



West Midlands Pension Fund

West Midlands **ITA**  
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Contributing annual report  
together for and accounts  
your future 2016

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Our mission is to pay our members' pensions as they become due, while providing the highest standards of service to our members and employers



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## Another Year of Major Changes



This has been another year of major changes for the Local Government Pension Scheme (LGPS). April 2015 saw the introduction of the Fund's Pensions Board, a new group whose role is to assist the Committee in the good governance of the Fund. In addition, a Scheme Advisory Board was established to oversee the operation and funding of the LGPS at the national level. We were proud to be a forerunner in establishing and recruiting to our own local Pensions Board, and are very pleased with the role that it has played during its inaugural year.

It is also a time of major changes across the wider landscape of pensions. The ability to access pension savings more flexibly was introduced in April 2015. This allowed some members of pension schemes to access their savings earlier, including taking them as a cash lump-sum. We believe that the LGPS offers an excellent means of providing for an income in retirement, and that this is borne out by the very small number of our members who have enquired about the new flexibilities. However, further policy and technical changes are anticipated in the short- and medium-term that will impact on the Fund, including pooling of investment assets, changes to the taxation of pensions, early retirement terms and caps on public sector exit payments.

It has been a mixed year for investments in a difficult year for markets: although quoted equities, which make up 48% of total assets, have seen a year-on-year fall in value, other areas of the portfolio, notably alternatives, property and private equity, have performed positively. Importantly, the Fund's performance compared to its benchmark return has been good, standing at 2.41% compared to a benchmark of 0.71%: an out-performance of 1.70%.

The Fund remains highly cost-conscious, and aware of the need to demonstrate that it delivers value-for-money for its members and employers. Restructuring of our portfolio has continued during the last year, including the introduction of an in-house, actively-managed global equities portfolio. This, along with other changes to the portfolio over the last few years, has yielded ongoing savings of almost £25 million per year.

We are also highly focussed on managing the costs of administration. As a result of tight financial controls and ongoing review of budgets and expenditure to identify savings, we have been able to reduce the cost of administration, oversight and governance from £18.70 per member last year to £17.72 this year. We are particularly pleased to have achieved this in light of the continuing growth in member numbers – more than 10,000 during 2015/16, and a growth in the number of employers from 471 to 536.

We are continuing to develop our electronic business model, in particular our web portal. The total number of members registered with web portal rose dramatically from 23,157 to 41,167 over the course of the year. We are grateful to our members and employers for embracing this method of working with us.

Responsible investment sits at the heart of our approach to managing our members' funds. 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.

“

...awards and accreditations 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.

”

**Councillor Jasbir Jaspal**  
Chair of the Pensions Committee

**Geik Drever**  
Strategic Director of Pensions





We were delighted to win two awards this year, recognising our work in the areas of trustee development and responsible investment. In addition, we were very pleased to receive the CIPFA Governance Mark of Excellence, becoming the first pension fund in the UK to do so, and to maintain our existing accreditations with Investors in People and Customer Service Excellence. These awards and accreditations 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 trustees achieved a combined total of 785.5 hours of training during the year.

Overall, this has been a good year for the Fund, in which we have once again demonstrated our adaptability and determination to provide high-quality services in an environment of ongoing change. Looking to the future, the pace of change will only continue to accelerate, most notably with the introduction of LGPS investment asset pooling.

LGPS Central is a major strategic collaboration of eight LGPS funds across the Midlands region. It will be a multi-asset manager, investing approximately £35 billion of assets on behalf of its member funds from 2018 onwards. The aims of LGPS Central will be to deliver cost savings, to build on the existing investment expertise of its member funds through increased scale, resilience, and sharing of knowledge, and to have in place strong governance and decision-making arrangements. It will also aim to make the best use of a blend of internal and external investment management. Working with our partners to develop and implement LGPS Central will be a major strategic focus for the Fund over the next two years.

In addition to investment pooling, there are a number of other key issues shaping the work of the Fund over the medium-term and beyond, including further pensions reforms, the impact of a changing cash flow profile and declining market returns, the continuing growth in the number of members and employers, and the funding strategy to resolve the Fund's long-term pensions deficit, which is especially challenging in the context of the budgetary constraints faced by many of our employers.

We would like to take this opportunity to thank the members of the Pensions Committee, the Investment Advisory Sub-Committee, and the Pensions Board 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.

It is with regret that we note the death of Councillor Thomas (Bert) Turner, who passed away on 6 October 2015. Since becoming Chair of the Pensions Committee in 2014, Councillor Turner made a significant contribution to the Fund. His common sense, judgement and humour will surely be missed.

**Councillor Jasbir Jaspal**  
Chair of the Pensions Committee

**Geik Drever**  
Strategic Director of Pensions  
Date: May 2016



The Fund has identified the following eight key drivers of change that will impact on its operating environment over the medium-term.

### 1) LGPS Pooling

The Government has expressed a desire for LGPS funds across the country to work together to pool their investment assets, with a view to achieving economies of scale and increasing investment in infrastructure assets. In December 2015, the Fund announced its intention to participate in an investment pool with several other Midlands-based LGPS funds. The Fund is working with its partners to set up the new investment pool, which is to be called LGPS Central, and is expected to be £35 billion in size.

### 2) Pensions Reforms and Government Policy

Significant changes to the governance of the Fund and of the LGPS generally took effect from April 2015. A national Scheme Advisory Board is now in place, along with a suite of KPIs and two cost control mechanisms, which will seek to monitor and contain the overall cost of the LGPS at a national level. In addition, the administration and governance of the LGPS now comes under the remit of The Pensions Regulator. Other potential changes to Government policy on pensions are anticipated over the medium-term, including changes to the taxation of pensions, and caps on public sector exit payments, both of which will impact on the Fund and its members.

### 3) Funding Strategy

The 2016 actuarial valuation will determine employer contributions from April 2017 in the context of new funding regulations, guidance and oversight. Regulations require contributions to be set at a level which will ensure both solvency and long-term cost efficiency – exactly how LGPS funds measure this will be more transparent through reporting on a standardised basis and greater disclosure of deficit recovery plans. The Government Actuary Department (GAD) will review and report on whether funds achieve the

new regulatory requirement, naming funds where remedial action is required.

In the context of scheme change (the first valuation incorporating the new CARE scheme and 50:50 section), member movement (leavers, retirements and revised benefits from pensionable equal pay claims), a lower investment return outlook and pressures on employer finances (many of whom are directly and indirectly impacted by austerity measures), the 2016 valuation is expected to present significant challenge for the Fund.

### 4) The Impact of Changing Cashflow Profile and Declining Returns 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. In addition to this, the prospects for market returns on investments are generally low, and this will impact on the maturing profile of the Fund's 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 the changing cashflow requirements.

### 5) Electronic Working

The Fund is keen to increase the extent to which it uses information technology to offer an enhanced service to both members and employers, while also delivering operational efficiencies and securing improvements in data quality.

### 6) Employer Diversity and Risk

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 risk and the impact on the Fund.

Furthermore, the Fund is currently experiencing a major increase in the number of employers, primarily due to local schools converting to academy status. At the same time, this has led to a diversification in the types of employers with which we are dealing, and the nature of our interactions with them. 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 short- to medium-term.

### 7) Information and Data Quality

The Fund's operations are heavily reliant on receipt of timely and accurate information and data from employers. Employer diversity, the new Scheme and the wide variety of payroll providers and systems used to transfer information to the Fund, present a significant challenge.

To enable the Fund to demonstrate compliance with new legislative record keeping requirements and to meet the expectations of The Pensions Regulator, the Fund has an increased focus on data quality, improvement and reporting. Data cleansing is underway and, going forward, more frequent data exchange and greater employer and member self-service is planned to enhance quality and the cost efficiency of data handling.

### 8) Cost Control and Value-for-Money

The cost of the LGPS is coming under ever greater scrutiny from a variety of stakeholders, along with the pressure to reduce overall costs and demonstrate value-for-money. In light of these pressures, it will be even more critical for the Fund to be able to closely monitor its costs and seek out and act upon opportunities to reduce them, including recharging costs for value-added support and additional unanticipated support (for example, to enhance data quality).

## Financial Performance



**David Kane**  
Head of Finance

**Finance Report**

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.

**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 £18.70 in 2014/15 to £17.72 in 2015/16. This represents the successful deployment of strong financial controls, and the embedding of a culture of challenging unnecessary expenditure across the Fund.

One of our key focuses this year has been the cost of investment management arrangements. We have put in place a system for collecting and analysing cost information from our external fund managers, and have worked with external partners to develop further tools, which we hope will form the basis of an industry-wide template. We are acutely conscious of the need to ensure that our fund managers deliver value-for-money services that are in the best interest of our members, and that cost savings can be secured wherever possible. We are pleased to note a fall in the cost of investment management from £81.2 million in 2014/15 to £69.8 million in

2015/16, reflecting the work that the Fund has undertaken during the last few years to streamline its investment portfolio.

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 2015/16: Operating Budgets**

The following table sets out the Fund's outturn for 2015/16 compared to budget. The net position was a saving of £3.8 million, the main reasons for this being:

- Savings on investment management fees following portfolio restructuring (£2.2 million);
- Staffing vacancies (£447,000);
- Balance of service development budget not used in 2015/16 (£350,000);
- Savings on professional fees (£362,000);
- Lower than budgeted expenditure on computer hardware and licences (£66,000);
- Income from fees and charges (£367,000);
- Supplemented by other savings across supplies and services and premises budgets of £70,000.

	2015/16 Budget £000	2015/16 Actual £000	2015/16 Variance £000
Employees	4,797	4,226	(571)
Premises	328	290	(38)
Transport	60	63	3
Communications and computing	604	524	(80)
Professional fees	1,530	1,523	(7)
Other supplies and services	837	523	(314)
Support services	458	448	(10)
Miscellaneous income	(5)	(650)	(645)
<b>Sub total</b>	<b>8,609</b>	<b>6,947</b>	<b>(1,662)</b>
External investment management fees*	9,559	7,383	(2,176)
<b>Total</b>	<b>18,168</b>	<b>14,330</b>	<b>(3,838)</b>
Funded by:			
West Midlands Pension Fund	18,018	14,182	(3,838)
West Midlands ITA Pension Fund	150	150	-
<b>Net budget</b>	<b>18,168</b>	<b>14,330</b>	<b>(3,838)</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.

## 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 2015/16, compared to budget and last year, using the CIPFA standard categories. 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 £18.70 in 2014/15 to £17.72 in 2015/16.

	2014/15 actual	2015/16 budget	2015/16 outturn
Total administration costs (£000)	3,059	3,621	3,310
Administration cost per member (£)	11.02	12.83	11.50
Total oversight and governance costs (£000)	2,132	2,422	1,792
Oversight and governance cost per member (£)	7.68	8.58	6.22
Total investment management costs (£000)	81,108	78,816	69,814
Investment management cost as a proportion of investment assets	0.71%	0.68%	0.60%

**Outturn 2015/16: Whole Fund – West Midlands Pension Fund**

Across the Fund, the year-end position was £288.2 million better than forecast. The main reasons for this were:

- Investment returns (including income) being better than the prudent returns assumed in the forecast (at 2.4% vs. 0.0%) (£2,913 million);
- Contributions income being higher than forecast, mainly due to an increase in contributions due from employers on early retirement (£14.1 million);
- Offset by net transfers out of £24.5 million, of which £5.7 million was represented by two bulk transfers out.

	2015/16 forecast £m	2015/16 actual £m	2015/16 variance £m
Contributions receivable	(490.5)	(504.5)	(14.0)
Other income	(15.9)	(15.5)	0.4
Benefits payable	511.3	514.7	3.4
Other payments	0.4	0.3	(0.1)
Net transfers (in)/out	-	24.5	24.5
<b>Net cost of pensions</b>	<b>5.3</b>	<b>19.5</b>	<b>14.2</b>
Investment income	(159.9)	(168.6)	(8.7)
Changes in value of investments	159.9	(122.7)	(282.6)
<b>Net return on investments</b>	<b>-</b>	<b>(291.3)</b>	<b>(291.3)</b>
<b>Management expenses</b>	<b>84.9</b>	<b>74.9</b>	<b>(10.0)</b>
<b>Net (increase)/decrease in the Fund during the year</b>	<b>90.2</b>	<b>(196.7)</b>	<b>(286.9)</b>
Net assets of the Fund at the beginning of the year	11,464.0	11,464.0	-
<b>Net assets of the Fund at the end of the year</b>	<b>11,373.8</b>	<b>11,660.7</b>	<b>286.9</b>

## Financial Performance

**Outturn 2015/16: Whole Fund – West Midlands ITA Pension Fund**

Across the Fund, the year-end position was £3.5 million better than forecast. This was predominantly due to investment income and returns, with income being £1.1 million higher than forecast, and returns £1.8 million higher. In addition, there were other improvements across the net cost of pensions, amounting to £700,000.

	2015/16 forecast £m	2015/16 actual £m	2015/16 variance £m
Contributions	(10.2)	(10.5)	(0.3)
Other employer contributions	(2.7)	(2.8)	(0.1)
Benefits payable	28.7	28.9	0.2
Other payments	0.9	-	(0.9)
Net transfers (in)/out		0.4	0.4
<b>Net cost of pensions</b>	<b>16.7</b>	<b>16.0</b>	<b>(0.7)</b>
Investment income	(17.1)	(18.2)	(1.1)
Changes in value of investments	17.1	15.3	(1.8)
<b>Net return on investments</b>	<b>-</b>	<b>(2.9)</b>	<b>(2.9)</b>
<b>Management expenses</b>	<b>0.8</b>	<b>0.9</b>	<b>0.1</b>
<b>Net (increase)/decrease in the Fund</b>	<b>17.5</b>	<b>14.0</b>	<b>(3.5)</b>
Opening Fund balance	474.9	474.9	-
<b>Closing Fund balance</b>	<b>457.4</b>	<b>460.9</b>	<b>3.5</b>

## 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 Funds' assets.

	2016/17 Budget £m	2017/18 Forecast £m	2018/19 Forecast £m	2019/20 Forecast £m	2020/21 Forecast £m
Employees	5,405	5,497	5,652	5,796	5,934
Premises	294	299	304	309	315
Transport	48	49	50	51	52
Other supplies and services	610	617	624	631	638
Professional fees	1,823	1,605	1,637	1,935	1,708
Communications and computing	591	604	617	630	643
Support services	515	525	535	545	555
Miscellaneous income	(5)	(5)	(5)	(5)	(5)
<b>Sub total</b>	<b>9,281</b>	<b>9,191</b>	<b>9,414</b>	<b>9,892</b>	<b>9,840</b>
External investment management fees	72,800	76,609	80,488	84,459	88,523
<b>Total</b>	<b>82,081</b>	<b>85,800</b>	<b>89,902</b>	<b>94,351</b>	<b>98,363</b>
Funded by:					
West Midlands Pension Fund	81,331	85,050	89,152	93,601	97,613
West Midlands ITA Pension Fund	750	750	750	750	750
<b>Net budget</b>	<b>82,081</b>	<b>85,800</b>	<b>89,902</b>	<b>94,351</b>	<b>98,363</b>

## Financial Performance

	2016/17 Budget	2017/18 Forecast	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast
Total administration, oversight and governance costs (£000)	6,766	6,628	6,787	7,213	7,108
<b>Cost of administration, oversight and governance per member (£)</b>	<b>23.56</b>	<b>22.77</b>	<b>23.00</b>	<b>24.11</b>	<b>23.44</b>
Total investment management costs (£000)	74,566	78,423	82,364	86,388	90,504
<b>As percentage of forecast net assets</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.62%</b>	<b>0.62%</b>

**Medium-Term Forecasts: Whole Fund**

This table sets out forecasts for the whole Fund, over the period to 2020/21.

	2015/16 actual £m	2016/17 forecast £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m
Contributions receivable	(504.5)	(512.0)	(517.0)	(525.8)	(534.9)	(540.6)
Other income	(15.5)	(15.9)	(16.2)	(16.5)	(16.8)	(17.1)
Benefits payable	514.7	526.2	551.9	578.4	605.8	634.0
Other payments	0.3	0.4	0.4	0.4	0.4	0.4
Net transfers (in)/out	24.5	-	-	-	-	-
<b>Net cost of pensions</b>	<b>19.5</b>	<b>(1.3)</b>	<b>19.1</b>	<b>36.5</b>	<b>54.5</b>	<b>76.7</b>
Investment income	(168.6)	(162.7)	(171.2)	(179.8)	(188.6)	(197.7)
Changes in value of investments	(122.7)	(534.6)	(562.4)	(590.8)	(619.9)	(649.5)
<b>Net return on investments</b>	<b>(291.3)</b>	<b>(697.3)</b>	<b>(733.6)</b>	<b>(770.6)</b>	<b>(808.5)</b>	<b>(847.2)</b>
<b>Management expenses</b>	<b>74.9</b>	<b>81.3</b>	<b>87.0</b>	<b>91.2</b>	<b>95.8</b>	<b>99.9</b>
<b>Net (increase)/decrease in the Fund during the year</b>	<b>(196.7)</b>	<b>(617.3)</b>	<b>(627.5)</b>	<b>(642.9)</b>	<b>(658.2)</b>	<b>(670.6)</b>
Net assets of the Fund at the beginning of the year	11,464.0	11,660.7	12,278.0	12,905.5	13,548.4	14,206.6
<b>Net assets of the Fund at the end of the year</b>	<b>11,660.7</b>	<b>12,278.0</b>	<b>12,905.5</b>	<b>13,548.4</b>	<b>14,206.6</b>	<b>14,877.2</b>

## Financial Performance

## Medium-Term Forecasts: ITA Fund

	2015/16 actual £m	2016/17 forecast £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m
Contributions receivable	(10.5)	(10.6)	(10.7)	(10.9)	(11.1)	(11.2)
Other employer contributions	(2.8)	(2.8)	(2.8)	(2.9)	(2.9)	(3.0)
Benefits payable	28.9	29.1	30.0	30.9	31.8	32.8
Net transfers (in)/out	0.4	-	-	-	-	-
<b>Net cost of pensions</b>	<b>16.0</b>	<b>15.7</b>	<b>16.5</b>	<b>17.1</b>	<b>17.8</b>	<b>18.6</b>
Investment income	(18.2)	(17.6)	(18.1)	(18.5)	(18.9)	(19.3)
(Gains)/losses in value of investments	15.3	(10.0)	(10.3)	(10.5)	(10.8)	(11.0)
<b>Net return on investments</b>	<b>(2.9)</b>	<b>(27.6)</b>	<b>(28.4)</b>	<b>(29.0)</b>	<b>(29.7)</b>	<b>(30.3)</b>
<b>Management expenses</b>	<b>0.9</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Net (increase)/decrease in the Fund during the year</b>	<b>14.0</b>	<b>(11.1)</b>	<b>(11.1)</b>	<b>(11.1)</b>	<b>(11.1)</b>	<b>(10.9)</b>
Net assets of the Fund at the beginning of the year	474.9	460.9	472.0	483.1	494.2	505.3
<b>Net assets of the Fund at the end of the year</b>	<b>460.9</b>	<b>472.0</b>	<b>483.1</b>	<b>494.2</b>	<b>505.3</b>	<b>516.2</b>

Financial Performance

**Pension Overpayments**

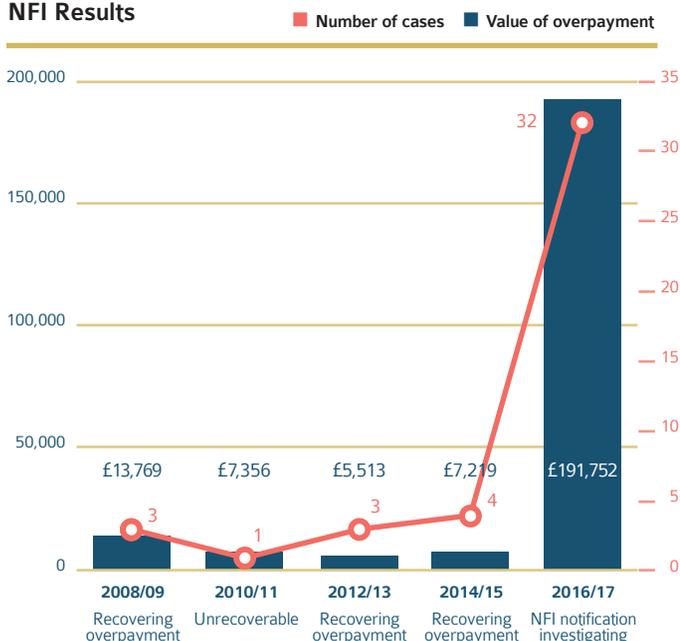
The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member’s death. The following table sets out overpayments for the last three years.

