31 March 2019 Actuarial Valuation report can be found on the Fund's website.

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 2020	31 March 2021
Rate of return on investments (discount rate)	2.35% per annum	2.00% per annum
Rate of pay increases	2.90% per annum	3.85% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	1.90% per annum	2.85% per annum

The total value of the Fund's promised retirement benefits for the purposes of IAS 26 as at 31 March 2020 was estimated as £23,091.8 million. The effect of the changes in actuarial assumptions between 31 March 2020 and 31 March 2021 as described above is to increase the liabilities by £6,723.6 million. Adding interest over the year increases the liabilities by £523.9 million and allowing for net benefits accrued/paid over the period increases the liabilities by £154.3 million (this includes any increase arising as a result of early retirements/augmentations). There is a decrease of £288.8 million as a result of allowing for actual experience or outcomes which were different when viewed in hindsight to that assumed previously and, a change in mortality rates assumptions decreases liabilities by a further £300.1 million. Last year, the merger with the WMITA Fund added £543.3m of liabilities which have increased by £63.8m during 2020/21 to £607.1m at 31 March 2021.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2021 is therefore £29,968.5 million.

Note P7 - Taxation

1. 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.

2. 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 (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

There are also markets where relief is not possible - either no double taxation agreement exists (e.g. Brazil, Colombia, Lebanon), or a 'subject to tax' clause prevents UK pension funds from benefiting from treaty rates (e.g. Israel, Malaysia, Portugal). In such cases, the full amount of tax is withheld and is final.

Note P8 - Contributions receivable

Contributions receivable by type

2019/20 £m		2020/21 £m
	From employers	
170.3	Contributions	742.1
42.6	Past service deficit	303.9
-	Augmented membership	-
19.2	Additional cost of early retirement	10.9
232.1		1,056.9
	From members	
120.5	Basic contributions	125.3
0.6	Additional contributions	0.5
121.1		125.8
353.2	Total contributions	1,182.7

Following the actuarial valuation as at 31 March 2019, some employers chose to pay their full three-year future service and past service deficit contributions in advance as a lump sum in 2020/21. The lump sums paid by the seven councils have been accounted for fully in 2020/21 and are listed in the table in note 6. The additional contributions above represent the purchase of added membership or additional benefits under the pension scheme.

Contributions receivable by type of employer

2019/20 £m		2020/21 £m
9.1	Administering authority	51.0
300.4	Other scheduled employers	1,087.3
43.7	Admitted employers	44.4
353.2	Total	1,182.7

Note P9 - Transfers in

2019/20 £m		2020/21 £m
-	Group transfers	-
31.2	Individual transfers	22.3
31.2	Total	22.3

Analysis of transfer value from West Midlands Integrated Transport Authority Pension Fund

1 April 2019 £m	
263.5	Investments transferred in specie
224.5	Bulk annuity insurance buy-in contract
3.9	Cash deposits
0.6	Current assets
(0.8)	Current liabilities
491.7	Total

Note P10 - Other income

2019/20 £m		2020/21 £m
	Benefits recharged to employers	
7.4	Compensatory added years	7.1
6.9	Pensions increases	6.8
14.3	Total	13.9

Note P11 - Benefits payable

Benefits payable by type

2019/20 £m		2020/21 £m
	Pensions	
485.9	Retirement pensions	499.1
30.0	Widows' pensions	33.8
1.0	Children's' pensions	1.1
6.1	Widowers' pensions	6.7
0.2	Ex-spouses' pensions	0.2
0.2	Equivalent pension benefits	0.2
0.5	Co-habiting partners' pensions	0.3
-	Civil Partnership	0.1
-	Amounts due to Estate	0.1
523.9	Total pensions	541.6
	Lump sum benefits	
100.0	Retiring allowances	87.5
13.9	Death grants	17.7
113.9	Total lump sum benefits	105.2
637.8	Total benefits payable	646.8

Benefits payable by type of employer

2019/20 £m		2020/21 £m
51.5	Administering authority	50.4
507.2	Other scheduled employers	543.2
79.1	Admitted employers	53.2
637.8	Total	646.8

Note P12 - Payments to and on account of leavers

2019/20 £m		2020/21 £m	
37.6	Individual transfers		29.2
2.4	Refunds of contributions		1.8
-	State scheme premiums		-
-	Bulk pension transfer increases		-
40.0	Total		31.0

Note P13 - Management expenses

2019/20 £m		2020/21 £m	
6.0	Administrative costs		6.3
82.6	Investment management expenses, comprising:		100.8
2.9	Oversight and governance costs		3.1
91.5	Total		110.2

Included in administrative costs of £6.3m above are external audit fees of £68,980 (2019/20: £72,930). The charge for 2020/21 comprises the current year audit fee of £61,685 and a provision of £7,295 for additional costs arising from the impact of the Covid 19 Pandemic on Grant Thornton's work in completing the 2019/20 audit.

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, the 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.

Note P13 i) - Investment management expenses

2020/21	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m
Equities	11.9	7.9	-	4.0
Fixed interest	0.4	0.4	-	-
Pooled investments *	24.2	9.6	-	14.6
Pooled property investments	8.2	7.2	(0.8)	1.8
Private equity	39.5	23.9	15.6	-
Property	2.5	1.5	-	1.0
Infrastructure	6.0	4.1	0.7	1.2
Absolute return	6.7	6.6	0.1	-
Derivatives	0.7	0.7	-	-
Cash, cash equivalents & fx contracts	0.3	0.3	-	-
	100.4	62.2	15.6	22.6
Custody fees	0.4	-	-	-
Total	100.8			

* Includes £4.8m charged to the Pension Fund by LGPS Central Limited regional asset pool (2019/20: £4.0m).