Year	Pension overpayment (£)	% of gross pension
2013/14	235,970.78	0.06
2014/15	234,743.68	0.06
2015/16	246,063.26	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 2015/16; this shows the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employers’ payroll (calculated on a cumulative basis). The Fund has set itself the target of collecting 98% of contributions by value on time; as can be seen, performance was close to or above target throughout the year.

Month	West Midlands Pension Fund KPI %	ITA Fund KPI %
April 2015	98.5	96.4
May	98.3	96.5
June	98.0	96.5
July	97.9	96.5
August	97.6	96.5
September	97.5	96.5
October	97.3	97.0
November	97.4	96.9
December	98.0	97.2
January 2016	98.1	97.5
February	98.0	97.8
March	98.3	97.9

**Fines and Recharges**

Under the Fund’s Pensions Administration Strategy, fines and recharges can be levied on employers who do not fully comply with their obligations as set out in the strategy. During 2015/16, fines and recharges totalling £73,000 were issued to employers.

**David Kane**

Head of Finance  
West Midlands Pension Fund  
Date: May 2016

## 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:

- Regular 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 Strategic 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 September 2015.

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, for example, exception reporting

## 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 enhanced, 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:

- a) 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. Contributions monitoring is also been enhanced in the compliance monitoring programme.
- b) 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 assurance questionnaire.

## Scheme Funding and Administration Report



**Rachel Brothwood**  
Assistant Director -  
Actuarial & Pensions



**Simon Taylor**  
Head of Client &  
Funding Management

### Overview

2015/16 has been a busy year for the Pensions Administration teams, focused on embedding and consolidating the changes required to administer the new career-average revalued earnings (CARE) scheme effective from April 2014 and ensuring scheme records meet the standards expected by The Pensions Regulator (TPR). TPR has formal oversight over public sector pension schemes, including the LGPS and Fund governance and administration from April 2015. For the first time, member annual benefit statements were issued electronically and accessible via the Fund web portal. This marks a development in how we communicate with members and reflects an increase in our electronic communication, with many members now using the web portal enquiry and general email contact facility. We have developed our suite of member presentations and roadshows during the year, reaching out to a wider audience and providing additional support to members looking to retire or who may be affected by redundancy or changes to tax on pension savings.

Our employer base has continued to expand and we expect this to continue over the next few years. During 2016/17 we will be engaging with employers on funding and contribution requirements as part of the triennial actuarial valuation effective 31 March 2016. Austerity measures and a volatile economic climate are putting increased pressures on both employer finances and scheme funding costs and we expect this to be a major theme for valuation discussions this year.

We are continuing to work with our software provider to develop the exchange of information and data between both members and employers to deliver improvements and greater efficiencies in these areas.

### Fund Data

The 2015 annual return and production of annual benefit statements was challenging for all LGPS funds and employers, as this was the first year processing these with the new scheme. Additional data items needed to be provided and statements produced within a shorter statutory reporting period. The Fund was able to deliver 89% of statements by the end of October 2015 which was a huge achievement given the challenges faced along the way.

The 2015 annual return process and review of data against TPR requirements highlighted a delay in receipt of member information from Fund employers. Over the year, the Fund has since been in regular contact with a number of employers to address these issues and implement plans to improve scheme data and reduce errors in the annual return.

In February 2016, we held a number of workshops with employers to exchange ideas and experiences of the annual return process to inform development of this process. The Fund is looking to exchange data with employers more frequently in the future to help improve and keep records up to date. We will be talking to employers more about the planned changes over 2016.

### Membership Movement and Developments

The Fund membership has continued to grow, with over 10,000 new entrants during the year (similar to 2014/15). The introduction of pension freedom and choice from April 2015 has generated a number of queries from members but, to date, has not led to an increase in the number of members transferring their benefits out of the Fund (is required to access the new flexibilities). The number of active members is, however, expected to fall in time as larger employers are expected to reduce head count and the Fund receives the information needed to process delayed leavers' notifications.

Scheme Funding and  
Administration Report



Overall, the volume of benefits processed by the Fund has increased during the year and the number of outstanding processes has risen. At time of writing, we are incorporating into the pension administration system a range of new calculation factors, required following changes announced in the Chancellor’s March 2016 Budget.

**Our Employers**

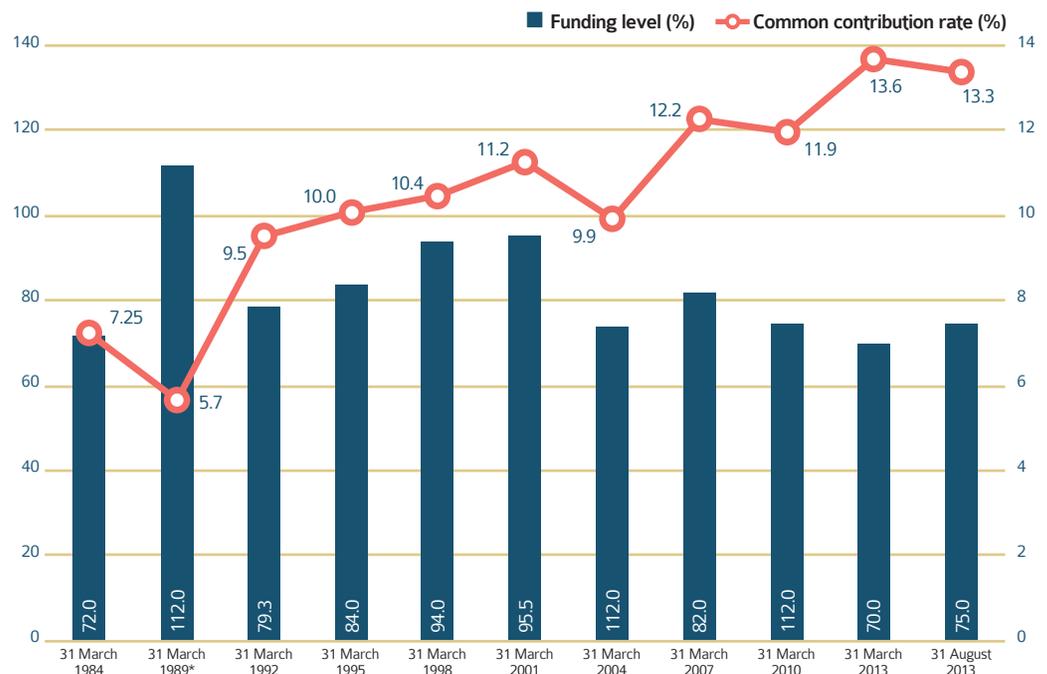
Our employer base has continued to expand, with the total active employers increasing by over 70 during the year, taking the total count to 536 as at 31 March 2016. Schools converting to academy status and outsourcing support services remain the key drivers for the increase and this is set to continue as the Government continues to encourage all schools in England to convert to academy status over the next few years.

We have continued to provide employer coaching sessions throughout the year and maintained open dialogue and support through our employer peer group and regular employer briefing notes. We continue to develop our processes and procedures to reflect feedback and to provide further support to employers – for example, a new guide and templates to assist application of the internal disputes resolution process (IDRP). During 2016/17, we will be reviewing and consulting on changes to the pension administration strategy (PAS) which outlines roles, responsibilities and service standards for employers and the Fund, as we work in partnership to administer the Fund.

In addition to our mid-year review and AGM, during 2016/17 all employers will be invited to attend information and consultation meetings to discuss the 2016 actuarial valuation and future contribution requirements. We have requested additional information from employers as part of the 2016 annual return to facilitate this process.

**30-year Actuarial Valuation Trends**

**Funding level and Common Contribution Rates**



\*1989 funding target was set at 75%

## Scheme Funding and Administration Report

### Supporting our Members

As pension choice and the Fund membership continues to evolve, our Customer Service team continues to adapt and evolve to support and assist members with their pension benefits and queries. Following a large increase in the number of members using the web portal facility, a dedicated service has been developed to help members access their benefit information and self-serve using this facility. The Fund has seen a significant increase in members contacting the Fund by phone and electronic communication, with many now choosing to contact the Fund by email and through the web portal. In addition, we continue to provide a face-to-face 'drop-in' service at our offices in Mander House.

Fund officers have been on the road all over the region during the year, as demand for member presentations and one-to-one information sessions continues to increase. In addition to routine induction, retirement planning and roadshow events, the team have delivered bespoke events to members impacted by redundancy and changes to pension tax.

### Team Changes

The complexity of the Fund has increased in recent years and this, together with changes to working practices (for example, electronic working and new regulatory reporting requirements) and an increasing employer and member base, has changed the team staffing and skill set required. We continue to focus on delivering a cost-effective and efficient service and are in the process of expanding the team to meet increasing workload and demand.

The team continue to build their knowledge and skills to keep pace with changing legislation and guidance for administering LGPS benefits. As a centre for the industry-registered Pensions Management Institute (PMI) Certificate of Pensions Calculations (CPC), we now have a number of employees making good progress towards attaining this qualification, in addition to developing their knowledge of the Fund and softer skills through internal training.

### The Year Ahead

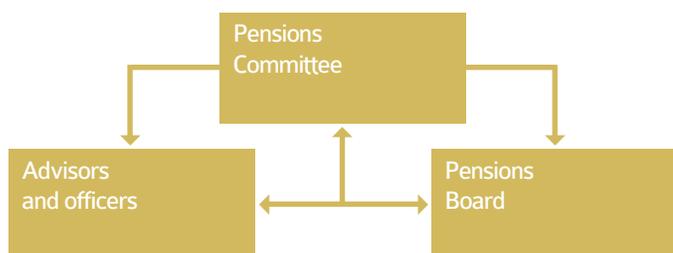
2016/17 will be another big year for the Fund and pension administration. We will continue to work with employers to improve Fund data and enhance the exchange of information. Employer contribution rates will be reviewed as part of the 2016 actuarial valuation. We expect an increase in member activity as workforces continue to evolve in response to cost pressures and as members to look more closely at their benefits as changes to state pensions and pension tax come into effect.



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.

## Governance Compliance Statement

**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.
- 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, the Committee is 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. Their 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 advisors 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 advisors 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.

## Governance Compliance Statement

**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.

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.

## Governance Compliance Statement

**View of Secretary of State**

The Secretary of State 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, and
- 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 Pensions 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.

**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.

## Governance Compliance Statement

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; and
- 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

## Trustee Training Individual Training Hours

Membership	Number of Pensions Committee meetings attended	Number of IASC meetings attended	Voting rights	Training hours
Cllr Mohammed Afzal	2 of 4	2 of 4	Yes	29.0
Cllr Mohammed Arif	4 of 4	4 of 4	Yes	47.0
Cllr Peter Bilson	1 of 4	1 of 4	Yes	12.0
Cllr Ian Brookfield	2 of 4		Yes	21.0
Mr Malcolm Cantello	4 of 4	4 of 4	No	119.0
Mr Martin Clift	3 of 4	3 of 4	No	12.0
Cllr Damian Gannon	4 of 4	4 of 4	Yes	3.0
Cllr Dr Michael Hardacre (from December 2015)	2 of 2		Yes	4.0
Cllr Sandra Hevican	3 of 4	3 of 4	Yes	47.5
Cllr Keith Inston	3 of 4		Yes	59.5
Cllr Jasbir Jaspal	4 of 4	4 of 4	Yes	56.0
Cllr Lorna McGregor	2 of 4	2 of 4	Yes	2.0
Cllr Phil Page	2 of 4		Yes	44.0
Cllr Angela Sandison	3 of 4	3 of 4	Yes	39.5
Mr Victor Silvester	4 of 4	4 of 4	No	35.0
Cllr Paul Singh	4 of 4		Yes	55.0
Cllr Tersaim Singh	4 of 4	4 of 4	Yes	56.0
Mr Ian Smith	3 of 4	3 of 4	No	21.0
Cllr David Sparks	2 of 4	2 of 4	Yes	38.5
Cllr Wendy Thompson	3 of 4		Yes	61.5
Cllr Thomas (Bert) Turner	1 of 2	1 of 2	Yes	23.0
				<b>785.5</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 and Pensions Board 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 and Board 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 and Board 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 in-house structured training events, conferences, 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 2015/16, training included the following:

- Induction training for all new Committee and Board members
- Employer mid-year review covering legal updates, pension administration, investment review, annual report and accounts. AGM covering LGPS investment pooling, actuarial valuation, deficit management
- A property tour showing the Fund's investments
- Risk workshop

- Presentations from a variety of fund managers on the investment portfolio
- Internal dispute resolution
- Scheme Advisory Board KPIs
- The Pensions Regulator Code of Practice

Most new members attended the induction course and a total of 785.5 training hours were undertaken in 2015/16 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 2015 event were themed around *20 Years of Responsible Investment - Where Next?* and included the following:

- Investor engagement
- What's changed in the LGPS since 1995?
- LGPS developments
- Corporate accountability
- Director's duties
- European Parliament and IFRS9

Details of the training reports and presentations provided to the Pensions Committee and Investment Advisory Sub-Committee during 2015/16 are as follows:

24 June 2015	Scheme Advisory Board KPIs
23 September 2015	Actuarial valuations and associated issues
9 December 2015	Pensions Infrastructure Platform
16 March 2016	LGPS pooling

## 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)						

The Fund’s Internal Audit Service is supplied by the administering authority (City of Wolverhampton Council).

Internal Audit provides an independent and objective opinion on the risk management, control environment and governance arrangements adopted to achieve the Fund’s business priorities.

Internal Audit forms part of the framework of assurance which should help satisfy the Fund that any risks to the achievement of business priorities 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 2015/16.

The main areas of work undertaken during 2015/16 are detailed in the table:

Internal Audit 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). 18 appraisals were completed on behalf of the Fund during 2015/16.

Internal Audit also provides advice and assistance as and when required. Further, in accordance with Cabinet Office requirements, Internal Audit acts as the Fund’s key contact for the National Fraud Initiative.

<b>Audit Systems Reviews</b>	<b>Key Financial Systems Audits</b>
Review of pensions administration strategy	Payroll
Admitted bodies guarantee scheme	Benefits calculations
Asset allocation review	Income and expenditure controls
Assurance mapping	Members contributions
Business continuity/resilience management	
Early retirement costings (follow-up review)	

The West Midlands Pension Fund prides itself on its corporate responsibility ethos, encouraging our stakeholders and external partners to align with us in our mission to be a good corporate citizen.

**Our People**

In this demanding and ever-changing environment, the success of West Midlands Pension Fund is achieved through the determination, enthusiasm, and professionalism of its officers. Without this, it would be difficult to develop the business and achieve our goals, and we are thankful to our staff for all that they bring to the Fund.

**West Midlands Pension Fund**

The Fund has 113 employees as of 31 March 2016 split across finance, governance, investments and pensions administration, and business performance and data teams. In the past 12 months, six new staff joined the organisation, bringing with them an array of skills and abilities gained from within both private and public sector organisations.

Using engagement methods such as Staff Forum, face-to-face monthly briefings, staff surgeries, and annual surveys, we ensure that our staff are included in key decisions and are given a voice in the day-to-day operation of the business.

All our officers are expected to abide by a set of principles set out in the seven principles of public life. There are seven principles, namely:

More information about these principles can be found on the Governance section of the Fund’s website, [wmpfonline.com](http://wmpfonline.com)

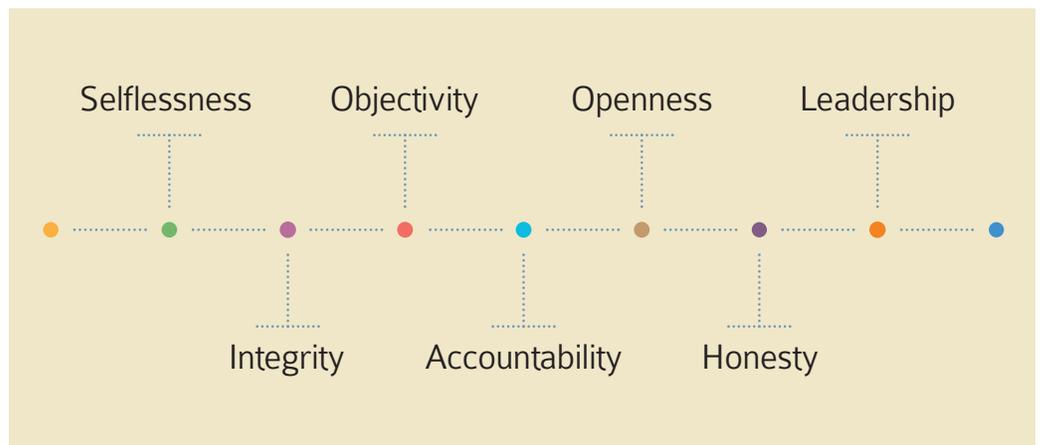
**2015/16 Achievements**

**Accreditations**

Due to the work and commitment of all our staff, the Fund was able to retain its Customer Service Excellence standard.

The Fund became the first ever UK pension fund to be granted the CIPFA Mark of Governance Excellence, recognised for its “open, transparent and effective relationships...clear priorities... strong financial management...and embedded performance and continuous improvement”. The work of our Governance team was instrumental in achieving this accreditation.

The Association of Chartered Certified Accountants and the Chartered Institute of Public Finance and Accountancy have both granted West Midlands Pension Fund ‘Approved Employer’ status, demonstrating that ACCA and CIPFA members will receive the highest standards of training and development when employed by the Fund.



### Training and Development

During 2015/16 staff at the Fund completed over 4,825 hours of training, covering structured in-house training, external training and self-guided reading and learning.

### Promotions and Secondments

The Fund is pleased to have promoted nine employees to different roles. The organisation also actively encourages staff development to gain additional skills and experience. To this end, five members of staff were seconded within the Fund, to external partners, and with our administering authority, the City of Wolverhampton Council.



### 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.

The Fund became the first ever UK pension fund to be granted the CIPFA Mark of Governance Excellence, recognised for its “open, transparent and effective relationships...clear priorities...strong financial management...and embedded performance and continuous improvement”.

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:

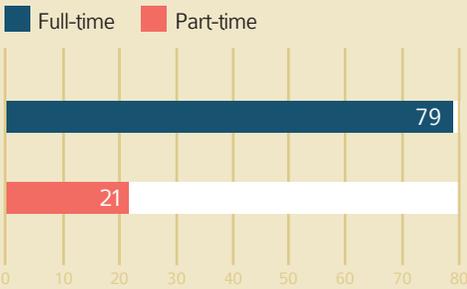
- subsidised health insurance;
- subsidised gym and leisure club memberships;
- workstation assessments;
- first-aid training;
- free health checks and nutrition sessions;
- access to occupational health.

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.

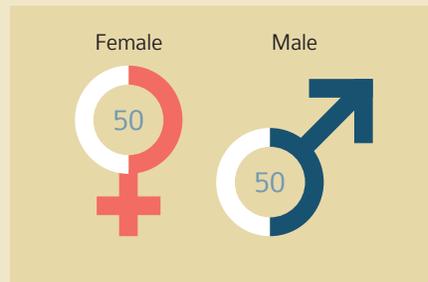
Our People

Employee Information at 30 April 2016

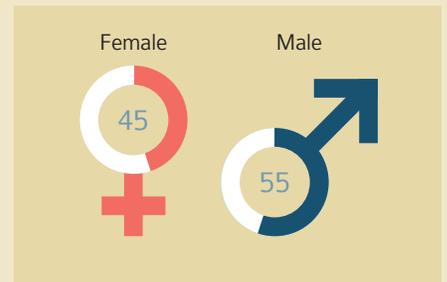
Working pattern (%)



Gender Balance of Senior Management Team - SMT (%)



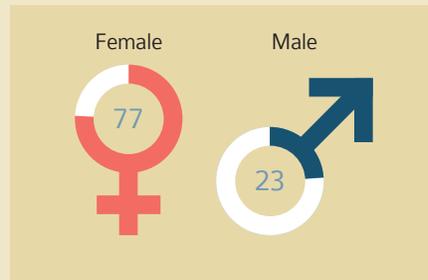
Gender Balance of Investment Professionals (%)



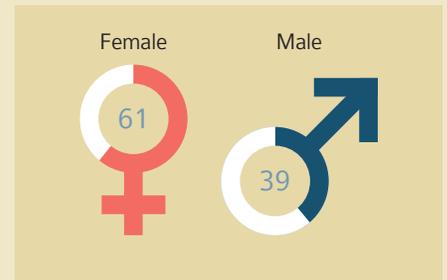
Ethnic Profile (%)



Gender Balance of the Fund (%)



Gender Balance of Team Leaders - excluding SMT (%)



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 April 2016 after returning in 2015/16:	Male 100%
Retention as at 30 April 2016 after returning in 2015/16:	Female 100%

Our Community

**Charitable Activities**

West Midlands Pension Fund has an internal team of employee representatives, known as the Staff Forum, who encourage the whole organisation to support various charities and causes. In 2015-16, the Fund donated £1,372.61 to the following charities.



The Fund deploys a combination of fundraising methods such as dress-down days, raffles, food and beverage sales, physical challenges/fun runs, and auctions.

In 2016-17, Staff Forum is concentrating its efforts in assisting two local and two national charities suggested by their colleagues, and hopes to collectively raise in excess of £2,000.



**Kevin Thompson**  
Communications Officer

In 2015/2016, the Fund's main objectives were to engage with employers and stakeholders, continue to keep members informed about changes to their pension, and continue to engage with the industry on wider pension and investment issues.

#### **Executive Summary**

The Fund reviews its *Communication Policy Statement* annually, ensuring that it reflects and meets the changing needs of the LGPS members, employers, and the local government pension environment overall.

The production of a Communications Policy Statement has been a requirement since April 2006 for all pension fund administering authorities.

The document outlines how the Fund will engage and communicate with:

- all scheme members and their representatives (active, deferred, and pensioner);
- prospective scheme members;
- contributing employers;
- our staff; and
- external stakeholders (such as the media and interest groups)

#### **Communications Deliverables**

In the past 12 months, the Fund has delivered a wide range of communication resources by electronic means, through face-to-face events, and in print.

In February, the Fund embarked on customer journey mapping workshops for employers, helping to create mutual understanding around the expectations of submitting their annual return. 20 representatives attended across the three workshops, which were able to draw out key improvements and changes that needed to be made in order to make the process easier for both them and the Fund.

In addition to the work the Fund undertakes in delivering our message to members and employers, the Fund has also been approached on a number of occasions to write bespoke pieces for industry specific publications by submitting articles in a Q&A format on topics of interest. Recently, the Strategic Director of Pensions appeared in a publication discussing our investment strategy in a global sector and our Assistant Director of Investments was asked to present a piece on our ESG approach.

Our internal communications took a new direction in ensuring staff and trustees are updated on a regular basis. A weekly 'media roundup' was introduced (containing a summary of industry news and information), in addition to a monthly 'employee catch up' (providing staff with an appealing electronic newsletter, also helping reduce volume of Fund-wide internal emails).

The Fund continues with its regular communication which includes, amongst other activities, regularly updating website content, producing a quarterly newsletter for employers, and engaging with interest groups and individuals about responsible investment and related concerns.

#### **Closing Summary**

The Fund prides itself on delivering communications at a high standard, ensuring it is well placed to deal with changes and developments in the new financial year.

#### **Kevin Thompson**

Communications Officer  
West Midlands Pension Fund  
Date: May 2016

## Background

With over £11bn in invested assets, 270,000-plus members, and over 500 contributing employers, West Midlands Pension Fund is one of the largest funds in the LGPS.

The Fund regularly seeks new and innovative ways to engage with and understand its stakeholders in order to provide the best possible service and enhance the Fund's brand reputation.

From April 2006, all pension fund local authorities have to provide a communications policy statement as directed by Local Government Pension Scheme (LGPS) regulations.

Our communications policy rests on four main stakeholder groups:

- 1) Members (active, deferred, pensioner, and prospective members) and their representatives;
- 2) Employers;
- 3) Fund staff;
- 4) External stakeholders; and

all of whom can find information about the Fund on its website: [wmpfonline.com](http://wmpfonline.com)

## 1) Members and Their Representatives

### Annual Benefit Statements

These are provided for all active and deferred members of the scheme, who are encouraged to visit the Fund's web portal to access their pension record.

A small quantity of paper statements are provided to members upon request.

### Literature

The Fund produces and updates literature for all categories of member. Copies of scheme literature are available on the Fund's website, [wmpfonline.com](http://wmpfonline.com)

### Customer Service Telephone Line

A dedicated number (0300 111 1665) is provided for scheme members and is publicised in all outgoing communications.

### Roadshows

Member roadshows are planned throughout the year, with the Fund travelling to members' places of work, allowing the opportunity for them to ask questions, offer compliments, or address concerns about their pension.

## Pensioner Communications

Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In 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.

The Fund issues 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.

A pensioner magazine accompanies the member's pay slip/P60. This is an externally produced publication entitled *Club Together*.

The online portal gives members secure access to their LGPS records, where they can update personal details, ask questions, view statements, and run estimate calculations.

## Members' Representatives and Prospective Members

Both have access to the same material as members on the Fund's website: [wmpfonline.com](http://wmpfonline.com)

## 2) Employers

### Employer Briefing Note

A quarterly briefing note is produced for all employers, providing them with the latest developments in the Fund, and regulatory changes in the pensions market that might impact member benefits.

### Events

Employers are invited to two key events – a mid-year review in the spring, and our annual general meeting in the autumn. The 2016 Mid-Year Review is of note because of the Fund's triennial valuation, which outlines the readiness of the Fund to meet the demands of the years ahead.

### wmpfonline.com and Web Portal

There is a dedicated area of the Fund's website for scheme employers containing news, learning materials and other electronic resources.

Employers can request to join the Fund's web portal, giving them secure access to the membership details of their current employees, along with the ability to edit member details, and calculate retirement estimates and costs.

### Employer Helpline

Employers can telephone the Fund on a low-rate number, where our employer relationship officers are able to answer any enquiries they may have.

### Employer Peer Group

A think-tank of contributing employers meets quarterly to provide feedback on the communication initiatives planned by the Fund.

### 3) Fund Staff

#### Internal Communication

Employees within the Fund receive a regular summary of industry news and information, in addition to a monthly newsletter. A series of Fund-wide, face-to-face staff briefings are scheduled throughout the year, giving colleagues an opportunity to learn first about developments and initiatives.

#### Employee Well-Being

In 2016, the Fund launched an employee well-being programme, which communicates the support and activities available for improving workplace well-being. This is led by the Fund's staff forum and puts staff at the front of their own well being.

### 4) External Stakeholders

#### Trade Unions

We work with trade unions, communicating all pension-related issues, helping them to understand the scheme. Training workshops can be provided upon request.

#### Media Engagement

Journalists/editors of the media will be emailed a news release when there is an announcement to be made. All releases and announcements are placed on the Fund's website ([wmpfonline.com](http://wmpfonline.com)). The Fund's policy is to provide a written reply to media enquiries in the first instance, with telephone or face-to-face interviews in person arranged for any necessary further detail ([wmpfcommunications@wolverhampton.gov.uk](mailto:wmpfcommunications@wolverhampton.gov.uk)).

#### Interest Groups

The Fund welcomes opportunities to engage in reasoned dialogue with interest groups and individuals about Fund activities, and has a dedicated email address for responsible investment ([responsibleinvestment@wolverhampton.gov.uk](mailto:responsibleinvestment@wolverhampton.gov.uk)).

#### General Public Enquiries

Members of the public expressing an interest in Fund activities, can contact the organisation by email at [wmpfcommunications@wolverhampton.gov.uk](mailto:wmpfcommunications@wolverhampton.gov.uk)

## West Midlands Pension Fund

# Management and Financial Performance

- Fund Highlights
- Scheme Management and Advisors (as at 31 March 2016)
- Administrative Management Performance
- Contributions Receivable by Employer

### Fund Highlights

287,874

total scheme members

£11.7bn

net assets of the Fund

£504.3m

total contributions

536

active scheme employers

116.5

staff employed by the Fund (FTE)

107,984

contributing members

94,332\*

deferred members

85,558

pensioner members

\*includes unpaid/unclaimed refunds  
and beneficiaries

#### Our four core objectives



To be a leading performer  
in the LGPS sector



To ensure the solvency of  
the Fund and its ability to  
pay pensions



To achieve target  
investment returns



To provide excellent  
customer service

## Scheme Management and Advisors as at 31 March 2016

### Pensions Committee 2015/16

#### City of Wolverhampton Council

Civic Centre  
St. Peter's Square  
Wolverhampton  
WV1 1SH

city.direct@  
wolverhampton.gov.uk

General enquiries:  
01902 551155

Switchboard:  
01902 556556

Minicom:  
01902 555554

Fax: 01902 551195

#### Council

- 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)

#### 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)
- R Brothwood  
Assistant Director  
(Actuarial & Pensions)
- S Taylor  
Head of Client and  
Funding Management
- R Howe  
Head of Governance
- D Kane  
Head of Finance
- K O'Keefe  
Monitoring Officer
- M Taylor  
Section 151 Officer

\*Denotes member of Investment Advisory Sub-Committee

### Main External Advisors and Service Providers

#### Investments

Hymans Robertson LLP

#### Property

CBRE Global Investors

#### Pension Scheme

#### Registration Number

10079176

#### Actuary

Mercer Human Resource  
Consulting Ltd  
(to June 2015)

Barnett Waddingham LLP  
(from July 2015)

#### Custodian of Assets

HSBC Global Investment  
Services

#### Banker

National Westminster Bank plc

#### Independent Auditor

PricewaterhouseCoopers LLP  
(to October 2015)

Grant Thornton

(from November 2015)

#### 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

### Pensions Board

The subjects considered by  
Pensions Board for this year are:

- Training and knowledge requirements
- Governance monitoring
- Information governance
- Pensions administration – data quality
- Fund policies
- Pensions administration – GMP reconciliation

## Administrative Management Performance – Overall Fund Statistical Information

### Key Membership Statistics

Year	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
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>
31 March 2016	107,984	86,161	8,171	73,781	11,777	<b>287,874</b>

#### Active Members

The Fund has a total active membership of **107,984**. Since 31 March 2015, the number of contributing employees in membership has increased by **3,734**.

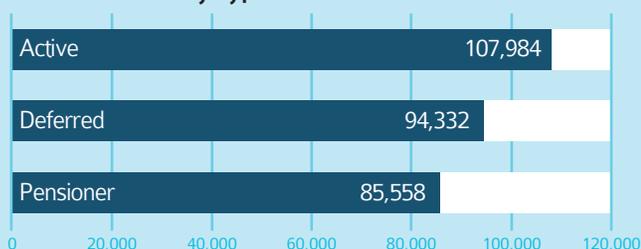
#### Deferred Members

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 **£514.7m** were paid in the year to retired members.

### Fund Members by Type



### Average Cases Per Member of Benefit Operations Staff

#### Number of Processes

Processes outstanding as at 31 March 2015	Processes completed 2015/16	Processes outstanding as at 31 March 2016
<b>11,692</b>	<b>143,700</b>	<b>20,292</b>

#### Average Processes per Member of Staff

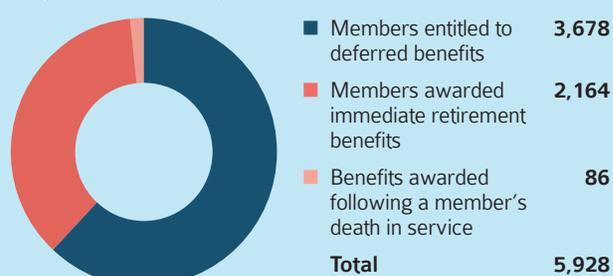
Processes outstanding as at 31 March 2015	Processes completed 2015/16	Processes outstanding as at 31 March 2016
<b>137</b>	<b>1,808</b>	<b>255</b>

### Benefit Operations Membership Movement

#### Member Movements During the Year - Admissions to the Fund



#### Withdrawals from the Fund

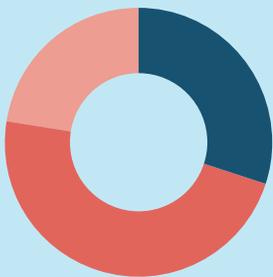


Administrative Management Performance –  
Overall Fund Statistical Information

Employer and Customer Feedback

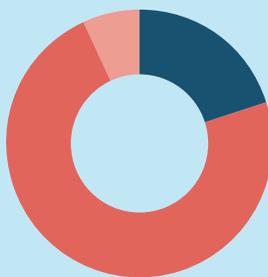
Employers

Employer Main Feedback



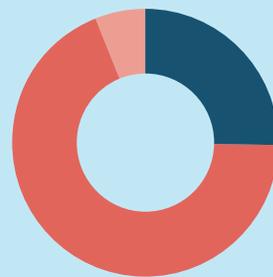
Excellent	30.00%
Good	47.50%
Satisfactory	22.50%
Poor	0%

Mid-Year Review



Excellent	20.00%
Good	73.33%
Satisfactory	6.67%
Poor	0%

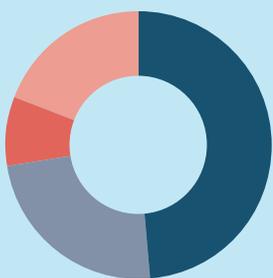
AGM



Excellent	25.49%
Good	68.63%
Satisfactory	5.88%
Poor	0%

Customers

Customer Feedback



Excellent	48.78%
Good	23.78%
Satisfactory	8.54%
Poor	18.90%

Complaints

Number of Complaints

The number of complaints processes started in 2015/2016:

210

Complaints completed within 20 days of receipt

92.3%



## 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	0	0	0	606	5,136	7,788	9,590	11,208	13,595	18,360	19,367
Beneficiary pensioner	10	47	114	235	103	10	11	32	42	172	383
Deferred	0	0	0	27	905	4,159	7,310	8,725	11,041	15,361	17,479
Deferred ex-spouse	0	0	0	0	0	0	0	0	10	30	55
Pensioner	0	0	0	0	0	1	11	13	56	218	568
Pensioner deferred	0	0	0	0	0	0	0	0	1	4	5
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Preserved refund	0	0	0	23	253	291	537	868	1,026	1,477	1,588
<b>Total</b>	<b>10</b>	<b>47</b>	<b>114</b>	<b>891</b>	<b>6,397</b>	<b>12,249</b>	<b>17,459</b>	<b>20,846</b>	<b>25,771</b>	<b>35,622</b>	<b>39,445</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	14,072	6,505	1,464	288	4	0	0	0	0	1	<b>107,984</b>
Beneficiary pensioner	577	844	1,277	1,664	1,908	1,942	1,474	688	216	28	<b>11,777</b>
Deferred	14,202	6,226	256	102	24	64	63	27	3	0	<b>85,974</b>
Deferred ex-spouse	48	22	1	0	0	0	0	0	0	0	<b>166</b>
Pensioner	3,469	14,465	20,726	14,151	9,396	6,007	3,240	1,156	224	29	<b>73,730</b>
Pensioner deferred	7	4	0	0	0	0	0	0	0	0	<b>21</b>
Pensioner ex-spouse	0	12	24	10	2	2	1	0	0	0	<b>51</b>
Preserved refund	1,165	694	87	46	33	36	16	24	6	1	<b>8,171</b>
<b>Total</b>	<b>33,540</b>	<b>28,772</b>	<b>23,835</b>	<b>16,261</b>	<b>11,367</b>	<b>8,051</b>	<b>4,794</b>	<b>1,895</b>	<b>449</b>	<b>59</b>	<b>287,874</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	354	5	<b>359</b>
Admitted body	182	10	<b>192</b>
<b>Total</b>	<b>536</b>	<b>15</b>	<b>551</b>

### Internal Dispute Resolution Procedure (IDRP)

In the 2015/2016 financial year, eight cases were investigated under Stage 1 of the procedure against the Fund. Six of these cases were dismissed and two are still under investigation.

Twenty-one cases have been received for Stage 2 investigation. Of these cases, sixteen were non-medical matters and five related to ill-health matters. The latter cases were referred for independent medical opinion where appropriate.

In total, two cases were referred back to the employer to reconsider the Stage 1 decision. Six cases are ongoing; thirteen cases have been dismissed.

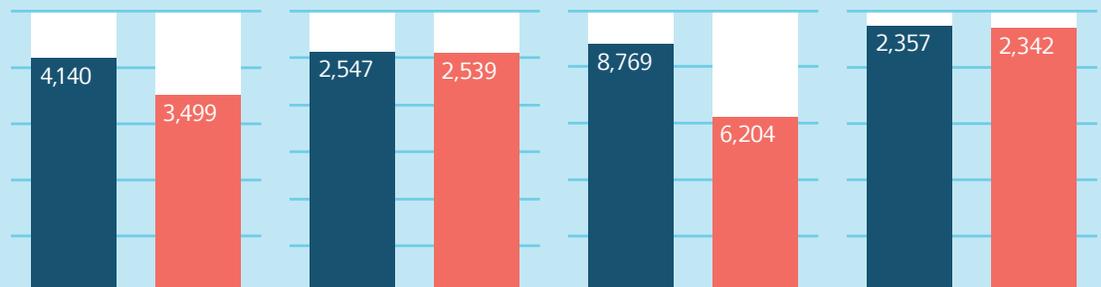
Administrative Management Performance –  
Overall Fund Statistical Information