2019/20	Total £m	Management fees £m	Performance related fees £m	Transaction costs £m
Equities	8.0	6.0	-	2.0
Fixed interest	0.5	0.5	-	-
Pooled investments	23.1	12.0	1.9	9.2
Pooled property investments	3.4	2.7	0.6	0.1
Private equity	32.5	21.9	9.8	0.8
Property	2.4	1.5	-	0.9
Infrastructure	3.7	4.0	(0.4)	0.1
Absolute return	8.0	6.8	0.1	1.1
Derivatives	0.4	0.4	-	-
Cash, cash equivalents & fx contracts	0.3	0.3	-	-
	82.3	56.1	12.0	14.2
Custody fees	0.3	-	-	-
Total	82.6			

Note P14 - Investment Income

2019/20 £m		2020/21 £m
	Dividends and Interest	
	Bonds	
7.1	UK private sector – quoted	7.9
	Equities	
0.9	UK private sector – quoted	-
39.9	Overseas	23.2
	Pooled Investment Vehicles	
74.1	UK private sector – quoted	1.0
6.8	Overseas equities	4.7
9.4	Interest on cash deposits	1.7
0.7	Stocklending	0.8
2.1	Other investment income	5.6
141.0	Total dividends and interest	44.9
47.4	Property management income	48.5
(10.2)	Property management expenses	(8.6)
37.2	Total property management	39.9
178.2	Total investment income	84.8

Stocklending

As at 31 March 2021, £482.6 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 2020: £384.3 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt totalling £521 million and giving a margin of 8.0% (31 March 2020, £416 million, margin of 8.2%).

Collateral is marked to market, adjusted daily and held by a third party agent on behalf of the Fund. Net income from stocklending amounted to £0.8 million during the year (2019/20: £0.7 million). The Fund retains its economic interest in stocks on loan and their value is included in the Fund valuation. There is however, an obligation to return collateral to the borrowers and its value is therefore excluded from the Fund valuation. The securities lending programme is indemnified to give the Fund further protection against losses.

During the period the stock is on loan, the voting rights on the loaned stock pass to the borrower.

There are no liabilities associated with the loaned assets.

Other investment income

Other investment income includes the following; Class action income, liquidation proceeds and tax refunds.

Note P15 - Net investment assets

31 March 2020 £m		31 March 2021 £m
	Bonds	
186.6	UK companies – segregated (external)	222.4
307.4	Overseas Sovereign - Index Linked	286.0
494.0		508.4
	UK equities	
26.9	Quoted	25.0
2.0	Unquoted	2.0
28.9		27.0
	Overseas equities	
61.9	Quoted	181.1
1,346.9	Quoted – segregated (external)	2,386.4
1,408.8		2,567.5
	Pooled investment vehicles	
	Managed funds	
632.5	UK fixed interest	659.8
1,051.4	Other fixed interest	1,876.7
971.0	UK quoted, index linked	961.9
856.0	UK quoted equities (pooled assets)	1,081.7
4,425.9	Overseas quoted equities (pooled assets)	6,093.1
772.8	Infrastructure	819.7
1,203.3	Private equity	1,315.5
464.9	UK absolute returns	356.6
63.3	Overseas absolute returns	54.1
45.3	Multi asset credit	-
79.7	UK property	188.3
156.0	Overseas property	122.0
	Unit trusts	
40.4	UK quoted equities	-
107.3	UK property	111.4
-	Overseas equities	-
0.1	Overseas property	-
10,869.9		13,640.8
	Property	
918.9	UK freehold	1,014.0
46.2	UK leasehold*	-
965.1		1,014.0
	Derivative contracts	
11.7	Futures	-
-	Forward currency contracts	3.1
11.7		3.1
	Foreign currency holdings	
0.4	Australian dollars	0.5
0.6	Canadian Dollars	0.6
1.3	Czech Koruna	1.3
0.5	Danish Kroner	0.6
113.3	Euro	73.6
135.7	Hong Kong Dollars	31.3
0.6	Hungarian Forints	0.6
5.9	Japanese Yen	5.2
1.9	Mexican Peso	2.2
0.5	New Zealand Dollars	0.5
0.4	Norwegian Kroner	0.5
0.5	Polish Zloty	0.5
1.3	Singapore Dollars	1.4
2.9	Swedish Kroner	2.9
5.2	Swiss Francs	4.8
1.0	Turkish Lira	0.7
310.5	United States Dollars	272.4
582.5		399.6
	Cash deposits	
456.7	UK	491.0
112.9	US	7.2
569.6		498.2
	Other investments	
75.8	Broker balances	19.2
7.0	Outstanding dividend entitlement and recoverable with-holding tax	7.5
82.8		26.7
15,013.3	Total investment assets	18,685.3
	Investment liabilities	
	Derivative contracts	
(76.8)	Forward currency contracts	-
-	Futures	(2.3)
(76.8)		(2.3)
	Other liabilities	
-	Amounts payable for purchases	-
-		-
(76.8)	Total investment liabilities	(2.3)
14,936.5	Net investment assets	18,683.0

* All leasehold properties are held on long leases

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 investments represent more than 5% of the net assets of the Fund. All of these companies are registered in the UK.

31 March 2020			31 March 2021		
Market value	% of total		Market value	% of total	
£m	market value		£m	market value	
	%	Security		%	
1,835.1	12.3	LGPS Central Global Ex UK Passive Equity Fund	2,532.6	13.6	
1,382.4	9.3	LGPS Central All World Equity Climate Multi Factor Fund	1,862.7	10.0	
850.9	5.7	LGPS Central UK Passive Equity Fund	1,075.4	5.8	
715.3	4.8	LGPS Central Global Equity Active Multi-Manager Fund	1,057.0	5.7	
971.0	6.5	Legal & General - All Stocks Index-Linked Gilts Fund	961.9	5.1	

The proportion of the market value of investment assets managed in the regional asset pool and by each external manager at the year-end is set out below.

31 March 2020			31 March 2021		
Market value	% of total		Market value	% of total	
£m	market value		£m	market value	
	%			%	
Investments managed by LGPS Central Limited regional asset pool:					
4,366.3	29.2	Authorised Contractual Schemes (ACS) - global equities	6,010.1	32.2	
850.9	5.7	Authorised Contractual Schemes (ACS) - UK equities	1,075.4	5.8	
-	-	Authorised Contractual Schemes (ACS) - Fixed interest	584.8	3.1	
101.3	0.7	Non ACS private equity	198.9	1.1	
5,318.5	35.6		7,869.2	42.1	
Investments managed outside of LGPS Central Limited regional asset pool:					
2,142.9	14.3	In-house	2,120.7	11.4	
152.9	1.0	Managers: UK quoted	117.7	0.6	
1,042.1	7.0	Managers: emerging markets	1,448.3	7.8	
364.4	2.4	Managers: global equities	1,021.1	5.5	
3,148.9	21.1	Managers: fixed interest	3,422.0	18.3	
235.7	1.6	Managers: indirect property	310.3	1.7	
772.8	5.2	Managers: infrastructure funds	819.7	4.4	
573.5	3.8	Managers: absolute return	410.7	2.2	
1,102.0	7.4	Managers: private equity	1,116.6	6.0	
9,535.2	63.8		10,787.1	57.7	
82.8		Outstanding dividend entitlement and recoverable with-holding tax	26.7		
14,936.5		Net investment assets	18,683.0		

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

The Fund utilises derivative instruments in line with investment policy and investment management agreements in place with third party investment managers.

a) Futures

In 2018/19, the Fund made a decision to transition assets out of an internal global equity portfolio and into a new sustainable global equities mandate. Recognising that there would be some lead time in implementing this strategy, as and when the existing portfolio was realised, proceeds were invested in global equity futures pending transition to the sustainables mandate. During 2020/21, the Fund made a significant transition into the sustainables mandate and has reduced its exposure to futures accordingly.

The Fund has also invested in gilt futures to help align the weighting in this area with its strategic target and as a tool for risk management. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To reduce the volatility associated with fluctuating currency rates, the Fund has a passive currency programme in place. The Fund commenced its currency hedging programme in September 2017 following approval by Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The Fund's hedging programme aims to protect returns in sterling terms and reduce currency risk. The neutral hedge ratio is considered to be 50% based on the strategic weight of each region but actual hedge ratios applied will vary from time to time with a rebalancing taking place on a monthly basis to reflect changing market values.

c) Open forward currency contracts

Settlement	Currency Bought	Local value	Currency Sold	Local value	Asset value	Liability value
		m		m	£m	£m
One to six months	GBP		390.7	EUR	454.4	3.1
Open forward currency contracts at 31 March 2021						3.1
Net forward currency contracts at 31 March 2021						3.1

Prior year comparative

Open forward currency contracts at 31 March 2020	-	(76.8)
Net forward currency contracts at 31 March 2020	-	(76.8)

d) Open exchange traded futures contracts

Type	Expires	Economic exposure	Market value	Economic exposure	Market value
		£m	31 March 2020	£m	31 March 2021
			£m		£m
Assets					
UK equity	Under one year		71.3	6.6	55.5
Overseas equity	Under one year		469.2	2.6	141.4
UK bond	Under one year		158.3	2.5	148.3
Total assets				11.7	(2.3)

Note P16 - Investment market value movements analysis

	Value as at 31 March 2020	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment Management Fees Deducted at Source	Change in Market Value	Value as at 31 March 2021
	£m	£m	£m	£m	£m	£m
Bonds	494.0	28.6			(14.2)	508.4
UK equities	28.9				(1.9)	27.0
Overseas equities	1,408.8	450.0			708.7	2,567.5
Pooled investment vehicles	10,869.9	1,314.9	(839.0)	(80.6)	2,375.6	13,640.8
Property	965.1	63.0	(18.3)	-	4.2	1,014.0
	13,766.7	1,856.5	(857.3)	(80.6)	3,072.4	17,757.7
Derivative contracts						
Futures	11.7	-	(23.1)	-	9.1	(2.3)
Forward foreign exchange	(76.8)	-	37.6	-	42.3	3.1
	13,701.6	1,856.5	(842.8)	(80.6)	3,123.8	17,758.5
Broker balances	75.8					19.2
Outstanding dividend entitlement and recoverable With-holding tax	7.0					7.5
Foreign currency holdings	582.5					399.6
Cash deposits	569.6					498.2
Total Investments	14,936.5					18,683.0

The change in market value of investments comprises both increases and decreases in the market value of investments held at any time during the year and profits and losses realised on the sales of investments during the year.

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 Fund such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £22.6 million (2019/20: £14.2 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 Fund.

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.

The change in the value of investments during 2019/20 is set out below:

	Value as at 31 March 2019	Transfer of assets from WMITA fund	Purchases at cost and derivative payments	Sales proceeds and derivative receipts	Investment management fees deducted at source	Change in market value	Value as at 31 March 2020
	£m	£m	£m	£m	£m	£m	£m
Bonds	339.8	-	99.6	-	-	54.6	494.0
UK equities	40.0	-	-	(11.5)	-	0.4	28.9
Overseas equities	1,301.3	-	353.3	(0.4)	-	(245.4)	1,408.8
Pooled investment vehicles	11,481.8	263.5	8,413.8	(8,684.6)	(66.9)	(537.7)	10,869.9
Property	980.7	-	18.5	(1.9)	-	(32.2)	965.1
	14,143.6	263.5	8,885.2	(8,698.4)	(66.9)	(760.3)	13,766.7
Derivative contracts							
Futures	20.7	-	141.4	(200.7)	-	50.3	11.7
Forward foreign exchange	(1.8)	-	282.5	(322.4)	-	(35.1)	(76.8)
	14,162.5	263.5	9,309.1	(9,221.5)	(66.9)	(745.1)	13,701.6
Broker balances	51.8						75.8
Outstanding dividend entitlement and recoverable with	0.5						7.0
Amounts payable for purchases of investments	(152.1)						-
Foreign currency holdings	690.6						582.5
Cash deposits	821.8	3.9					569.6
Total investments	15,575.1	267.4					14,936.5