Management Performance - Number and Trend of Top Ten Case Types

New member records  
created in 2015/16



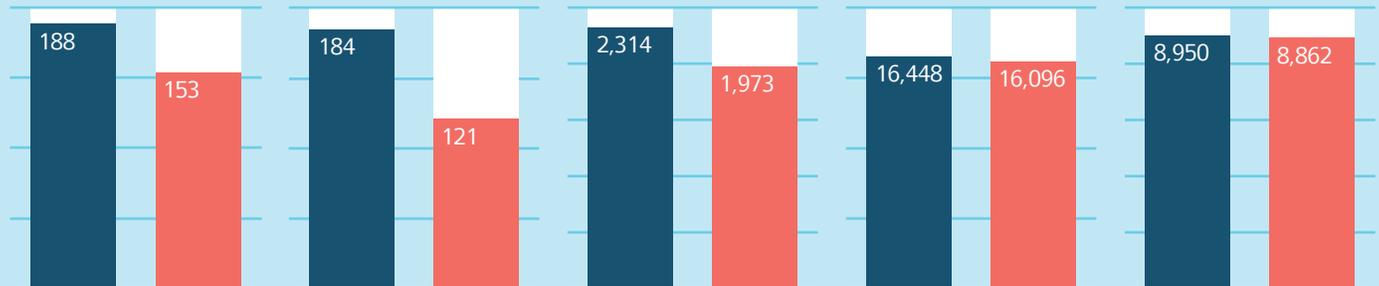
Refund processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Retirement processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Deferment processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Deferred retirement processes commenced in 2015/16...	...of which, processes completed in 2015/16...
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...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16
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641	85%	8	99%	2,565	71%	15	99%
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Death in service processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Death in deferment processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Death in retirement processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Maintain member data processes commenced in 2015/16...	...of which, processes completed in 2015/16...	Change of address and/or bank processes commenced in 2015/16...	...of which, processes completed in 2015/16...
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...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16	...of which, outstanding processes at 31 March 2016	Committed and completed in the period 2015/16
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35	81%	63	66%	341	85%	352	98%	88	99%
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## Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Birmingham City Council	(105,868,818)	(28,144,972)
Coventry City Council	(32,882,051)	(8,298,957)
Dudley Metropolitan Borough Council	(30,403,033)	(9,198,312)
Sandwell Metropolitan Borough Council	(35,665,692)	(8,824,546)
Solihull Metropolitan Borough Council	(10,528,315)	(4,835,625)
Walsall Metropolitan Borough Council	(30,561,473)	(6,545,914)
City of Wolverhampton Council	(26,383,040)	(6,726,706)
Centro	(8,056,817)	(821,526)
Valuation Tribunal Service	(29,191)	(3,645)
Aston University	(426,000)	-
Black Country Museum Trust Ltd	(158,078)	(24,621)
Birmingham Institute for the Deaf	(37,105)	(1,056)
Coventry Law Centre	(29,807)	(7,531)
Age Concern Birmingham VSOP	(9,134)	(1,188)
Wolverhampton Grammar School	(55,598)	(27,120)
Chelmsley Wood Town Council	(20,282)	(3,327)
Wolverhampton Voluntary Sector Council	(50,139)	(17,091)
Fordbridge Parish Council	(5,291)	(1,923)
Birmingham City University	(4,433,493)	(1,876,665)
Coventry University	(7,135,912)	(3,032,519)
University of Wolverhampton	(5,403,720)	(2,091,903)
West Midlands Fire & Civil Defence Authority	(2,590,042)	(741,047)
Police & Crime Commissioner for West Midlands	(16,214,259)	(5,507,857)
University College Birmingham	(1,212,631)	(460,281)
Bournville College of Further Education	(1,106,919)	(229,950)
South & City College Birmingham	(2,052,626)	(589,935)
Birmingham Metropolitan College	(2,652,075)	(668,848)
Henley College	(586,101)	(157,658)
Hereward College	(544,342)	(175,277)
Dudley College of Technology	(1,057,829)	(383,122)
Halesowen College	(464,681)	(190,515)
King Edward VI College	(217,407)	(69,834)
Sandwell College	(842,458)	(220,271)
Solihull College	(970,553)	(376,711)
Walsall College	(1,017,198)	(423,580)
Cadbury Sixth Form College	(122,504)	(39,955)
Joseph Chamberlain College	(204,268)	(83,075)
The Sixth Form College Solihull	(238,258)	(83,890)
Coventry & Solihull Waste Disposal Company Ltd	(236,056)	(13,301)
New Park Villiage Tenant Management Organisation	(138,217)	(7,164)
Marketing Birmingham Ltd	(88,360)	(28,803)
Lighthouse Media Centre	(8,384)	(437)
Family Care Trust	(8,300)	-
Friendship Care and Housing Ltd	(170,236)	(3,029)
St Columba's Church Day Centre	(12,371)	(3,899)
Sandwell Community Caring Trust	(195,520)	(47,505)
Palfrey Community Association	(46,928)	(16,626)

## Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
The Pendrels Trust Ltd	(30,518)	(8,732)
Bushbury Hill Estate Management Board	(30,630)	(13,381)
Brownhills Community Association	(15,587)	(3,671)
Smiths Wood Parish Council	(3,691)	(1,250)
Sickle Cell & Thalassaemia Group	(6,146)	(9,394)
Coventry Sports Trust Ltd	(176,286)	(42,724)
West Midlands Councils	(156,500)	-
Optima Community Association	(300,796)	(68,162)
Delves Ease Estate Management	(28,339)	(4,890)
Life Education Centres West Midlands	(30,835)	(4,948)
City of Wolverhampton College	(1,272,199)	(306,320)
Home-Start (Stockland Green/Erdington)	(6,863)	(2,074)
Meriden Parish Council	(3,079)	(894)
Wildside Activity Centre	(1,588)	(545)
Whitefriars Housing Group	(2,720,337)	(809,110)
Balsall Parish Council	(2,866)	(1,069)
Manor Farm Community Association	(13,411)	(6,916)
Bloomsbury Local Management Organisation Ltd	(61,475)	(18,740)
Millennium Point Trust	(325,971)	(2,409)
Galliford (UK) Ltd	(12,480)	(2,595)
Lieutenancy Services (WM) Ltd	(21,483)	(3,884)
Home-Start (Birmingham South)	(4,445)	(1,482)
Castle Bromwich Parish Council	(18,462)	(6,304)
Leisure Living Ltd	(14,461)	(2,989)
Steps to Work (Walsall) Ltd	(202,866)	(28,644)
Home-Start (Walsall)	(10,121)	(3,240)
Murray Hall Community Trust	(74,942)	(35,474)
Sandbank Tenant Management Co-operative Ltd	(22,020)	(5,948)
Coventry Solihull & Warwickshire Partnership Ltd	(737,811)	(95,038)
City College Coventry	(760,762)	(193,915)
Walsall Housing Group	(2,158,012)	(1,108,105)
Amey Highways Ltd	(25,802)	(7,058)
Leamore Residents Association Limited	(14,509)	(5,180)
Northern Housing Consortium Ltd	(165,707)	(69,123)
Walsall Academy	(109,390)	(47,934)
WATMOS Community Homes	(153,041)	(83,643)
Chuckery Tenant Management Organisation Ltd	(26,347)	(11,667)
Voyage Care Limited	(2,009)	(1,087)
Black Country Partnership NHS Foundation Trust	(104,115)	(24,831)
Solihull Care Ltd	(28,549)	(5,852)
Solihull Community Housing	(925,173)	(401,295)
Sandwell Leisure Trust	(443,255)	(244,322)
Grace Academy	(526,977)	(183,667)
Pell Frischman Consultants Ltd	(6,119)	(1,328)
Enterprise (AOL) Ltd (Telford/Wrekin)	(40,773)	(5,424)
Mitie PFI Ltd	(9,120)	(2,757)
Wolverhampton Homes	(3,134,853)	(1,076,055)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Enterprise Managed Services Ltd (Wolverhampton)	(269,092)	(130,055)
Integral UK Ltd	(2,389)	(491)
Black Country Consortium Ltd	(124,797)	(72,662)
Riverside Housing Association Ltd	(448,100)	-
Kingshurst Parish Council	(2,594)	(764)
Service Birmingham Ltd	(415,012)	(148,698)
BME United Ltd	(31,759)	(15,959)
Sandwell Academy	(157,903)	(67,977)
Dovecotes Tenant Management Organisation Ltd	(29,285)	(14,228)
Midland Heart Ltd	(29,077)	(5,643)
Balfour Beatty Workplace Ltd	(94,544)	(22,924)
The Collegiate Academy Trust	(203,891)	(103,557)
Serco Ltd (Stoke CC)	(231,600)	-
Enterprise Managed Services Ltd (Solihull)	(132,822)	(47,356)
Q3 Academy	(99,537)	(48,168)
Mears Group PLC	(752,989)	(283,096)
Willmott Dixon Partnerships Ltd (North Contract)	(808,076)	(298,666)
Housing 21 Ltd	(292,422)	(80,487)
Alliance in Partnership - Camp Hill	(3,281)	(1,026)
Titan Partnership Ltd	(5,091)	(497)
CTC Kingshurst Academy	(152,722)	(73,287)
RSA Academy	(116,349)	(77,398)
BAM Construct UK Ltd	(26,147)	(10,457)
Sheffield Community Academy	(233,470)	(78,979)
Tarmac Ltd	(56,323)	(54,591)
Capita IT Services Ltd	(45,878)	(21,592)
Bespoke Cleaning Services Ltd	(9,608)	(3,204)
Ormiston Sandwell Community Academy	(132,339)	(49,298)
Park Hall Academy	(153,867)	(67,016)
City of Wolverhampton Academy Trust	(353,095)	(141,561)
E-ACT Heartlands Academy	(144,433)	(48,483)
E-ACT Shenley Academy	(176,442)	(48,380)
ARK Academies	(144,065)	(51,087)
Agilisys Ltd (Rowley/Smethwick)	(754)	(925)
KGB Cleaning & Support Services Ltd (Bishop Ulathorne School)	(1,180)	(779)
Sidney Stringer Academy Trust	(282,956)	(107,598)
Willmott Dixon Partnerships Ltd (South Contract)	(1,048,464)	(362,754)
Mears Ltd	(5,898)	(2,288)
Amey LG Ltd	(1,241,364)	(349,205)
King Edward VI Sheldon Heath Academy	(117,591)	(56,131)
E-ACT North Birmingham Academy	(198,029)	(70,122)
Harborne Academy	(125,209)	(43,588)
Mouchel Ltd	(35,626)	(814)
Arden Academy Trust	(141,615)	(75,428)
Balfour Beatty Workplace Ltd (Coventry)	(73,865)	(16,138)
SERCO Ltd (Sandwell)	(813,744)	(253,263)
Park Hall Infant Academy	(62,387)	(16,699)

## Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
St Patricks Church of England Primary Academy	(34,985)	(11,594)
Tudor Grange Academy Solihull Trust	(218,870)	(66,090)
Quadron Services Ltd	(251,682)	(69,739)
John Henry Newman Catholic College	(202,517)	(68,552)
Agilisys Services Ltd (OCOS/WODO/Tipton)	(8,318)	(3,316)
Windsor High School and Sixth Form	(191,100)	(80,849)
Wood Green Academy Trust	(125,076)	(49,966)
Ninestiles Academy Trust	(306,827)	(100,206)
Lordswood Girls School & Sixth Form Centre	(130,805)	(47,423)
Ryders Hayes Academy Trust	(68,162)	(22,679)
Kings Norton Girls School & Language College	(118,873)	(35,537)
Premier Security Services Limited	(35,265)	(4,974)
Shire Oak Academy Trust	(224,525)	(68,099)
Bartley Green School	(148,305)	(53,957)
The Blue Coat Church of England Academy Ltd	(169,219)	(56,004)
Queen Marys High School (Walsall)	(84,388)	(20,078)
Queen Marys Grammar School (Walsall)	(108,742)	(31,254)
Sutton Coldfield Grammar School for Girls Academy Trust	(165,055)	(46,554)
Whitley Academy	(169,228)	(56,702)
Aston Manor Academy	(169,711)	(51,029)
Creative Support Limited	(8,241)	(2,288)
Heart of England School	(146,317)	(44,350)
Light Hall School	(165,283)	(52,041)
Holly Hall Academy	(96,765)	(32,354)
Matrix Academy Trust	(155,230)	(51,886)
Woodlands Academy	(141,384)	(48,178)
Rookery School	(104,844)	(34,635)
Finham Park School Academy	(252,032)	(67,801)
Langley School	(146,910)	(44,065)
Alderbrook School	(182,101)	(47,325)
Lode Heath School	(141,379)	(40,634)
The Westwood Academy	(179,793)	(55,914)
Holyhead School	(215,204)	(38,630)
Fairfax School (Academy)	(220,873)	(75,889)
Tile Hill Wood School & Language College	(218,868)	(60,049)
Deanery Church of England School	(106,548)	(32,776)
Plantsbrook School	(233,234)	(74,648)
Oldbury Academy	(189,242)	(62,846)
Hillcrest School & Sixth Form Centre	(103,318)	(32,363)
Ormiston George Salter Academy	(130,412)	(59,918)
King Edward VI Camp Hill School for Boys (Academy)	(70,907)	(20,879)
King Edward VI Camp Hill School for Girls (Academy)	(59,985)	(17,936)
King Edward VI Handsworth School (Academy)	(92,328)	(23,677)
King Edward VI Five Ways School (Academy)	(104,866)	(31,592)
King Edward VI Aston School (Academy)	(80,700)	(32,184)
Regent Office Care - Henley College	(5,045)	(1,297)
The High Arcal School Academy Trust	(161,960)	(67,705)

## Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Arthur Terry Learnings Partnership	(666,759)	(204,147)
The Kingswinford School & Science College	(131,082)	(43,276)
Black Country University Technical College	(390,700)	(4,069)
Nishkam School Trust	(57,204)	(37,913)
Age Concern Birmingham	(30,589)	(16,673)
Heath Park Academy - Central Learning Partnership Trust	(133,935)	(53,332)
Lawrence Cleaning - St Stephens School	(939)	(431)
The Streetly Academy	(267,162)	(77,638)
NSL Ltd (Solihull)	(2,276)	(982)
New Heritage Regeneration Ltd	(12,794)	(12,996)
Sodexo Limited	(22,032)	(6,715)
Ormiston Forge Academy	(171,482)	(58,784)
Alliance in Partnership - Stoke Park	(4,484)	(2,101)
Alliance in Partnership - Ernesford Grange	(2,803)	(1,094)
Alliance in Partnership - President Kennedy	(1,989)	(715)
Earls High School (The)	(135,641)	(42,855)
Initial Catering Services Ltd (Smethwick)	(26,283)	(7,115)
Initial Catering Services Ltd (Rowley)	(5,175)	(1,598)
Park Hall Junior Academy	(81,676)	(24,043)
Joseph Leckie Academy	(208,330)	(60,566)
E-ACT Willenhall Academy	(190,596)	(59,803)
Hall Green Secondary School	(203,784)	(60,909)
Rockwood Academy - The Core Education Trust	(108,656)	(35,997)
Birmingham Museums Limited	(323,764)	(95,799)
Bishop Vesey's Grammar School	(114,469)	(35,502)
Mesty Croft Academy	(51,260)	(20,980)
Oldknow Academy	(39,987)	(10,727)
Action for Children (Smethwick)	(20,994)	(8,824)
Mytime Active	(56,738)	(19,064)
Wilson Stuart School	(280,330)	(98,474)
Hockley Heath Academy	(28,927)	(8,991)
Murray Hall Community Trust (Oldbury)	(6,918)	(2,707)
Murray Hall Community Trust (Rowley)	(19,322)	(9,056)
Murray Hall Community Trust (Wednesbury)	(16,881)	(7,481)
Warren Farm Primary School	(55,367)	(22,686)
Alridge School - a Science College	(161,266)	(47,437)
Taylor Shaw Limited (Colton Hills School)	(3,972)	(1,117)
Moseley Park School - Central Learning Partnership Trust	(92,970)	(26,831)
St Johns C of E Primary School	(102,876)	(34,738)
Barnardos (Sandwell)	(5,059)	(4,235)
Coundon Court Academy	(290,655)	(66,222)
Premier Support Services Ltd (Alumwell Junior School)	(856)	(184)
Premier Support Services Ltd (Hodge Hill School)	(1,014)	(303)
Great Barr Primary School	(145,199)	(40,534)
Timberley Academy Trust	(159,018)	(62,763)
Lend Lease FM (Broadway School)	(24,235)	(9,183)
Lend Lease FM (EMEA) Ltd (Park View School)	(10,013)	(2,478)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Lend Lease FM (EMEA) Ltd (International School)	(8,320)	(3,872)
Lend Lease FM (EMEA) Ltd (Saltley School)	(2,840)	(1,145)
Lend Lease FM (EMEA) Ltd (Moseley School)	(15,545)	(5,702)
Lend Lease FM (EMEA) Ltd (George Dixon School)	(12,591)	(4,948)
Lend Lease Construction (EMEA) Ltd (Park View & International School)	(15,510)	(6,127)
Lend Lease Construction (EMEA) Ltd (Saltley School)	(1,000)	-
Lend Lease Construction (EMEA) Ltd (Moseley School)	(2,877)	(1,066)
Lend Lease Construction (EMEA) Ltd (George Dixon School)	(8,224)	(3,043)
Lend Lease Construction (EMEA) Ltd (Waverley School)	(4,286)	(2,070)
Lend Lease Construction (EMEA) Ltd (Four Dwellings School)	(7,558)	(2,487)
Victoria Park Primary Academy	(136,359)	(44,874)
Erdington Hall Primary Academy	(95,279)	(26,419)
Balsall Common Primary Academy	(110,191)	(32,021)
Woodlands Academy of Learning	(79,831)	(25,802)
Acivico (Design Construction & Facilities Management) Ltd	(932,858)	(472,260)
Acivico (Building Consultancy) Ltd	(204,713)	(119,030)
Aston University Engineering Academy Birmingham	(41,018)	(25,098)
Sandwell Community Caring Trust (Sandwell Care Homes)	(88,249)	(37,192)
Carillion (Highfields & Pennfields)	(32,844)	(9,863)
St Michael's C of E Primary Academy Handsworth	(31,285)	(8,836)
St Mary's C of E Junior & Infants School	(70,784)	(19,973)
ARK Rose Primary Academy	(50,768)	(14,058)
Green Meadow Primary School	(101,080)	(24,503)
ARK Tindal Primary Academy	(78,297)	(23,722)
George Dixon Academy	(102,684)	(40,680)
Nansen Primary School - Park View Educational Trust	(141,730)	(30,153)
4 Towers TMO Limited	(4,548)	(2,229)
Perry Beeches - The Academy	(306,735)	(107,190)
Handsworth Wood Girls Academy	(132,169)	(42,720)
Dorrington Academy Trust	(94,413)	(31,938)
ARK Kings Academy	(140,414)	(31,065)
Interserve Facilities Management Ltd (OCOS/WODO/Tipton Schools)	(21,648)	(6,720)
Interserve Facilities Management Ltd (Rowley Campus)	(5,936)	(2,502)
St Peters Church of England Academy Trust	(224,045)	(64,961)
Jubilee Academy Mossley - ATT	(42,001)	(10,055)
Action for Children (West Bromwich)	(7,826)	(3,742)
S4E Limited	(110,932)	(52,055)
Nechells Primary E-ACT Academy	(39,780)	(8,899)
Ormiston Academies Trust	(124,975)	(104,747)
EBN Free School	(32,891)	(19,625)
Croft Primary Academy - Elliot Foundation Trust	(38,640)	(12,799)
Lordwood Boys School	(117,776)	(31,121)
Chilwell Croft Academy - Equitas Academies Trust	(96,547)	(34,889)
Lawrence Cleaning Ltd - Parkfield School	(1,106)	(487)
Elite Cleaning & Environmental Services Ltd (Walsall)	(8,188)	(4,033)
Goldsmith Primary Academy - Windsor Academy Trust	(64,025)	(21,146)
Kings Rise Academy - The Elliot Foundation Academies Trust	(84,621)	(25,000)

## Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Alston Primary School	(195,237)	(51,458)
Greenholm Primary School	(81,806)	(23,946)
Blue Coat Church of England (Walsall) Trust	(102,389)	(31,835)
Caludon Castle Academy	(181,574)	(60,661)
Percy Shurmer Primary School	(87,824)	(26,328)
Redcliffe Catering Ltd (Calthorpe School)	(10,090)	(2,463)
Woden Primary - Central Learning Partnership Trust	(81,978)	(25,527)
West Walsall E-ACT Academy	(246,091)	(67,616)
BOA Birmingham Ormiston Academy	(87,412)	(43,675)
ABM Catering Limited	(3,309)	(1,110)
Broadening Choices for Older People	(37,121)	(325)
DRB Contract Cleaning Limited (Wychall Primary School)	(1,074)	(419)
DRB Contract Cleaning Limited (Yew Tree Primary)	(993)	(296)
Harrison Catering Services Ltd (Shenley Academy)	(11,683)	(3,983)
Integral UK Ltd (Queensbridge School)	(1,357)	(413)
Places For People Leisure Limited – Harborne Pool	(17,323)	(6,752)
Sandwell Inspired Partnership Services	(507,453)	(261,664)
Roman Way Estate CIC	(497)	(169)
Premier Support Services Ltd (St Edmunds Champion)	(494)	(142)
Premier Support Services Ltd (Holy Trinity RC)	(749)	(229)
Alliance in Partnership (King Edward VI Sheldon Heath)	(10,995)	(3,342)
Lend Lease Construction (EMEA) Ltd (HML Stockland Green & Broadway)	(2,761)	(1,640)
Lend Lease FM (EMEA) Ltd (HM & Stockland Green School)	(15,868)	(6,188)
Lend Lease (EMEA) Limited - E-ACT	(2,363)	(1,763)
Aspen Services Ltd (Gosford Park School)	(2,144)	(832)
St Clements C of E Academy Nechells	(26,628)	(11,578)
Oasis Community Learning - Blakenhale Junior	(23,577)	(7,131)
Oasis Community Learning - Woodview School	(104,903)	(47,775)
Oasis Community Learning - Blakenhale Infants	(63,478)	(22,318)
Lea Forest Primary Academy	(72,001)	(26,494)
Four Dwellings Primary Academy	(85,467)	(27,554)
Tame Valley Academy - Education Central MAT	(44,058)	(15,481)
Shirestone Community Academy - The Elliot Foundation Academies Trust	(68,110)	(19,780)
Oasis Community Learning - Short Heath Primary	(88,480)	(23,173)
Aldersley Academies Trust	(165,552)	(58,122)
Yardleys School	(409,420)	(47,510)
Rough Hay Primary School	(73,621)	(16,199)
Charles Cuddy Walker Academy - Erudition Schools Trust	(60,818)	(15,450)
Billesley Primary Academy - The Elliot Foundation Academies Trust	(144,934)	(40,012)
Merritts Brook E-ACT Primary Academy	(63,704)	(14,016)
St Michael's Church of England Primary School Bartley Green	(73,573)	(19,406)
Reedswood E-ACT Primary Academy	(113,868)	(27,969)
James Brindley School	(284,404)	(78,253)
Catering Academy Ltd - Walsall	(24,730)	(350)
Oaklands Primary - Ninestiles Academy Trust	(64,986)	(23,543)
Greenwood Academy - Academies Enterprise Trust	(171,846)	(60,587)
Tudor Grange Primary Academy St James	(21,464)	(7,127)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Mansfield Green E-ACT Primary Academy	(104,189)	(35,556)
Parkfield Academy Trust	(107,288)	(43,121)
Urban Enterprises (Bournville) Ltd	(17,913)	(7,728)
City Road Academy - Birmingham City Uni Academy Trust	(160,563)	(41,352)
Culture Coventry	(352,065)	(110,277)
Bramford Primary - Griffin Academy Trust	(104,801)	(27,060)
Bristnall Hall - The Academy Transformation Trust	(218,719)	(65,625)
Redhill School	(200,041)	(64,039)
Baverstock Academy - The Leap Academy Trust	(255,934)	(53,631)
Edgar Stammers Academy - Education Central MAT	(83,484)	(25,632)
Moor Green Primary Academy	(41,129)	(17,413)
Knowle CE Primary Academy	(111,244)	(27,804)
St Joseph's - John Paul II Multi-Academy	(69,942)	(13,204)
St Nicholas's - John Paul II Multi-Academy	(55,805)	(10,652)
Holy Cross - Sutton Coldfield Catholic Schools Multi-Academy	(66,702)	(12,394)
Bishop Walsh - Sutton Coldfield Catholic Schools Multi-Academy	(202,220)	(42,708)
The ACE Academy - Education Central Multi Academy Trust	(211,404)	(67,558)
St John's and St Peter's C of E Academy	(45,809)	(15,158)
St George's C of E Academy	(60,257)	(14,064)
Acocks Green Primary School	(114,158)	(30,273)
Premier Support Services Ltd (Alumwell Infant School)	(823)	(205)
Washwood Heath Academy	(310,654)	(87,516)
Perry Hall Primary School	(81,924)	(22,209)
KGB Cleaning & Support Services Ltd (Lyndon School)	(4,054)	(1,398)
European Electronique Ltd (Tile Hill Wood School)	(10,174)	(3,426)
Call First Cleaning Limited	(612)	(189)
Oasis Community Learning - Matthew Boulton	(64,713)	(17,645)
Four Dwellings High School Academy	(128,766)	(36,832)
Oasis Community Learning - Hobmoor Primary	(91,222)	(19,933)
Timbertree Primary - United Learning Academies	(25,441)	(10,330)
George Betts Academy - The Elliot Foundation Academies Trust	(120,830)	(28,334)
Hamstead Hall Academy Trust	(292,106)	(73,406)
Corngreaves Primary - United Learning Academies	(63,724)	(14,666)
Shireland Hall Academy - The Elliot Foundation Academies Trust	(103,114)	(68,414)
Stretton Primary Academy - Diocese of Coventry MAT	(58,005)	(12,002)
St Laurence's Primary Academy - Diocese of Coventry MAT	(88,393)	(22,483)
Yarnfield Academy - Ninestiles Academy Trust	(172,933)	(42,795)
President Kennedy School	(298,151)	(77,063)
Hawkesley Church Primary Academy	(101,158)	(17,944)
Birchills Academy - St Chads Academies Trust	(83,723)	(30,967)
Montgomery Primary Academy - Academies Enterprise Trust	(151,022)	(45,765)
Fairway School - Education Central Multi Academy Trust	(66,841)	(19,726)
Cheswick Green Parish Council	(1,496)	(584)
Jubilee Park Academy Trust	(59,262)	(12,580)
Ocker Hill Junior Academy	(45,645)	(12,071)
Three Spires Academy - RNIB Specialist Learning Trust	(76,848)	(18,928)
Silvertrees Academy	(132,186)	(27,680)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Pegasus Academy - Ninestiles Academy Trust	(69,231)	(13,947)
St Edmund's Academy - Bishop Cleary MAC	(207,024)	(64,485)
SS Mary & Johns Catholic Primary Academy - Bishop Cleary MAC	(27,951)	(7,754)
St Teresa's Academy - Bishop Cleary MAC	(31,058)	(8,215)
Holy Trinity C of E Primary Academy	(78,421)	(15,071)
Giffard Catholic Academy - Bishop Cleary MAC	(52,758)	(13,896)
St Michaels Academy - Bishop Cleary MAC	(38,703)	(7,517)
Tiverton Academy - The Elliot Foundation Academies Trust	(65,769)	(13,754)
St Joseph's Academy - St John Bosco Catholic Academy Trust	(44,003)	(12,970)
Bishop Milner Academy - St John Bosco Catholic Academy Trust	(109,802)	(35,176)
St Chads Academy - St John Bosco Catholic Academy Trust	(33,988)	(8,291)
Bentley Heath Church of England Primary School	(79,095)	(20,173)
Reaside Academy - Educational	(43,903)	(12,579)
Aspens Services Ltd - Phoenix Collegiate	(5,877)	(1,240)
St George's Academy Newtown	(47,442)	(18,951)
St Bartholomew's C of E Primary Academy	(83,659)	(17,756)
Cue Ltd	(45,107)	(18,903)
Hill Farm Academy - Castle Phoenix Trust	(77,636)	(21,734)
The Orchards Primary Academy - Education Central MAT	(94,046)	(19,464)
Wednesbury Oak Primary Academy	(78,549)	(19,558)
Robin Hood Primary Academy	(114,288)	(28,517)
Woodhouse Primary Academy - Education Central MAT	(162,574)	(39,090)
Elite Cleaning Ltd (Hereward College)	(16,733)	(20,556)
Broadway Academy	(203,805)	(54,165)
Places for People Leisure Limited	(8,460)	(2,410)
Radford Primary Academy - Sidney Stringer Academy Trust	(67,974)	(17,361)
Ernesford Grange Academy	(248,380)	(56,404)
Chivenor Academy - Griffin Schools Trust	(91,753)	(19,402)
Rivers Primary Academy - Windsor Academy Trust	(61,085)	(17,183)
Golden Hillock Academy - Park View Educational Trust	(128,505)	(25,392)
Walsall Studio School	(3,565)	(1,756)
Waverley Studio College	(22,359)	(5,997)
Twickenham Primary Academy	(116,687)	(31,691)
Grestone Primary Academy	(136,514)	(31,773)
St Paul's C of E Primary Academy	(70,004)	(12,465)
Kingswood Trust	(13,881)	(6,215)
Leigh Primary School	(156,895)	(40,086)
Education Central Multi Academy Trust	(19,284)	(17,254)
Wodensborough Academy	(286,121)	(49,361)
Ridgewood High School	(163,811)	(38,945)
Aspen Services Ltd (Courthouse Green Primary School)	(5,761)	(1,531)
Wolverhampton Girls High School	(131,458)	(29,452)
St Judes Academy - The Wulfrun Academies Trust	(102,307)	(31,944)
Oasis Community Learning - Foundry Primary	(64,502)	(15,184)
Riverbank Academy (Sidney Stringer Academy Trust)	(207,546)	(32,950)
Redcliffe Catering Ltd (Cottesbrooke Junior School)	(5,538)	(2,650)
Berrybrook Primary School	(36,020)	(10,119)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Reach Free School	(16,701)	(9,380)
WMG Academy for Young Engineer	(58,332)	(26,159)
Cottesbrooke Infant & Nursery School	(122,410)	(21,582)
Alliance in Partnership (Unity Cluster)	(13,597)	(3,538)
Catering Academy Ltd (Synergy Schools)	(12,547)	(3,483)
APCOA Parking UK Ltd (Wolverhampton)	(5,515)	(1,691)
Smestow School - Education Centre	(204,952)	(55,100)
Northwood Park Primary School	(123,656)	(23,424)
Marston Green Infant Academy	(58,717)	(20,750)
Smithswood Primary School	(125,199)	(35,129)
Bespoke Cleaning Ltd (Westwood Academy)	(3,208)	(1,082)
Police & Crime Commissioner West Midlands	(461,355)	(68,133)
Civica UK Ltd (Ark Schools)	(15,611)	(6,055)
Black Country Housing Group (New Bradley Hall)	(86,646)	(28,318)
ABM Catering Ltd (Aldermoor Farm Primary School)	(2,220)	(798)
Northern House School Academy Trust	(50,804)	(19,970)
Taylor Shaw (Great Barr Birmingham)	(31,779)	(8,285)
St John's C of E Primary Academy – Diocese Coventry MAT	(53,809)	(11,985)
Catering Academy (John Gulson)	(6,144)	(1,700)
HeathlandsAcademy–Education Central MAT	(117,684)	(28,571)
Wednesfield High Specialist Engineering Academy	(234,273)	(40,183)
Albert Bradbeer Primary School	(196,169)	(42,994)
Alliance in Partnership Ltd (Broadway)	(10,308)	(22,129)
Birmingham Solihull Mental Health NHS Foundation Trust	(19,072)	(9,476)
Action Indoor Sports Birmingham CIC Ltd	(5,577)	(2,223)
Ridge Crest Cleaniing	(12,306)	(3,077)
Sacred Heart Academy	(46,453)	(12,903)
St Gregory's School Coventry - Romero Mac	(39,523)	(8,300)
Good Shepherd Primary School	(48,175)	(10,906)
St Peter and Paul Catholic Primary School - Romero Mac	(18,235)	(6,593)
St John Fisher School - Romero Mac	(47,733)	(10,661)
St Patrick's Catholic School - Romero Mac	(43,314)	(9,448)
Cardinal Wiseman Catholic School - Romero Mac	(193,160)	(45,094)
Corpus Christi Catholic Primary School - Romero Mac	(51,540)	(13,373)
All Saints National Academy - St Chad's Academy Trust	(36,317)	(6,358)
Alliance in Partnership (Greenfields Primary School)	(8,623)	(2,348)
Aspens Services Ltd - Old Church School	(5,316)	(1,287)
Aspen Services Ltd - Rough Hay School	(6,829)	(1,817)
Taylor Shaw (Brownhills High School)	1,277	939
KCLS Ltd (Coventry)	(67,510)	-
Aspens Services Ltd - Salisbury School	(4,803)	(1,030)
Police & Crime Commissioner West Midlands	(17,217)	(3,515)
Bournville School and Sixth Form Centre - Fairfax MAT	(268,975)	(46,696)
St Gregory's Catholic Primary Academy - St Catherine of Siena MAC	(65,770)	(11,416)
St Huberts Catholic Primary School	(95,522)	(15,944)
St Francis Xavier Catholic Primary School	(94,092)	(18,968)
St Philip's Catholic Primary Academy - St Catherine of Siena MAC	(88,110)	(20,268)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
The University Training School	(18,111)	(8,931)
Aspens Services Ltd (Pinfold Street Primary)	(1,068)	(319)
KCLS Ltd (Alderbrook School)	(7,889)	(2,096)
Devonshire Infant Academy - Victoria Park Multi-Academy Trust	(138,422)	(28,689)
Seva Free School	(18,160)	(9,422)
Devonshire Junior Academy - Victoria Park Multi-Academy Trust	(65,347)	(17,703)
Town Junior School - Plantsbrook Academy	(63,196)	(14,547)
St Brigid's Catholic Primary School - Lumen	(108,214)	(19,919)
St Columba's Catholic Primary School - Lumen	(80,036)	(13,311)
St Joseph's Academy - St Nicholas Owen Catholic MA	(53,021)	(9,132)
Our Lady of Fatima Catholic Primary School - St Nicholas Owen Catholic MA	(81,598)	(12,587)
St Mary's Catholic Primary School - St Nicholas Owen Catholic MAC	(41,184)	(11,530)
Calthorpe Academy	(621,854)	(121,387)
Crestwood Academy	(120,663)	(26,314)
Hillstone Junior and Infant Academy	(258,719)	(45,563)
Ellowes Hall Sports Academy	(183,824)	(46,120)
Wyndcliffe Primary School	(260,309)	(52,247)
Brownmead	(103,389)	(16,341)
Manor Primary School	(14,759)	(3,498)
ABM Catering Ltd - Allesley	(3,626)	(1,209)
ABM Catering Ltd (Cannon Park)	(2,275)	(732)
St John's C of E Primary Academy - St Chad's Academy Trust	(49,499)	(13,080)
Crime Reduction Initiatives	(60,290)	(24,747)
St Martin's C of E Primary School	(45,384)	(9,642)
St Pauls' Catholic Primary School -Lumen	(90,023)	(15,428)
St James Catholic Primary School - Lumen	(67,186)	(12,915)
St Joseph's Catholic Primary School - Lumen	(62,116)	(14,088)
St Thomas Aquinas Catholic School	(513,014)	(85,171)
Field View Primary School	(102,601)	(19,946)
Walsall Adult Community College	(76,677)	(26,434)
Futurelets Ltd	(55,091)	(33,924)
Churchill Contract Services Ltd (Walsall College)	(16,592)	(4,933)
ABM Catering (St Andrew's CE Infant School)	(1,223)	(290)
NSL Limited Parking Services (BCC)	(17,681)	(6,104)
Jervoise School - DRB Ignite MAT	(39,000)	(6,799)
Wychall Primary School - DRB Ignite MAT	(100,845)	(18,925)
Holy Rosary Catholic Primary Pope John XXIII	(49,518)	(9,047)
St Mary's Catholic Primary	(123,330)	(24,225)
Our Lady & St Chad Catholic Sports College	(158,185)	(31,233)
Corpus Christi Catholic Primary - Pope John	(64,915)	(12,567)
St Thomas CE Academy - All Saints Multi-Academy Trust	(49,625)	(12,593)
Saltley Academy - Washwood Heath Multi-Academy Trust	(262,371)	(47,476)
Barr's Hill School Academy - The Future's Trust	(131,904)	(27,819)
Alliance in Partnership (Brownhills School)	(5,366)	(1,320)
Walsgrave Church of England Primary School - The Inspire Federation	(32,547)	(12,156)
Clifford Bridge Primary School - The Inspire Federation	(27,073)	(9,178)
Sir Frank Whittle Primary School - The Inspire Federation	(18,219)	(8,142)

### Contributions Receivable by Employer

Employer	Employer's contributions	Employees' contributions
Lyndon Academy - Ninestiles Academy Trust	(83,045)	(28,089)
The Waverley Education Foundation Ltd	(222,528)	(45,121)
Heathfield's Primary School - The Federation of Prince Albert & Heathfield Scho	(64,675)	(15,072)
Bloxwich Academy - Matrix Academy Trust	(216,062)	(63,286)
Prince Albert Primary School - The Federation of Prince Albert & Heathfield School	(120,313)	(31,782)
The British Sikh School - The Khalsa Academies Trust	(6,469)	(2,284)
Northfield Manor Primary Academy - Victoria Academy Trust	(109,731)	(19,765)
Ark Chamberlain Primary Academy	(37,259)	(14,171)
Ark Boulton Academy	(61,717)	(29,862)
Regent Office Care Ltd (Ormiston Shelfield Academy)	(6,175)	(1,864)
Superclean Services Wothorpe Ltd (Finham Park)	(2,021)	(690)
ABM Catering Ltd (John Shelton Community Primary School)	(275)	(80)
Alliance in Partnership Ltd (Coventry South Cluster Group)	(1,118)	(364)
The Edge Academy Trust	(29,158)	(6,990)
The Bromley-Pensnett Primary School - DRB Ignite MAT	(12,180)	-
West Midlands Construction UTC Trust	(16,173)	(7,561)
Elston Hall Multi-Academy	(159,839)	(24,085)
Sidney Stringer Free Primary School - Sidney Stringer Academy Trust	(7,547)	(2,971)
Health Futures UTC	(17,869)	(5,440)
Bickenhill & Marston Green	(7,678)	(2,365)
King Solomon International Business School	(46,387)	(9,028)
Westcroft Sport and Vocational College - Central Learning Partnership	(41,330)	(10,045)
The Romero Catholic Academy	(5,686)	(2,947)
Inspire Education Trust	(6,474)	(2,631)
Highfields School	(89,041)	(21,277)
Manor Park Primary - REAch2 Academy Trust	(9,912)	(2,072)
Northern House School (City of Wolverhampton)	(34,833)	(8,643)
Pool Hayes Academy - Academy Transformation Trust	(46,609)	(9,718)
Nonsuch Primary School	(11,960)	(1,325)
Wolverhampton Vocational Training Centre - Central Learning Partnership Trust	(11,246)	(5,560)



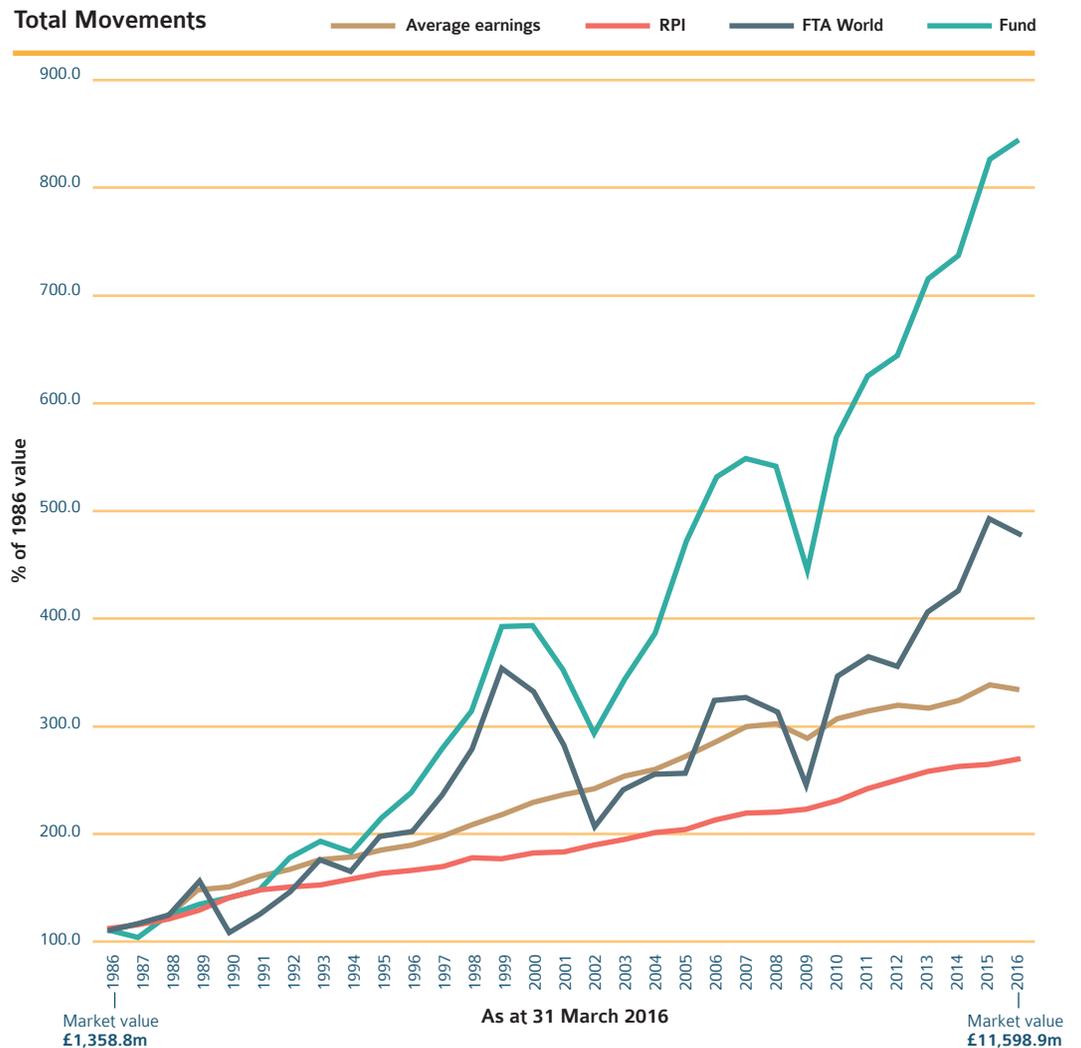
## Investment Strategy



**Mark Chaloner**  
Assistant Director  
(Investments)

### Investment Policy

At the beginning of the period, the market value of the Fund's investment assets was £11.4 billion. By the end of March 2016, the value of those assets was £11.6 billion, which reflects net cashflow and appreciation in market value. The graph below illustrates the cumulative movement of the Fund since 1986 resulting from the implementation of investment policies, market movements, unrealised profits and net cash inflows.