16 i) Property Holdings

The Fund's investment property portfolio comprises a number of directly owned properties which are leased commercially to various tenants. Details of these directly owned properties are as follows:

2019/20 £m		2020/21 £m	
980.7	Opening balance		965.1
18.5	Additions		63.0
(1.9)	Disposals		(18.3)
(32.2)	Net change in market value		4.2
965.1	Closing balance		1,014.0

There are no restrictions on the realisability of the property or the remittance of income or proceeds on disposal and the Fund is not under any contractual obligation to purchase, construct or develop any of these properties nor does it have any responsibility for any repairs, maintenance or enhancements.

The future minimum lease payments receivable by the Fund are as follows:

31 March 2020 £000		31 March 2021 £000	
43,025	Within one year		43,892
156,653	Between one and five years		152,740
174,138	Later than five years		179,918
373,816	Total future lease payments due under existing contracts		376,550

The receivables above have been reduced by a credit loss allowance of 1% per annum reflecting the Fund's expected loss from late or non-recovery of rents from tenants. This deduction is based on advice from the Fund's property letting agents.

The impact of COVID-19 has presented new challenges for valuation of illiquid assets. In their valuation report for the quarter to 31 March 2020, the independent property valuation agents were unable to rely fully on previous market experience to inform opinions on properties and their valuations were therefore reported on the basis of 'material valuation uncertainty'. There is no such valuation uncertainty clause in connection with the property valuation report as at 31 March 2021.

Note P17 - Fair value - basis of valuation

The basis of the valuation of each class of investment assets is detailed below. There has not been any change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date.

Asset type	Valuation level	Basis of valuation	Observable and unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2021.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	n/a	n/a
Futures	1	Published exchange prices at 31 March 2021.	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds.	n/a
Pooled Investment vehicles- unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2021.	Exchange rate risk.	n/a
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Savills Plc. 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 are valued by Browns at the year end.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value 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.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.
Bulk annuity insurance buy-in	3	Provided by the Fund's Actuary based on a roll-forward of the value placed on the buy-in as part of the WMITA Fund 2019 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 0.43% with reference to the 11 year point of the Bank of England nominal gilt yield curve, consistent with the 2019 valuation of the WMITA Fund.	Adjustments to discount rate and life expectancy.

Sensitivity of assets valued at level 3

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges and, as set out below, the consequent potential impact on the closing value of investments at 31 March 2021 and 31 March 2020.

Level 3 assets	Valuation range	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.8	1,014.0	1,134.0	894.1
Private Equity	31.7	1,269.8	1,672.6	867.0
Infrastructure	13.2	819.8	928.3	711.1
Absolute Return/Diversified Growth	14.1	410.8	468.6	353.0
Unit Trusts - UK Property	11.8	140.5	157.2	123.9
Fixed Interest	9.8	65.8	72.3	59.4
Total		3,720.7	4,433.0	3,008.5

Level 3 assets	Valuation range	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
	% (+/-)	£m	£m	£m
Freehold and Leasehold Property	11.7	965.1	1,078.0	852.2
Private Equity	26.2	1,203.3	1,518.6	888.0
Infrastructure	13.8	772.8	879.4	666.2
Absolute Return/Diversified Growth	12.8	528.2	595.8	460.6
Unit Trusts - UK Property	11.7	107.3	119.9	94.7
Total		3,576.7	4,191.7	2,961.7

The key underlying inputs for the annuity insurance buy-in level 3 valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund's Actuary is shown below:

Change in assumptions - year ended 31 March 2021	Adjustment	Valuation at 31 March 2021	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	200.0	209.9	190.4
Adjustment to life expectancy assumptions	(+/-) 1 year	200.0	214.6	186.2

Change in assumptions - year ended 31 March 2020	Adjustment	Valuation at 31 March 2020	Valuation Increase	Valuation Decrease
		£m	£m	£m
Adjustment to discount rate	(-/+) 0.5%	229.4	240.8	218.5
Adjustment to life expectancy assumptions	(+/-) 1 year	229.4	244.5	215.2

17 i) Fair value hierarchy

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 interest 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 the determining appropriate assumptions.

The values of the investments in private equity, infrastructure and absolute return/diversified growth funds are based on the latest investor reports and financial statements provided by the fund managers of the underlying funds. Valuations are undertaken quarterly and an adjustment is made to roll forward the latest available valuation to 31 March as appropriate.

The values of the investments in hedge funds are based on the net asset value provided by the fund manager. Fund valuations are obtained through external experts with assurance provided via the audit opinion. 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 fair value is observable.

Value at 31 March 2021	Quoted market price	Using observable	With significant unobservable	Total
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	9,753.4	4,284.4	2,706.7	16,744.5
Non-financial assets at fair value through profit and loss			1,014.0	1,014.0
Financial liabilities at fair value through profit and loss				-
	9,753.4	4,284.4	3,720.7	17,758.5
Bulk annuity insurance buy-in at fair value through profit and loss			200.0	200.0
Net financial assets	9,753.4	4,284.4	3,920.7	17,958.5

Value at 31 March 2020	Quoted market price	Using observable	With significant unobservable	Total
	Level 1	Level 2	Level 3	
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit and loss	6,705.0	3,496.7	2,611.6	12,813.3
Non-financial assets at fair value through profit and loss			965.1	965.1
Financial Liabilities at Fair Value Through Profit and Loss	-	-	-	-
Financial liabilities at fair value through profit and loss		(76.8)		(76.8)
	6,705.0	3,419.9	3,576.7	13,701.6
Bulk annuity insurance buy-in at fair value through profit and loss			229.4	229.4
Net financial assets	6,705.0	3,419.9	3,806.1	13,931.0

Note 17 ii) - Reconciliation of fair value measurements within level 3

Period 2019/20	Market value 1 April 2019 £m	Transfers into level 3 £m	Transfers out of level 3 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains / losses £m	Realised gains/losses £m	Market value 31 March 2020 £m
Freehold and Leasehold Property	965.1	-	-	-	-	48.9	-	1,014.0
Private Equity	1,203.3	3.5	(29.5)	129.4	(241.1)	156.3	47.9	1,269.8
Infrastructure	772.8	-	-	146.6	(75.1)	(35.3)	10.8	819.8
Absolute Return/Diversified Growth	528.2	-	-	60.8	(199.4)	10.8	10.4	410.8
Unit Trusts - UK Property	107.3	-	-	40.7	(3.0)	(4.5)	-	140.5
Bonds	-	-	-	70.7	(1.0)	(3.9)	-	65.8
Total	3,576.7	3.5	(29.5)	448.2	(519.6)	172.3	69.1	3,720.7

Bulk annuity insurance buy-in contract

The transfer of assets from the former WMITA Fund included a bulk annuity insurance buy-in contract with Prudential Retirement Income Limited. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities of a specified group of pensioners on the WMITA pensions payroll as at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for this group whilst they or their dependants are entitled to a pension.

31 March 2020 £m		31 March 2021 £m
-	Bulk annuity insurance buy-in contract value at start of year	229.4
224.5	Bulk annuity insurance buy-in contract value transferred in 1 April 2019	-
	Actuarial revaluation of insurance contract:	
2.8	Interest on buy-in	1.0
5.2	Change in demographic assumptions	(3.3)
18.1	Change in actuarial assumptions	(11.8)
(5.4)	Actuarial experience	-
20.7		(14.1)
(15.8)	Level pensions paid by insurer	(15.3)
229.4	Bulk annuity insurance buy-in contract value at end of year	200.0

The change in demographic assumptions results from updating mortality assumptions to use the latest CMI_2020 Model. The change in actuarial assumptions is a result of increasing the discount rate from 0.43% at 31 March 2020 to 1.02% at 31 March 2021 consistent with the rate used in the 2019 valuation of the former WMITA Fund.

Note P18 - Investment capital commitments

Investment commitments at the end of the financial year in respect of future payments were:

31 March 2020 £m		31 March 2021 £m
1,146.6	Non-publicly quoted equities and infrastructure	948.8
85.4	Property	58.5
1,232.0		1,007.3

These amounts relate to outstanding commitments due on funds held in the private equity, fixed interest, absolute return and alternative investment portfolios.

Note P19 - Long term debtors

31 March 2020 £m		31 March 2021 £m
11.6	Early retirement costs	6.4
2.9	Reimbursement of lifetime tax allowances	3.8
14.5	Total	10.2

The Fund has agreed for certain employers to defer payment of amounts due to meet early retirement costs and £6.4m is due after the following financial year (2019/20: £11.6m). The instalments due in 20/21 are reported in Current Assets.

Note P20 - Current Assets

31 March 2020 £m		31 March 2021 £m
	Receivables and prepayments	
	Contributions Receivable	
12.8	- Employers' future service	13.3
6.0	- Employers' past service deficit	4.9
10.5	- Members	10.0
103.1	Other Receivables	10.3
132.4	Total Receivables and Prepayments	38.5
-	Cash	1.9
132.4	Total Current Assets	40.4

Note P21 - Current liabilities

31 March 2020 £m		31 March 2021 £m	
	Payables and receipts in advance		
(3.7)	Pensions and lump sum benefits		(4.3)
(5.2)	Receipts in advance		(0.7)
(15.8)	Other payables		(15.5)
(24.7)	Total		(20.5)

Note P22 - 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) (b) 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 2020		Prudential		31 March 2021	
Utmost Life	£m	£m		Utmost Life	Prudential *
£m		£m		£m	£m
1.6		37.6	Opening value of the fund	1.8	37.6
0.1		0.6	WMITA Fund AVC balances consolidated following merger	-	-
0.3		6.0	Income	0.1	6.0
(0.1)		(5.6)	Expenditure	(0.2)	(6.6)
(0.1)		(1.1)	Change in market value	-	0.2
1.8		37.6	Closing value of the fund	1.7	37.2

* At the time of publishing this draft Statement of Accounts in June 2021, Prudential Assurance Company was experiencing delays resulting from its ongoing migration to a new administration platform and was not able to provide annual AVC financial statements for 2020/21. The table above therefore contains estimates for movements in Prudential AVCs for the year to 31 March 2021 which will be revised as appropriate when the actual amounts are available.

Note P23 Financial instruments

Net gains and losses on financial instruments

31 March 2020 £m		31 March 2021 £m	
	Financial assets		
(677.8)	Fair value through profit and loss		3,110.5
	Financial liabilities		
(35.1)	Fair value through profit and loss		9.1
(712.9)	Total		3,119.6

Classification of financial instruments

The following table analyses the carrying amounts of financial instruments by category. No financial instruments were reclassified during the accounting period.