The Fund continues to have positive cash inflows from net contributions and investment income. Additionally, in April 2015, £220 million was received from employers in respect of advance deficit and future service payments.

## Investment Strategy

### Asset Allocation

The following table shows a summary of the asset distribution for the year ended 31 March 2016 compared with the strategic risk bands agreed by the Pensions Committee. The Fund's closing market value of £11.6 billion reflects a net investment of £161.8 million and appreciation of investments during the period.

Portfolio	Overall target allocation %	Opening levels %	Closing levels %	Closing market value £m	Net investment £m
<b>UK equities</b>	<b>8.0</b>	<b>9.3</b>	<b>7.7</b>	<b>899</b>	<b>-95.7</b>
<b>Global equities</b>	<b>10.0</b>	<b>7.5</b>	<b>11.1</b>	<b>1,290</b>	<b>+466.6</b>
<b>Overseas equities</b>	<b>30.0</b>	<b>30.7</b>	<b>29.8</b>	<b>3,456</b>	<b>+142.3</b>
North America	7.5	7.8	7.7	893	-7.7
Continental Europe	7.5	8.0	7.4	853	+6.6
Pacific ex Japan	3.75	3.8	3.8	442	+39.3
Japan	3.75	3.8	3.5	408	+4.2
Emerging markets	7.5	7.3	7.4	860	+100.0
<b>Private equity</b>	<b>10.0</b>	<b>11.9</b>	<b>11.4</b>	<b>1,319</b>	<b>-223.1</b>
<b>Total equities</b>	<b>58.0</b>	<b>59.4</b>	<b>60.0</b>	<b>6,964</b>	<b>+290.2</b>
<b>Stabilising</b>	<b>9.0</b>	<b>12.3</b>	<b>12.1</b>	<b>1,407</b>	<b>+6.9</b>
UK gilts	2.0	1.3	1.3	155	+0.0
Index-linked gilts	5.0	6.2	5.5	642	-79.4
Cash	2.0	4.8	5.3	610	+86.3
<b>Cashflow matching</b>	<b>3.0</b>	<b>0.0</b>	<b>3.0</b>	<b>351</b>	<b>+340.8</b>
<b>Return seeking</b>	<b>7.0</b>	<b>10.4</b>	<b>8.0</b>	<b>930</b>	<b>-273.6</b>
Specialist fixed interest	2.0	3.1	2.4	277	-86.3
Corporate bonds	2.5	4.7	3.0	350	-176.6
Emerging market debt	2.5	2.6	2.6	303	-10.8
<b>Total fixed interest</b>	<b>19.0</b>	<b>22.7</b>	<b>23.1</b>	<b>2,688</b>	<b>+74.0</b>
Property	10.0	8.3	8.4	972	-44.1
Absolute return	7.0	6.2	5.3	610	-105.8
Real assets & infrastructure	6.0	3.4	3.2	365	-52.6
<b>Total alternatives</b>	<b>23.0</b>	<b>17.9</b>	<b>16.8</b>	<b>1,947</b>	<b>-202.5</b>
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>	<b>11,599</b>	<b>+161.8</b>

All main asset classes closed within their wider strategic risk bands.

The investment strategy allocation is determined in accordance with the regulations (LGPS - Management and Investment of Funds - Regulations 2009) and its formulation is set out in the Fund's Statement of Investment Principles. In accordance with the investment management regulations, the schedule of limits on investments has an upper limit of 30% for commitments to partnerships and 15% for investments in unlisted securities of companies.

## Investment Strategy

The most significant asset allocation changes made during the year were an increase in the allocation to quoted equities with a net investment of £513.2 million made. £223.1 million was realised in distributions from the private equity portfolio. A further £202.5 million was raised from the alternative investments portfolio with the sale of the Fund's remaining hedge funds and distributions from the property and infrastructure portfolios.

During the quarter ending on 30 June 2015, a new active global equities portfolio was set up with an allocation of £500 million funded from UK equities and cash. During the market weakness in the summer of 2015, £135 million was allocated to emerging markets equities and Pacific ex Japan.

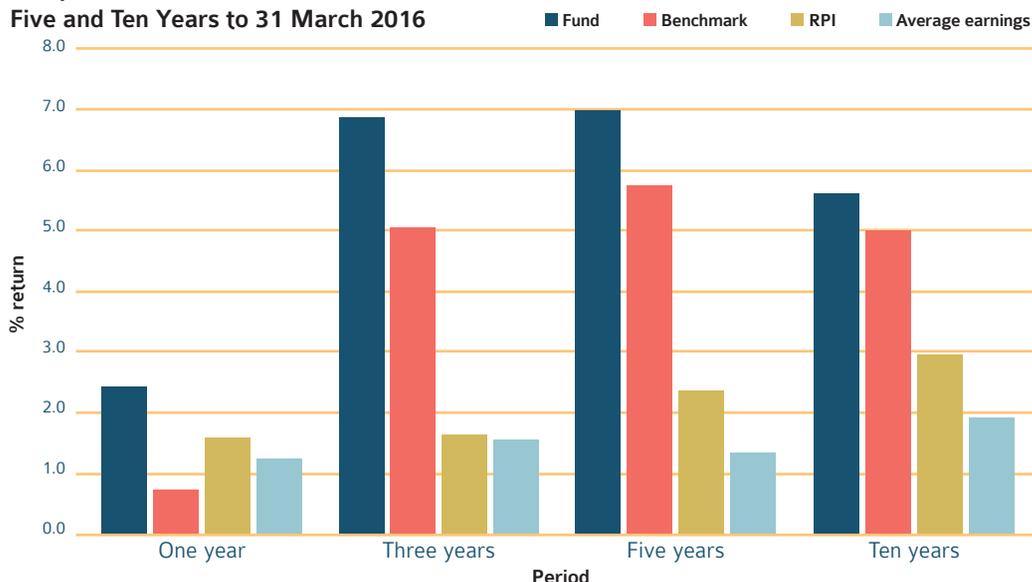
On 1 October 2015, a new cashflow matching allocation was set up in order to derisk the Fund's orphan liabilities. This allocation was funded from corporate bonds (with a 2% Fund allocation) and index-linked gilts (1%).

Underlying the changes made remains a desire for simpler, lower cost and more cost-effective management arrangements, continuing the progress made in the previous two years.

### Returns to 31 March 2016

The Fund's returns over one, three, five and ten years compared to its bespoke benchmark, retail prices index (RPI) and average earnings are illustrated in the chart shown below.

#### Comparative Returns Over One, Three, Five and Ten Years to 31 March 2016



In the year to 31 March 2016, the Fund delivered a return of 2.4%, well ahead of its bespoke benchmark of 0.7%. The key contributors to the outperformance were good relative performances from the private equity and alternative investments portfolios. The quoted equities and fixed interest portfolios delivered performances similar to those of their benchmarks, but the fixed interest portfolio helped in the delivery of a positive return for the year, offsetting weak stock markets.

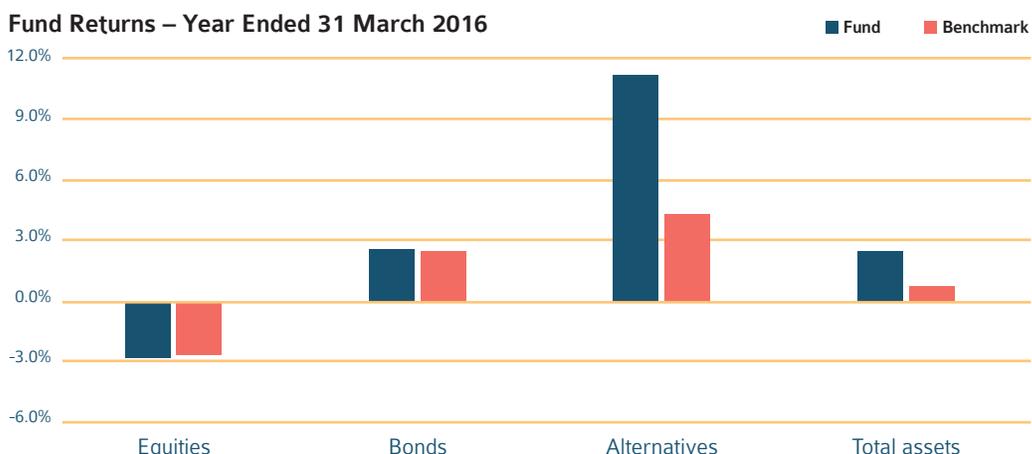
A return of 6.9% per annum was achieved by the Fund in the three years to 31 March 2016, ahead of the bespoke benchmark return of 5.0%. Strong performances from private equity and alternative investments were the key contributors over this time period.

### Investment Strategy

A return of 7.0% per annum was achieved by the Fund in the five years to 31 March 2016, ahead of the bespoke benchmark return of 5.7%. Good performances from private equity and alternative investments were the key contributors over this time period.

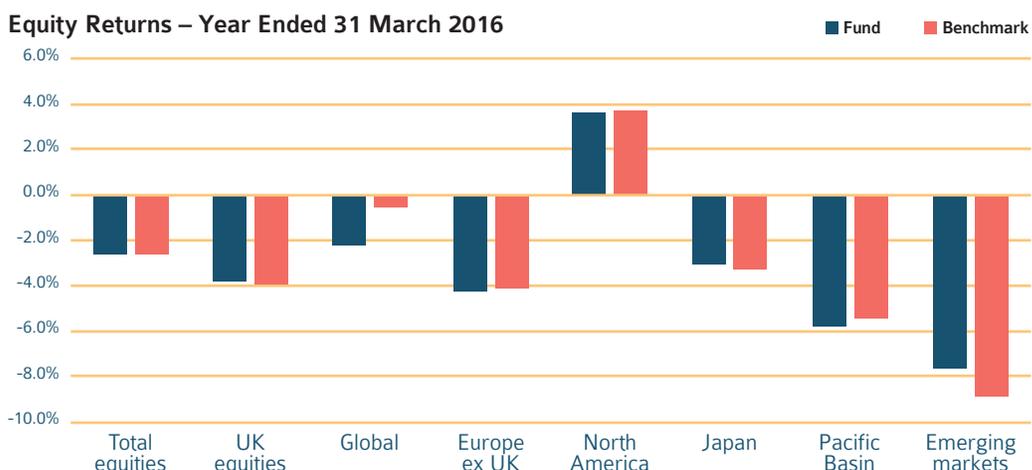
The Fund's ten-year return of 5.6% per annum was usefully ahead of the benchmark return of 5.0% and well ahead of increases in RPI and average earnings.

The following graph illustrates the returns of the Fund's main asset classes for the year ended 31 March 2016 and compares them to the returns from its bespoke benchmark.



*Note: the scheme-specific benchmark for individual asset classes are recognised indices, but for the wider asset classes is a combination of weighted indices.*

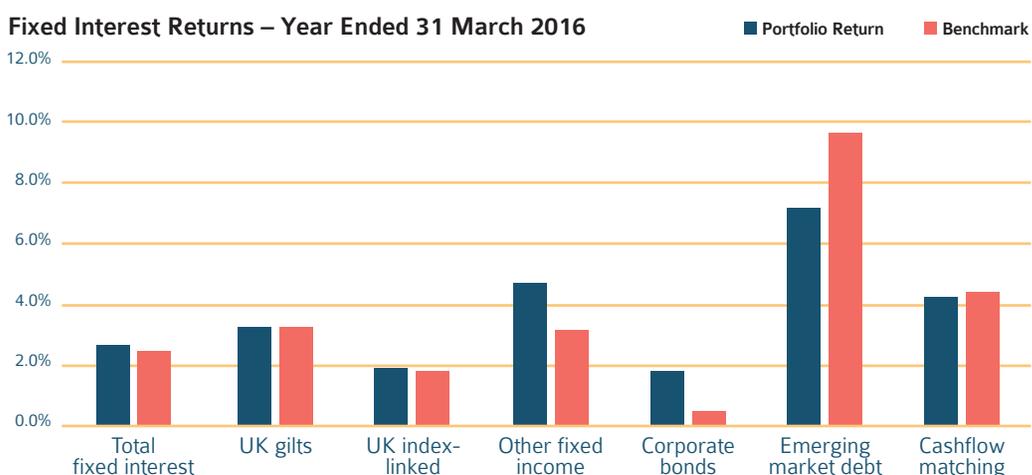
The graph below illustrates the returns of the different quoted equity markets:



With the exception of North America, stock markets in the world's regions posted negative returns in 2015/16. Relative returns achieved by the fund were similar to the benchmark in developed regional markets (reflecting the passive index tracking arrangements in place). There was some relative outperformance in emerging markets offset by underperformance in global equities. The total return from quoted equities was similar to that of its benchmark in the year.

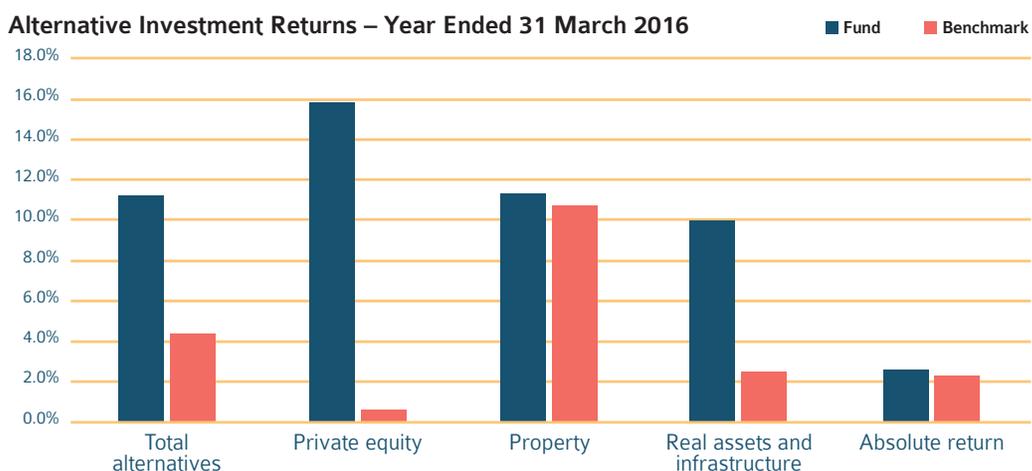
## Investment Strategy

The graph below illustrates the returns of the different fixed interest markets:



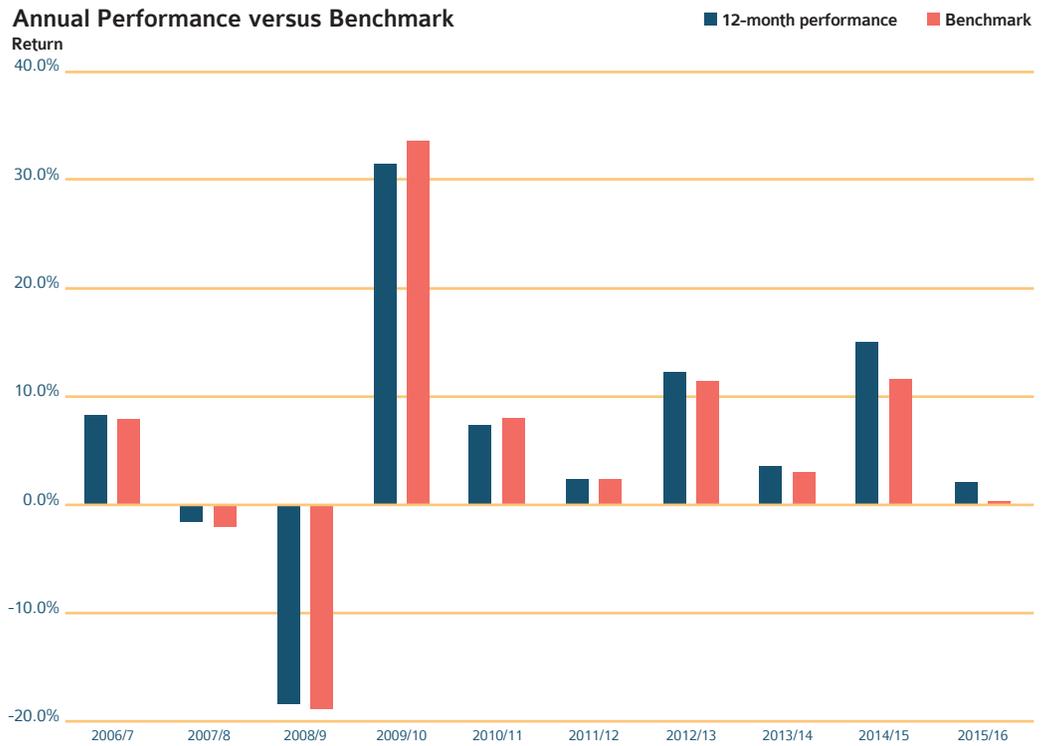
Fixed interest markets achieved positive returns in 2015/16 and the Fund's portfolio marginally outperformed with a return of 3.3% ahead of the benchmark return of 2.8%. Within the overall picture, there were some notable performances, with emerging markets debt (reorganised in March 2016) underperforming and corporate bonds/other fixed interest outperforming.

The graph below shows the returns from the Fund's investments that make up the alternative assets:



The alternative investments portfolio posted a strong return in the year and was the key positive contributor to the Fund's overall outperformance. Leading the way was a very strong positive return from the private equity portfolio (15.8%), with outperformance also delivered from the property and infrastructure/real assets portfolios.