Fair value through profit and loss £m	31 March 2020		31 March 2021		
	Assets at amortised cost £m	Financial liabilities at amortised cost £m	Fair value through profit and loss £m	Assets at amortised cost £m	Financial liabilities at amortised cost £m
					Financial assets
494.0				508.4	Bonds
28.9				27.0	UK equities
1,408.8				2,567.5	Overseas equities
10,869.9				13,640.8	Pooled investment vehicles
11.7				3.1	Derivative contracts
229.4				200.0	Bulk annuity Insurance buy-in
	1,152.1				Cash
					Other investment balances
	82.8				
	146.9				Debtors
13,042.7	1,381.8		16,946.8	975.1	
					Financial liabilities
(76.8)			(2.3)		Derivative contracts
					Other investment balances
					(24.7) Creditors
12,965.9	1,381.8		16,944.5	975.1	
	14,323.0			17,899.1	

Note P24 - The nature and extent of risks arising from financial instruments

Risk management

The main investment objective of the Fund is to optimise return whilst managing market risk exposure within an acceptable tolerance. This is achieved by investing assets across a diversified portfolio. The Fund also manages its liquidity risk to ensure there is sufficient liquidity to meet forecasted cash flows.

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.
Counterparty and credit risk -	the possibility that 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 as they fall due.
Valuation risk -	the possibility that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion.
Market risk -	the possibility that financial loss might arise as a result of market movements. Currency risk, interest rate risk and other price risk are types of market risk: Currency risk - the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Interest rate risk - the risk that future cash flows will fluctuate because of changes in market interest rates. Other price risk - the risk that the value of a financial asset will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

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 which is monitored on an ongoing basis to ensure it remains appropriate.

Counterparty risk

In deciding to effect any transaction for the Fund, steps are taken to ensure that the respective 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.

Credit risk

The Fund's credit risk is largely associated with its Fixed Income investments. This risk stems from third parties potentially failing to meet interest payments or failing to return the Fund's principal at the end of the investment period. There is also credit/counterparty risk associated with derivative investments within the Fund's Alternatives investments and those used to hedge certain foreign currency exposures as well as with rental income earned within the Fund's property portfolios.

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 Treasury policy. 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. 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.

Credit rating sensitivity analysis			
Fund/Account	Long term Fitch rating*	Value at 31 March 2020 £m	Value at 31 March 2021 £m
Money market funds			
HSBC GBP Liquidity Fund Class H	Aaa-mf	191.1	106.5
HSBC USD Liquidity Fund Class H	Aaa-mf	112.9	7.2
LGIM GBP Liquidity Fund	AAAmmf	132.8	134.7
Insight GBP Liquidity Fund	AAAmmf	26.9	142.5
Invesco GBP Liquidity Fund	AAAmmf	2.9	2.3
Custody and deposit accounts			
CBRE Client Account West Midlands Met Authority		13.1	21.1
HSBC GBP Cash	AA-	89.9	83.9
HSBC Non-GBP Cash	AA-	582.5	399.6
Total		1,152.1	897.8

* Moody's rating used if no Fitch rating available

Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due, especially pension payments to its members. The Fund therefore takes steps to ensure that it has adequate cash resources to meet its commitments. The appropriate strategic level of cash balances to be held forms part of the Fund's investment strategy and the Fund carries out cash flow planning in respect of contributions, benefit payments, investment income and capital calls/distributions on an ongoing basis.

The risk that the Fund will be unable to raise cash to meet its liabilities is considered low. Due to having cashflow management procedures in place, the Fund is able to invest in illiquid asset classes and take advantage of the illiquidity premium found in these investments where appropriate.

Valuation risk

Valuation risk represents the risk that the actual value realised upon the sale of an illiquid asset differs from the valuation placed on it based on a valuer's opinion. The valuation of assets, and thus the management of valuation risk, is delegated to the Fund's appointed investment managers.

IFRS 13, Fair Value Measurement, seeks to increase consistency and comparability in fair value measurements through a 'fair value hierarchy', which categorises the inputs used in valuation techniques into three levels. Level 1 assets are those for which fair value can be measured via quoted prices in active markets for identical assets (such as those traded on stock exchanges). Level 2 assets require inputs other than quoted market prices falling under level 1 for fair value assessment (such as prices quoted in inactive markets, interest rates or credit spreads, for example). Level 3 assets require unobservable (non-public) inputs for fair value assessment and in practical terms, are those considered to be the most illiquid and difficult to value.

The majority of the Fund's underlying investments are in liquid quoted assets, representing minimal valuation risk (falling under level 1 and 2 of IFRS 13's fair value hierarchy). The Fund has investments in Property, Infrastructure and certain other illiquid assets that are classified as level 3 assets with a fair value of £3,720.7m as at 31 March 2021 (2020: £3,576.7m), which represents 21% of total assets (2020: 26%). The guidance of IFRS 13 includes additional disclosures for level 3 measurements that include the reconciliation of opening and closing balances and quantitative information about unobservable inputs and assumptions used. Valuation of the Fund's investments falling under the scope of this guidance is conducted by their respective appointed investment managers.

During the year to 31 March 2021, the impact of COVID-19 led to valuation challenges regarding certain illiquid assets. On 17 March 2020, the Royal Institute of Chartered Surveyors (RICS) recommended that surveyors use a material valuation uncertainty clause in property valuations due to the unprecedented circumstances caused by the pandemic and the corresponding absence of market evidence on which to base judgements. Throughout the year, such clauses applied to fewer and fewer assets as market uncertainty gradually receded and on 9 September 2020, RICS formally lifted its recommendation.

Market risk - currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on any financial instruments not denominated in GBP sterling, the functional currency of the Fund. The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP. The table below indicates a measure of the sensitivity of the investment assets and cash balances within each asset class to currency market movements, based on the expected 1-year standard deviations of each of the underlying foreign currency exposures within the respective asset classes.

The calculations behind these potential market movements account for the diversification effects between currencies within each holding. However, the calculations do not account for the Fund's use of foreign currency forwards, which are held to hedge certain currency exposures for the sake of risk reduction. The extent of this hedging activity is subject to change over time.

Currency risk sensitivity analysis

Asset Type	Asset value	Potential	Value on	Value on
	as at 31 March 2021	market movement	Increase	Decrease
	£m	£m	£m	£m
Equities*	9,828.5	686.1	10,514.6	9,142.4
Property	1,376.5	11.3	1,387.8	1,365.2
Fixed Interest**	4,006.8	90.7	4,097.5	3,916.1
Private Equity	1,315.5	72.4	1,387.9	1,243.1
Alternatives***	1,230.4	41.7	1,272.1	1,188.7
Liquid Assets	924.5	35.6	960.1	888.9
Total****	18,682.2		19,620.0	17,744.4

* Currency exposures of the overseas equity holdings have been calculated using generic indices.

** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Asset Type	Asset value	Potential	Value on	Value on
	as at 31 March 2020	market movement	Increase	Decrease
	£m	£m	£m	£m
Equities*	6,867.2	455.9	7,323.1	6,411.3
Property	1,200.9	14.2	1,215.1	1,186.7
Fixed Interest**	3,194.6	67.9	3,262.5	3,126.7
Private Equity	1,203.3	71.6	1,274.9	1,131.7
Alternatives***	1,300.6	43.4	1,344.0	1,257.2
Liquid Assets	1,234.9	60.9	1,295.8	1,174.0
Total****	15,001.5		15,715.4	14,287.6

* Currency exposures of the overseas equity holdings have been calculated using generic indices.

** Includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

***Includes exposure to absolute return and infrastructure investments.

****Excludes exposure to futures and forwards.

Market risk - interest rate risk

The Fund recognises that movements in interest rates can affect both income to the Fund and the value of the Fund's assets, both of which affect the value of the assets available to pay benefits. The tables below estimate the impact on the Fund's main Fixed Income exposures of a 100 basis points (bps) interest rate movement, using the duration of the underlying positions in each asset class (which have been obtained from the fund managers), to approximate the sensitivity to interest rate movements. This analysis assumes that all other variables (such as exchange rate movements) are constant, assessing only the impact of interest rate movements in isolation.

Interest rate risk - sensitivity analysis

Asset Type	Carrying amount as at 31	Change in year in the net assets	
	March 2021	+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	994.0	(214.7)	214.7
Gilts*	179.4	(21.3)	21.3
Gilt Future	(1.8)	(11.9)	11.9
Overseas Government Bonds	101.9	(8.1)	8.1
US TIPS	286.0	(33.3)	33.3
Corporate Bonds	1,179.6	(80.2)	80.2
Emerging Market Debt	750.1	(52.0)	52.0
Mult-Asset Credit	443.6	(6.5)	6.5
Private Credit**	65.8	(0.8)	0.8
Total	3,998.6	(428.8)	428.8

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£148.3m).

** Excludes legacy and immaterial positions (total: £6.3m).

Note: Durations are as at 31 March 2021.

Asset Type	Carrying amount as at 31	Change in year in the net assets	
	March 2020	+100BPS	-100BPS
	£m	£m	£m
Index-linked Gilts	940.5	(201.0)	201.0
Gilts	189.9	(24.4)	24.4
Gilt Future	2.5	(13.6)	13.6
Overseas Government Bonds	113.4	(9.5)	9.5
US TIPS	307.5	(37.3)	37.3
Corporate Bonds	629.2	(56.6)	56.6
Emerging Market Debt	609.5	(42.0)	42.0
Mult-Asset Credit	348.4	(11.3)	11.3
Total	3,140.9	(395.7)	395.7

* The impact of a 100bps increase/decrease has been calculated using the exposure provided by the Future (£157.5m).

** Excludes legacy and immaterial positions (total: £10.6m).

Note: Durations are as at 31 March 2020.

Market risk - other price risk

The Fund is exposed to share and derivative price risk which arises from investments held by the Fund of which the future price is uncertain. The Fund aims to reduce the exposure to this price risk by ensuring appropriate levels of diversification in its asset allocation. The asset allocation is monitored on an ongoing basis to ensure it remains in line with the limits specified in the Fund's investment strategy. The tables below indicate a measure of sensitivity of the returns of each major asset class in which the Fund is invested, based on the 1-year standard deviation of returns within the respective asset classes, excluding the effects of interest rate risk and currency risk which are disclosed separately above. The tables also show an estimate of the impact of this potential volatility on asset values.

Other price risk - sensitivity analysis

Asset Type	Value as at 31 March 2021 £m	Year Volatility of Asset Class	Value on increase £m	Value on decrease £m
UK equities	1,167.9	18.8%	1,387.5	948.3
Global equities (ex UK)	8,660.6	16.3%	10,072.3	7,248.9
Property	1,376.5	11.8%	1,538.9	1,214.1
Fixed interest*	4,006.8	4.2%	4,175.1	3,838.5
Private equity	1,315.5	31.7%	1,732.5	898.5
Alternatives**	1,230.4	13.1%	1,391.6	1,069.2
Total Fund *** (See note below)	17,757.7		20,297.9	15,217.5

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

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, in line with mean variance portfolio theory is 12.4%. On this basis, the total value on increase is £19,959.6 million and the total value on decrease is £15,555.7 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Asset Type	Value as at 31 March 2020 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,032.5	18.7%	1,225.6	839.4
Global equities (ex UK)	5,834.7	16.4%	6,791.6	4,877.8
Property	1,200.9	11.7%	1,341.4	1,060.4
Fixed interest*	3,194.6	4.7%	3,344.7	3,044.5
Private equity	1,203.3	26.2%	1,518.6	888.0
Alternatives**	1,300.6	13.9%	1,481.4	1,119.8
Total Fund*** (See note below)	13,766.6		15,703.3	11,829.9

*includes exposure to fixed interest gilts, index-linked gilts, overseas government bonds, US TIPS, corporate bonds, emerging market debt, multi-asset credit and private credit.