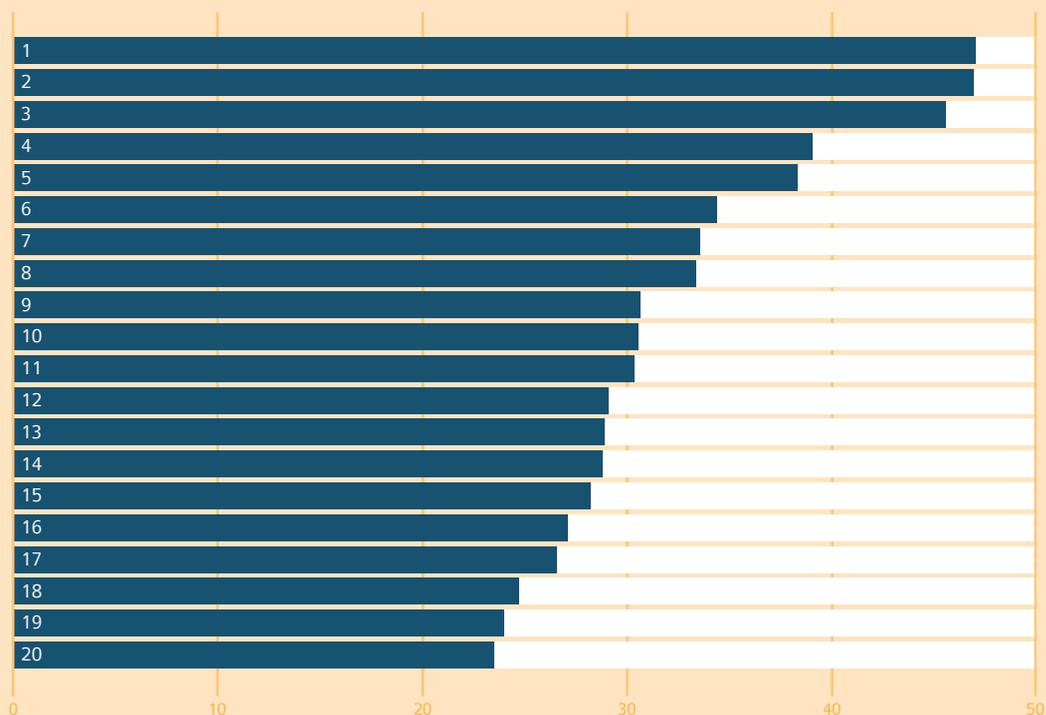
Investment Strategy



**Mark Chaloner**  
Assistant Director - Investments  
Date: May 2016

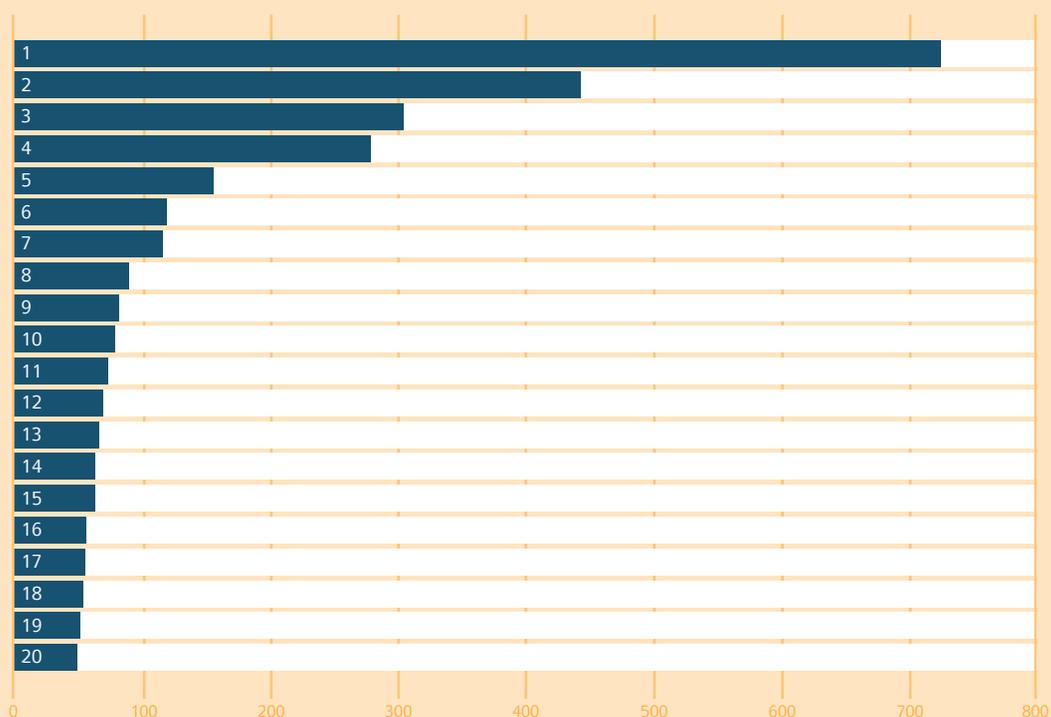
Top Twenty Equity Holdings

	Market value (£)		Market value (£)
1 Samsung Electronics	47,050,049.11	11 Roche	30,381,159.53
2 HSBC	46,952,878.73	12 BP	29,062,450.00
3 Nestlé	45,560,578.13	13 Lloyds Banking Group	28,931,562.82
4 Apple Inc	39,007,573.86	14 Diageo	28,750,525.11
5 GlaxoSmithKline	38,334,076.22	15 Reckitt Benckiser	28,277,777.50
6 British American Tobacco	34,396,900.00	16 Royal Dutch Shell 'A'	27,146,501.00
7 AIA	33,529,969.51	17 Vodafone Group	26,515,885.00
8 Royal Dutch Shell 'B'	33,320,000.00	18 SABMiller	24,684,099.00
9 Taiwan Semiconductor	30,594,663.23	19 Unilever	24,036,047.00
10 Tencent	30,561,714.19	20 Novartis	23,497,511.53



Top Twenty Indirect Holdings

	Market value (£)		Market value (£)
1 Legal & General - All Stocks Index-Linked Gilts Fund	723,106,522.18	11 Legal & General Investment Grade Corporate Bond All Stocks Index Fund	71,435,347.06
2 BlackRock Aquila Life World ex-UK Equity Index	442,524,025.13	12 Pictet Dynamic Asset Allocation Fund	68,801,277.09
3 Capital Group Emerging Markets Debt Fund	302,988,570.94	13 Menlo Ventures XI	65,355,728.80
4 Schroder All Maturities Corporate Bond Fund	278,302,727.15	14 Highbridge Specialty Loan Fund III	61,905,545.12
5 Legal & General All Stocks Gilts Index Fund	155,398,180.03	15 Kames UK Active Value Unit Trust	61,701,645.00
6 Credit Suisse IRIS Balanced Fund	118,803,837.29	16 Advent Global Phoenix Convertible Fund	55,262,511.19
7 CATCo Diversified Fund	114,467,718.12	17 BlueCrest Mercantile Fund	54,077,312.02
8 Legal & General Overseas Bond Fund	88,249,929.22	18 Baillie Gifford Diversified Growth Fund	53,163,245.15
9 CF Ruffer Total Return Fund	79,829,708.17	19 Newton Global Dynamic Bond Fund	50,168,912.26
10 Capital Dynamics Asia	77,454,720.80	20 Jupiter Global Convertibles Fund	48,442,247.32





Meet **Mark Chaloner**,  
Assistant Director for  
West Midlands Pension Fund

## Case Study

### **Q: What is the Fund's stance on climate change?**

The Fund recognises the impact that climate change is likely to have on the global economy and society as a whole. It is the Fund's view that the scale of these impacts is such that a proactive and precautionary approach is needed in order to address them. As long-term investors, the Fund is aware that climate change brings with it risks and opportunities and, at all times, we need to balance that with having a clear focus on the financial performance of our portfolio.

### **Q: What is the Fund's stance on the issue of divestment from carbon-intensive stocks and fossil fuel companies?**

At the present time, the Fund does not believe that divesting its investments from carbon-intensive stocks would be in the best interests of our members. This is a position that the Fund continues to re-evaluate as the market dynamic changes. The Fund believes that there is a chance of re-pricing of fossil fuels assets but remain unsure as to the exact timing and quantum. In the short to medium term, the Fund favours intensive and robust engagement, where we believe there is opportunity to add value to the portfolio over the short to medium term by working with the companies (and indirectly through our fund managers) to help them reshape their business models.

### **Q: How does the Fund address climate change risks and opportunities in its portfolio?**

There are three key pillars to the Fund's approach to climate change.

#### **1) Fund Manager Monitoring Program**

In light of the December 2015 Paris Agreement, the Fund has begun a more targeted engagement program on climate change impacts with its external fund managers.

Key expectations include:

- Assessing climate change impacts and opportunities through the use of quantitative carbon risk indicators such as portfolio stress testing/scenario planning or carbon foot-printing.
- Evidence of a robust active ownership program to mitigate climate change impacts (see next pillar for further detail)
- How the findings of their analysis and active ownership approach impact upon investment decisions.

The Fund recognises this is a long-term project, but remains committed to ensuring that external managers that invest on our behalf demonstrate a willingness to evolve in their approach and, ultimately, improve their disclosure of portfolio specific climate change risks and opportunities over a reasonable timeframe.



## 2) Active Ownership Program

The Fund has a significant allocation to passive listed equities which are managed internally. The Fund is working with other like-minded investors such as the 'Aiming for A' initiative, to develop a robust engagement program with companies. This seeks assurance that they have the systems, capacities and knowledge to respond effectively to the pressures they will face to further decarbonise their businesses and play their role in the transition to a low carbon economy. Greater transparency and accountability on the progress that is being made, together with expectations of engagement become even more important, especially in the context of increasing stakeholder pressure in this space.



The Fund co-filed shareholder resolutions for BP and Shell in 2015 on carbon management which received unprecedented levels of investor support. In 2016, we have also co-filed shareholder resolutions at three mining companies (Anglo American, Rio Tinto and Glencore). The Fund has also introduced more climate change related policy elements to its UK voting guidelines for the upcoming proxy season.

The Fund is also a member of the Institutional Investors Group on Climate Change, which conducts climate policy engagement on behalf of its members. In light of the Paris Agreement, continued investor pressure in this space to ensure global commitments are honoured is crucial.

## 3) Climate Change Opportunities

In alignment with our responsible investment beliefs, the Fund believes there are some investment opportunities stemming from the environmental and social challenges arising from climate change which can be captured where they are aligned with the Fund's investment objectives and strategy. The Fund currently has exposure to several investments in clean technologies in its infrastructure and private equity portfolios. The impact of COP 21 on this space will encourage a greater supply of opportunities and we are open to consider such opportunities where they meet our specific investment criteria and fit within our overall investment strategy.

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 email: [responsible.investment@wolverhampton.gov.uk](mailto:responsible.investment@wolverhampton.gov.uk)

## Responsible Investment

### Case Study

#### Prime 10 Wolverhampton

In April 2015, the Fund invested in Prime 10. The site comprises 17.5 net acres of land with outline planning consent for 400k sq. ft. of B1, B2 and B8 uses.

The site is located at an established industrial/warehouse location close to Junction 10 of the M6 and in the top 13% most deprived areas of the UK. It is currently derelict, has not been used for ten years and the land is significantly contaminated.

The development will be undertaken in a joint-venture with Stoford Developments, a privately owned and highly experienced specialist office and warehouse developer based in the West Midlands.

There is currently an acute shortage of B8 distribution units in the area and strong demand is likely to continue.

The Fund proposes to remediate the land at a cost of £2m. Once remediation has been completed, it is proposed to obtain detailed planning consent develop new warehouse accommodation onsite, subject to pre-lets.

The Fund is pleased to be part of this new venture – a welcome addition to its growing portfolio of dedicated investments within the West Midlands. Prime 10 will undoubtedly draw attention from companies seeking high quality accommodation, helping to create much needed jobs, and will be a boost to the local economy.

Where financially viable, the construction programme will incorporate sustainable features to minimize carbon emissions and to provide occupiers with energy efficient spaces.



## Responsible Investment



### Case Study

#### Whelan Refining, Stoke-on-Trent (waste oil recycling)

Bridges first invested in Whelan Refining Ltd in 2006, to fund the refurbishment and recommissioning of a redundant oil refinery in Stoke-on-Trent.

The first and only facility of its kind in the UK, Whelan operates a closed-loop system that takes waste oil – typically used lubricant oil – and recycles it into base oil that is then reblended into new lubricants. Previously, the only alternative was to burn the waste oil, which releases potentially dangerous toxins into the atmosphere.

During Bridges' ownership, Whelan was able to successfully divert over 100,000 tonnes of waste oil from use as a low-grade fuel, recycling most of it into base oil. It was also able to increase the efficiency of the refining process over the lifetime of our investment, nearly halving the amount of electricity used per tonne of waste oil processed. In total, this produced net savings of over 300,000 tonnes of greenhouse gas emissions.

In addition to the clear environmental benefits, our investment in Whelan also had a tangible social impact. The refining facility was located in Stoke-on-Trent, one of the most deprived parts of the UK – in line with our strategy of investing in under-served markets (one of our four key impact 'themes').

Over our investment period, the business supported more than 30 new jobs – over a third of which went to people who were previously unemployed. The proportion of staff from underserved areas also doubled.

In 2013, Bridges sold its stake back to the management team, netting a 33% IRR and 4.7x return for our first sustainable growth fund.



Responsible Investment



Case Study

Investing in clean technologies

West Midlands Pension Fund invests in Germany's largest offshore wind park.

Run by a highly experienced management team with an average of over 20 years of experience, Meerwind is one of the largest fully operational offshore wind farms in Germany, commissioned in February 2015.



The fully operational 288MW German offshore wind farm located in the North Sea which utilises 80 3.6-120 Siemens wind turbines and is 100% owned by WindMW.

WindMW is capitalised with a mezzanine instrument, common equity and project debt facilities. Blackstone owns 100% of the mezzanine instrument which compounds at 6% semi-annually (12.4% annually) and circa 83% of the common equity, along with full operational and board control.

The Meerwind project presents a unique opportunity to invest in a flagship German offshore wind farm and has long-term visibility on cash flows based on attractive Feed-in Tariff ('FIT') structure. It has an ideal location (23km to mainland) combines the strong wind profile of a far offshore wind farm with the accessibility of a near-shore farm given its proximity to its operations and maintenance ('O&M') base on Heligoland and the benefit of facing the prevailing wind with minimal wake losses. It is also 'Best-in-Class' design and O&M strategy maximises availability.



## 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, please refer to the RI section of the Fund's website:

[www.wmpfonline.com/ri](http://www.wmpfonline.com/ri)

### 2015/2016 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:

- creation of a RI framework which highlights the Fund's beliefs and guiding principles on RI, expectations of itself, fund managers and companies with respect to ESG considerations and finally how RI is implemented;
- more robust active ownership approach to climate change issues with respect to voting and external fund managers including co-filing of shareholder resolutions at Anglo American, Glencore and Rio Tinto respectively;
- introduction of annual reporting requirements for external active equity and fixed interest fund managers;
- lead investor in the PRI-directed collaborative engagement on director nominations; and
- honourable mention for Best Implementation of Responsible Investment at the LAPF Investment Awards; shortlisted for Best Approach to Responsible Investment at the LGC Investment Awards.

### Active Ownership

Over the last twelve months ending 31 March 2016, the Fund voted at 2,515 shareholder meetings opposing more than 34% of all resolutions. The Fund supported management on all resolutions at 65 meetings. A breakdown of the Fund's voting behaviour for these meetings across markets and issues is provided on pages 73 and 74.

Over the last twelve months ending 31 March 2016, 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 75. Further details regarding the engagement program is provided on LAPFF's website here: [www.lapfforum.org](http://www.lapfforum.org)

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

## Responsible Investment

### Key Voting Highlights

A summary of the key voting and engagement highlights throughout the course of the year are highlighted below.

### Annual Report and Accounts

Approximately 5.5% 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 social responsibility/sustainability policies; and
- poor disclosure, especially relevant in emerging markets.

### Election of Directors

Approximately 36.0% 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 21.1% 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 19.5% 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 registered 10.3% support for US shareholder resolutions on ESG issues over the course of the year. 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; and
- annual director elections.

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 request will cause unnecessary reporting burden.
- Whether the company has sufficiently addressed the concern based on the Fund/PIRC's analysis.

The Fund registered X% support for US shareholder resolutions on climate change related issues over the course of the year. The Fund also co-filed shareholder resolutions with mining companies asking the company for further disclosure in its annual report on its future strategy as it relates to the transition to the low carbon economy.

## Responsible Investment

BG Group's attempt to persuade shareholders to allow payments to be made to its new CEO outside of its policy. After much displeasure shown by the investment community it eventually cancelled the EGM it had called.

The filing of the 'Strategic Resilience for 2035 and Beyond' shareholder resolution at BP and Shell as part of the 'Aiming for A' investor coalition. The resolution asks for further information to be provided on operational emissions management; asset portfolio resilience to the International Energy Agency's scenarios; low-carbon energy research and development and investment strategies; relevant strategic key performance indicators and executive incentives; and public policy positions relating to climate change. To give the company time to consider these issues in reporting on fundamental business strategy, it was asked that these elements be included in routine annual reporting from 2016. The company supported this resolution.

The proposal by a group of shareholders following concerns by workers and their unions that National Express continues to fail in its duties to adequately respect and protect international human rights standards. It was proposed that National Express expands the responsibility of the Board's Safety and Environmental Committee to reflect the Board's vision and its core values by implementing a mechanism to ensure appropriate Board oversight and developing and implementing a comprehensive policy based on the ILO Declaration. The group of shareholders argued that by doing so, National Express would help to bolster its brand name integrity, reduce its human rights risks exposure, and, in turn, increase long-term shareholder value.

### **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.

## Responsible Investment

### ESG Integration

This section provides 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 it employs be transparent and accountable to their asset owner clients regarding their responsible investment policies and activities. The Fund recognises that this is a long-term project and will continue to build upon its approach to fund manager selection, appointment and monitoring in the future.

### External Active Equity and Fixed Interest

The Fund has introduced annual reporting requirements for its external active equity and fixed interest fund managers. The purpose of the monitoring program is to ensure good governance in the companies the Fund engages with.

### UK Direct Property

#### *1) Risk Mitigation Project*

The Fund's EPC risk mitigation project has continued this year ahead of the Minimum Energy Efficiency Standards coming into force. Following completion of the risk assessments in 2015, CBRE worked with its sustainability team to produce a risk mitigation strategy for each site which included opportunities to go beyond the requirements of the legislation. They are now implementing mitigation actions to reduce the risk of obsolescence at all medium-/high-risk sites. For example, CBRE have carried out an energy audit at Hammer House, London – the asset with the greatest current risk in the portfolio – to determine how to improve the building to a 'D' (good) rating. They are now tendering for the suggested energy efficiency projects and will engage with the tenants at this property in 2016 once the costs for these projects have been established.

#### *2) Solar Feasibility Study*

We initially assessed the portfolio in late 2014/early 2015 looking at various factors including property location, roof size, structure, orientation and age, building type (and therefore electricity consumption) and tenant viability. These were all rated to provide an overall score for each property.

Following this assessment we carried out a tendering process with 4 solar companies to provide quotes for the ten highest-scoring sites. Through the quotes and materials provided we were able to create a financial model to assess the commercial viability of each site as well as select a partner to carry out the installations. We formed a partnership with Solar Century due to their reputation in the market, competitive prices and understanding from the landlord's perspective.

#### *3) Improving Client Reporting*

Alongside other like-minded pension funds, the Fund has begun engaging with CBRE to improve its sustainability reporting, making it more relevant and coherent to clients and stakeholders and providing more detail in areas of particular client focus.

#### *4) Tenant Engagement*

In 2016, CBRE will launch a tenant engagement program to inform all tenants of the opportunity to engage with our sustainability team to identify and carry out energy efficiency projects through our preferred suppliers.