**includes exposure to absolute return and infrastructure investments.

***excludes futures, forwards, cash deposits, foreign currency holdings, broker balances and the outstanding dividend entitlement.

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, in line with mean variance portfolio theory is 12.2%. On this basis, the total value on increase is £15,442.7 million and the total value on decrease is £12,090.0 million. Due to the approach taken to determine the total Fund volatility (in which the beneficial impact of diversification is recognised), the monetary impact on the total Fund assets is determined using the total Fund volatility, which is lower than the sum of the monetary impact for each asset class.

Reputational risk

The Fund's prudent approach to the collective risks listed above and compliance with best practice in corporate governance ensures that reputational risk is kept to a minimum.

Note P25 - 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 2020/21			
Individual Value	Number	Total £	
Less than £100	30	1,133	
£100 - £500	10	1,494	
Over £500	1	751	
TOTAL	41	3,378	

Write off analysis 2020/21			
Individual Value	Number	Total £	
Less than £100	3	152	
£100 - £500	82	16,267	
Over £500	7	6,544	
TOTAL	92	22,963	

Note P26 - Related parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in Note P13 above are recharged to the Fund. Following the actuarial valuation as at 31 March 2019, the Council agreed with the Fund to pay all of its employer future service rate contributions for 2020/21 plus its past service deficit contributions for 2020/21, 2021/22 and 2022/23 by advance lump sum payment of £41.9m on 30 April 2020. The advance payment is accounted for fully in 2020/21 and with the addition of employee contributions, £49.5 million was receivable from the City of Wolverhampton Council for 2020/21 (2019/20: £9.1 million - City of Wolverhampton Council had paid its 2019/20 future service and past service deficit contributions in advance as part of a lump sum payment of £57.3m on 30 April 2018). Balances owed by and to the Council at the year end are shown in Notes P19, P20 and P21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund as set out below:

Pensioner: Councillors: K Inston, M Jaspal, R Martin, P Page and J Tildesley. Trade Union observers: M Cantello and M Clift
Deferred: Councillor: S Simkins

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are six employing bodies of the Fund in which a member of the Committee has declared an interest for 2020/21. Contributions from each of these employers are set out below:

Contributions receivable 2019/20 £000		Contributions receivable 2020/21 £000	
10,412	Birmingham City University		
147	Birmingham Museums Trust		345
9,106	City of Wolverhampton Council		-
82	Heath Park Academy - Central Learning Partnership Trust		534
18	Kingswood Trust		17
35,354	Sandwell MBC		0
12,616	University of Wolverhampton		12,672
-	West Midlands Combined Authority		11,727
5,017	Wolverhampton Homes		5,102

LGPS Central Limited

LGPS Central Limited has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by the eight administering authorities participating in the LGPS Central Pool, of which City of Wolverhampton Council, as the administering authority for West Midlands Pension Fund, is one of the shareholders. Each authority has one Class A voting share in LGPS Central Limited.

The Fund has agreed a number of advisory agreements covering a range of asset classes within the fixed income portfolio and wider illiquid portfolios. LGPS Central Limited has also provided the Fund with execution only services in the management of forward currency hedging positions. The charges in respect of these services totalled £2.112m in 2020/21 (2019/20: £1.539m). The amount outstanding in respect of these services at 31 March 2021 was £0.516m (31 March 2020: £0.477m).

The Pension Fund was invoiced £2.706m in respect of Governance, Operator Running and Product Development costs by LGPS Central Limited for 2020/21 (2019/20: £2.496m). The amount outstanding in respect of these services at 31 March 2021 was £0.643m (31 March 2020: £0.950m).

LGPS Central Limited has let office space from City of Wolverhampton Council since 1 April 2018 on a sub leasing arrangement. The rental income and rates receivable by City of Wolverhampton Council from LGPS Central Limited in 2020/21 totalled £102,595 (2019/20: £147,469) and the reimbursement of associated utilities and maintenance charges for 2020/21 totalled £16,078 (2019/20: £30,695).

LGPS Central Limited is an admitted body and employs staff that are active members of the West Midlands Pension Fund. Normal contributions receivable from LGPS Central Limited for the year to 31 March 2021 were £518,500 (2019/20: £442,700).

City of Wolverhampton Council (via the Pension Fund) has invested £1.315m in LGPS Central Limited class B shares and £0.685m in class C shares in 2017/18 and these are both carried as balances in net investment assets at this year end.

Key management personnel

The Fund has identified the Director of Pensions, West Midlands Pension Fund and the Chief Executive, City of Wolverhampton Council as key management personnel with the authority and responsibility to control or exercise significant influence over the financial and reporting decisions of the Fund. The combined compensation for these officers attributable to West Midlands Pension Fund is shown in the table below:

2019/20 £000		2020/21 £000	
136	Short-term benefits		143
28	Post-employment benefits		30
164			173

Note P27 - Events after the reporting date

No post balance sheet events have occurred which impact upon the balances and transactions reported for the year.

The Fund remains alert to potential challenges from ongoing developments in relation to the COVID-19 global health pandemic. None of these developments have impacted the underlying assumptions on which the Statement of Accounts is based nor the recognition or measurement of balances and transactions therein. No adjustments in respect of post balance sheet events have therefore been made.

The "McCloud" Court Judgement will have significant impact for all public sector pension schemes. When reforms were introduced in 2014 and 2015, protections were put in place for older scheme members. In December 2018, the Court of Appeal ruled that younger members of the Judges and Firefighters Pension schemes were discriminated against because the protections did not apply to them also. In July 2020, the Government published a consultation on draft regulations to remove this age discrimination. The consultation closed on 8 October 2020 and Government is now undertaking a review of the responses to finalise a remedy and publish amended Regulations. There is therefore, some uncertainty over the costs of any potential changes that might be required and these cannot at this time be calculated and included in the Fund's Statement of Accounts