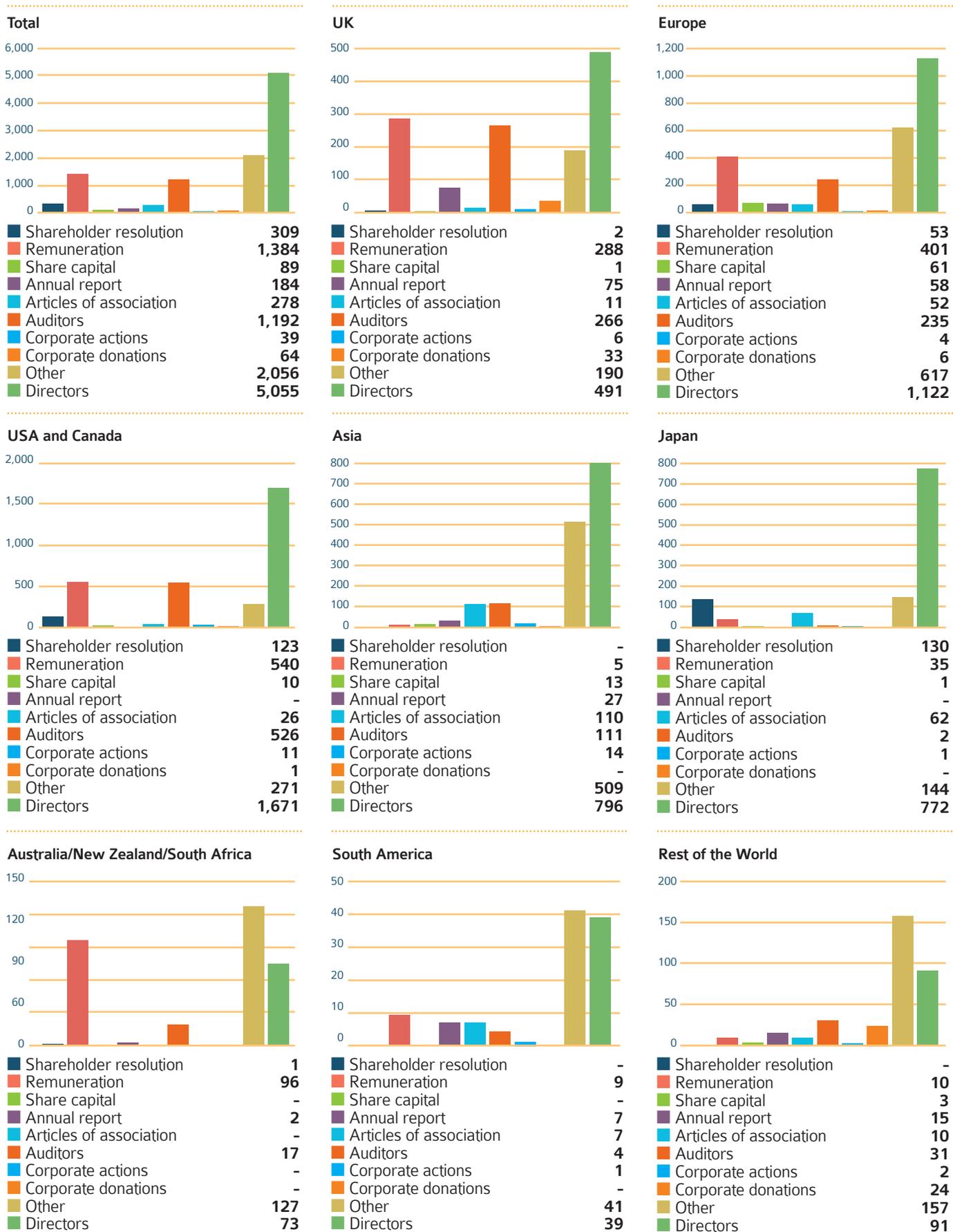
### Stewardship Code

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->

Voting Summary



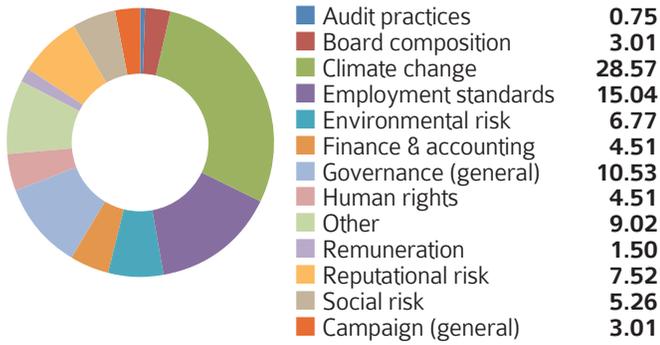
Voting Summary



LAPFF Engagement Summary

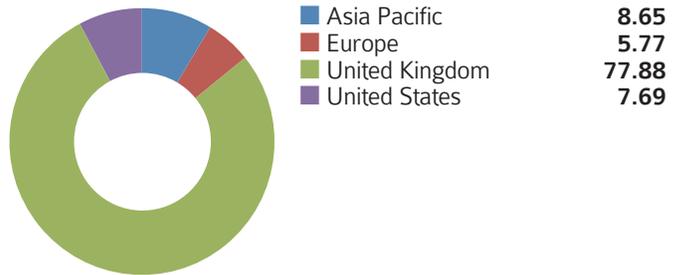
Issue

%



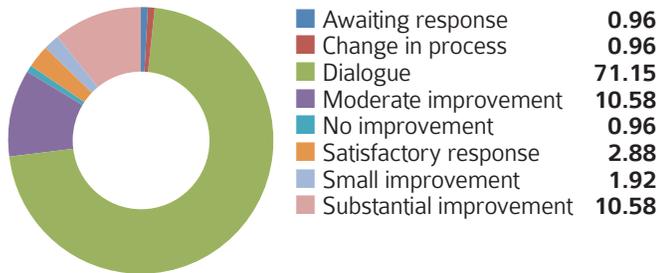
Domicile

%



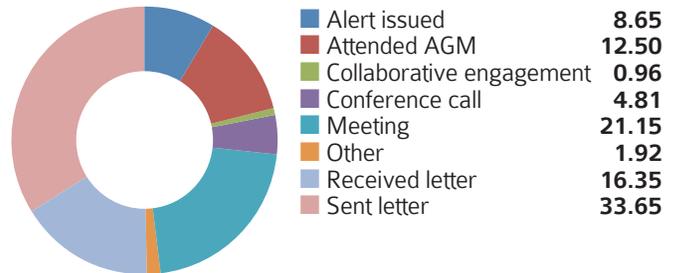
Outcomes

%



Activities

%



## List of Bodies of Which the Fund is a Member

### **PENSIONS AND LIFETIME SAVINGS ASSOCIATION**

#### **Pensions and Lifetime Savings Association**

The Pensions and Lifetime Savings Association is a national association with a ninety-year history of helping pension professionals run better pension schemes. Its purpose is simple: to help everyone to achieve a better income in retirement. It works to get more money into retirement savings, to get more value out of those savings and to build the confidence and understanding of savers.



#### **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 among the companies in which they invest.



#### **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.



#### **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.

## Assets Held as at 31 March 2016

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:

- Blackrock Aquila Life World ex UK
- Legal and General UK Smaller Companies Index Fund

### 3) Specialist Vehicles

The Fund also has interests in the following funds:

#### Real Assets & Infrastructure

- Alterna Core Capital Asset Fund
- AMP Capital Asian Giants Infrastructure Fund
- Aqua Resources Fund
- Black River Agriculture Fund 2
- Blackstone Cleantech Ventures
- EISER Infrastructure Capital Equity Partners
- EQT Infrastructure Fund
- First Reserve Energy Infrastructure Fund
- Global Infrastructure Partners
- Goldman Sachs International Infrastructure Fund
- Hg Renewable Power Partners
- Impax Energy
- Impax New Energy Fund II
- Infracapital Partners

- Innisfree PFI Secondaries
- Insight Global Farmland Fund
- John Laing Group
- JPMorgan Asian Infrastructure & Related Resources Opportunity Fund
- Khosla Ventures
- PIP Dalmore
- Riverstone/Carlyle Renewable Energy Fund II
- SteelRiver Infrastructure Fund North America
- Thames Tideway Tunnel
- Waste Resources Fund

#### Absolute Returns

- Baillie Gifford Diversified Growth Fund C
- BlueCrest Mercantile Fund
- CATco
- CF Ruffer Total Return Fund
- Coriolis Horizon Fund Class B
- 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
- Oak Hill Advisors Strategic Credit Fund
- Oaktree Principal Fund V
- Pictet Dynamic Asset Allocation Fund
- Sciens Aviation Special Opportunities Offshore Fund
- Sciens Aviation Special Opportunities Offshore Fund II

#### Emerging Markets

- Capital International Emerging Market Debt Fund

#### Property

- AEW European Property Investors Special Opportunities Fund
- 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

## Assets Held as at 31 March 2016

- Kames Capital Property Unit Trust
- Mansford UK Feeder A
- North Haven 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)
- 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

### 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
- BMO Global Asset 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

#### Property - Agricultural

- Cleveland Estate
- Backford & Wincham Estate
- Stagsden Land
- Butlers Marston Estate

#### Property - Industrial

- Leicester (Meridian Business Park)
- Southampton (Canberra Road)
- Edinburgh (South Gyle Crescent Lane)
- Horsham (Parsonage Way)
- Weybridge (Brooklands Industrial Estate)
- Bristol (Kingswood Industrial Estate)
- Birmingham (Midpoint Park)
- Manchester (Northbank Industrial Estate)
- Hayes (Elystan Business Centre Unit)
- Birmingham - Merlin Park
- Birmingham - Premier House
- London Powergate Business
- Basingstoke (West Ham Industrial Estate)

#### Property - Offices

- Bath (Manvers Street)
- Birmingham (Newhall Street)
- Uxbridge (Otter House)
- London (Wardour Street)
- Warwick (Warwick Tech Park)
- London (SouthWest House)
- Manchester (Quay Street)
- Manchester (Byrom Street)
- London (Whitfield Street)
- Reading (Thames Valley)
- Edinburgh (Citypoint)

#### Property - Retail Warehouses

- Pontefract (Racecourse Retail Park)
- Hayes (Uxbridge Road Retail Park)
- Birmingham (The Fort)
- Oxford (Botley Retail Park)
- Clifton Moor

#### Property - Shopping Centres

- Bury St Edmunds (Arc)

#### Property - Shops

- Brighton (Western Road)
- Glasgow (Buchanan Street)

#### Property - Supermarkets

- Birmingham (Great Barr)
- Morrisons (Wood Green)
- Hattersley (Tesco)



### Introduction

The last full triennial valuation of West Midlands Pension Fund was carried out as at 31 March 2013 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

### Asset Value and Funding Level

The market value of the Fund's assets as at 31 March 2013 for valuation purposes was £9,886m which represented 70% of the Fund's accrued liabilities of £14,091m at that date, allowing for future increases in pay and pensions in payment. The deficit at the valuation date was therefore £4,205m.

### 2013 Valuation Results

The valuation also showed that a common rate of contribution of 13.3% of pensionable pay p.a. 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 £3,275m. 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 of £167m p.a. increasing at 4.35% p.a. (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 result of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

### Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- the annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

### Assumptions

The assumptions used to value the benefits at 31 March 2013 are summarised below:

Assumption	31 March 2013
<b>Discount rate</b>	Past service: 4.6% p.a. Future service: 5.6% p.a.
<b>Pension increases</b>	2.6% p.a.
<b>Salary increases</b>	Past service: 1% over a three/five-year period depending on employer and 4.35% p.a. thereafter  Future service: 4.35% p.a.
<b>Mortality</b>	S1PA tables with a multiplier of 99% for males and 96% for females with projected improvements in line with the 2012 CMI model allowing for a long-term rate of improvement of 1.5% p.a.
<b>Retirement</b>	For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65
<b>Commutation</b>	Members will convert 50% of the maximum possible amount of pension into cash

### Updated Position Since the 2013 Valuation

Since March 2013, investment returns have been slightly better than assumed at the 2013 triennial valuation. The liabilities will have increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be slightly lower than at 31 March 2013.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017. We will continue to monitor the financial position of the Fund on a regular basis.

### Graeme D Muir FFA

Partner  
Barnett Waddingham LLP

West Midlands Pension Fund

# Statement of Accounts

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 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 2016 and its income and expenditure for the year ended the same date.

**Mark Taylor**  
Director of Finance  
20 May 2016

Fund Account

2014/15 £m		Notes	2015/16 £m
	<b>Contributions and benefits</b>		
(500.2)	Contributions receivable	<b>8</b>	(504.3)
(9.5)	Transfers in	<b>9</b>	(11.1)
(15.7)	Other income	<b>10</b>	(15.5)
<b>(525.4)</b>	<b>Total contributions and other income</b>		<b>(530.9)</b>
498.3	Benefits payable	<b>11</b>	514.7
261.5	Payments to and on account of leavers	<b>12</b>	35.6
0.4	Other payments		0.3
<b>760.2</b>	<b>Total benefits and other expenditure</b>		<b>550.6</b>
<b>86.3</b>	<b>Management expenses</b>	<b>13</b>	<b>74.9</b>
	<b>Returns on investments</b>		
(160.5)	Investment income	<b>14</b>	(168.6)
(947.6)	Changes in value of investments		429.4
(532.6)	Profits and losses on disposal of investments		(552.1)
<b>(1,640.7)</b>	<b>Net return on investments</b>		<b>(291.3)</b>
<b>(1,319.6)</b>	<b>Net (increase) in the Fund during the year</b>		<b>(196.7)</b>
<b>10,144.4</b>	<b>Net assets of the Fund at the beginning of the year</b>		<b>11,464.0</b>
<b>11,464.0</b>	<b>Net assets of the Fund at the end of the year</b>		<b>11,660.7</b>

## Net Assets Statement

31 March 2015 £m		Notes	31 March 2016 £m
	<b>Investment assets (at market value)</b>	<b>15</b>	
185.9	Fixed interest securities		180.1
1,019.6	UK equities		1,036.2
3,861.3	Overseas equities		4,137.2
5,102.5	Pooled investment vehicles		4,921.5
656.4	Property		694.5
91.9	Foreign currency holdings		171.1
458.3	Cash deposits		459.8
1.6	Other investment assets		-
44.3	Outstanding dividend entitlement and recoverable withholding tax		35.7
<b>11,421.8</b>	<b>Investment assets</b>		<b>11,636.1</b>
	<b>Investment liabilities (at market value)</b>	<b>15</b>	
-	Other investment liabilities		(2.6)
-	<b>Investment liabilities</b>		<b>(2.6)</b>
<b>11,421.8</b>	<b>Net investment assets</b>		<b>11,633.5</b>
<b>11.6</b>	<b>Other long-term assets</b>	<b>18</b>	<b>12.6</b>
<b>54.8</b>	<b>Current assets</b>	<b>19</b>	<b>52.6</b>
<b>(24.2)</b>	<b>Current liabilities</b>	<b>20</b>	<b>(38.0)</b>
<b>11,464.0</b>	<b>Net assets of the Fund at the end of the year</b>		<b>11,660.7</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.

## Notes to the Accounts

### 1) General

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 2016, the Fund had 536 participating employers, and 287,874 members, as set out in the following table. A full list of participating employers can be found on pages 158 - 174.

31 March 2015 No.		31 March 2016 No.
104,250	Active members	107,984
82,110	Pensioner members	85,558
91,198	Deferred members	94,332
<b>277,558</b>	<b>Total</b>	<b>287,874</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 Pensions Board were also in operation during 2015/16.

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 2016. 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 2015/16 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 2015/16 financial year and its position as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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.

## Notes to the 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 9).

#### 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 2016, calculated in accordance with the Local Government Pension Scheme Regulations (see notes 9 and 12). 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 amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

##### iii) Distributions from Pooled Funds

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.

##### 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.

## Notes to the Accounts

### 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 2016. 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 2016.

### h) Valuation of Investments

#### 1) Quoted Securities

Securities have been valued at the bid-market price ruling on 31 March 2016 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 2016. 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 2016.

#### 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.

## 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 5).

### 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 2016 was £1,319.1 million (£1,351.2 million at 31 March 2015).

### 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.

## Notes to the Accounts

### 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. 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 2016	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	10%	1,692.0
One-year increase in member life expectancy	3%	503.0
0.5% pa increase in salary increase rate	2%	354.0
0.5% pa increase in CPI inflation	8%	1,357.0

#### 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 £1,319.1 million. There is a risk that this investment may be under- or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £66.0million.

#### 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 £4.6 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 +/- £0.2 million.

## Notes to the Accounts

### 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:

<b>Future service rate (% of pay) plus lump-sum (£)</b>	<b>2012/13</b>	<b>2013/14</b>	<b>2014/15</b>	<b>2015/16</b>	<b>2016/17</b>
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

## 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 2015	31 March 2016
Rate of return on investments (discount rate)	3.3% per annum	3.7% per annum
Rate of pay increases	3.75% per annum*	3.85% per annum*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.0% per annum	2.1% 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 2015 was estimated as £17,603.0 million. The effect of the changes in actuarial assumptions between 31 March 2015 and 31 March 2016 as described above is to reduce the liabilities by £1,343.3 million. Adding interest over the year increases the liabilities by £565.7 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by £28.9 million which includes any increase in liabilities arising as a result of early retirements/augmentations.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2016 is therefore £16,796.5 million.

## Notes to the Accounts

### 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

2014/15 £m		2015/16 £m
<b>From employers</b>		
361.0	Basic contributions	365.6
-	Augmented membership	0.2
28.6	Additional cost of early retirement	28.4
<b>389.6</b>		<b>394.2</b>
<b>From members</b>		
109.9	Basic contributions	109.4
0.7	Additional contributions	0.7
<b>110.6</b>		<b>110.1</b>
<b>500.2</b>	<b>Total contributions</b>	<b>504.3</b>

The additional contributions above represent the purchase of added membership or additional benefits under the scheme.

#### Contributions receivable by type of member

2014/15 £m		2015/16 £m
35.9	Administering authority	33.1
440.9	Scheme employers	447.2
23.4	Admitted employers	24.0
<b>500.2</b>	<b>Total</b>	<b>504.3</b>

## Notes to the Accounts

### 9) Transfers In

2014/15 £m		2015/16 £m
9.5	Individual transfers in from other schemes	11.1

### 10) Other Income

2014/15 £m		2015/16 £m
	<b>Benefits recharged to employers</b>	
8.5	Compensatory added years	8.5
7.2	Pensions increases	7.0
<b>15.7</b>	<b>Total</b>	<b>15.5</b>

### 11) Benefits Payable

Benefits payable by type:

2014/15 £m		2015/16 £m
	<b>Pensions</b>	
360.7	Retirement pensions	375.9
27.4	Widows' pensions	28.0
0.9	Children's' pensions	0.9
3.9	Widowers' pensions	4.3
0.1	Ex-spouse	0.1
0.1	Equivalent pension benefits	0.1
0.1	Cohabiting partners	0.1
<b>393.2</b>	<b>Total pensions</b>	<b>409.4</b>
	<b>Lump-sum benefits</b>	
92.2	Retiring allowances	93.1
12.9	Death grants	12.2
<b>105.1</b>	<b>Total lump-sum benefits</b>	<b>105.3</b>
<b>498.3</b>	<b>Total benefits payable</b>	<b>514.7</b>

Benefits payable by type of member:

2014/15 £m		2015/16 £m
49.7	Administering authority	45.7
415.8	Scheme employers	434.7
32.8	Admitted employers	34.3
<b>498.3</b>	<b>Total</b>	<b>514.7</b>

## Notes to the Accounts

### 12) Payments To and On Account of Leavers

2014/15 £m		2015/16 £m
10.0	Individual transfers	25.7
247.8	Group transfers	5.7
0.6	Refunds of contributions	1.0
0.1	State scheme premiums	0.4
3.0	Bulk pension transfer increases	2.8
<b>261.5</b>	<b>Total</b>	<b>35.6</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

2014/15 £m		2015/16 £m
3.0	Administrative costs	3.3
81.2	Investment management expenses, comprising:	69.8
56.1	- Management fees	47.6
24.1	- Performance-related fees	19.5
0.3	- Custody fees	0.4
0.7	- Transaction costs	2.3
2.1	Oversight and governance costs	1.8
<b>86.3</b>	<b>Total management costs</b>	<b>74.9</b>

Performance-related fees are negotiated with a number of managers. Included in external management of investments are performance-related fees of £19.5 million in 2015/16 and £24.1 million in 2014/15.

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, 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.

## Notes to the Accounts

### 14) Investment Income

2014/15 £m		2015/16 £m
	<b>Dividends and interest</b>	
	Fixed-interest securities	
8.7	UK private sector – quoted	8.5
	<b>Equities</b>	
36.3	UK	37.2
80.8	Overseas	94.6
	<b>Pooled investment vehicles</b>	
3.5	UK	3.3
0.9	Overseas equities	1.0
1.5	Interest on cash deposits	2.7
1.3	Stocklending	1.7
(2.5)	Overseas taxation	(4.0)
<b>130.5</b>	<b>Total dividends and interest</b>	<b>145.0</b>
39.0	Property management income	31.6
(9.0)	Property management expenses	(8.0)
<b>30.0</b>	<b>Total property management</b>	<b>23.6</b>
<b>160.5</b>	<b>Total investment income</b>	<b>168.6</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 £406.4 million (2015: £314.0 million) in exchange for which the custodian held collateral worth £442.3 million (2015: £333.9 million). Collateral consists of acceptable securities and government debt.

### 15) Net Investment Assets

31 March 2015 £m restated		31 March 2016 £m
	<b>Fixed-interest securities</b>	
185.9	UK companies – segregated (external)	180.1
<b>185.9</b>		<b>180.1</b>
	<b>UK equities</b>	
1,019.6	Quoted	1,036.2
<b>1,019.6</b>		<b>1,036.2</b>
	<b>Overseas equities</b>	
2,660.0	Quoted	2,901.8
1,201.3	Quoted – segregated (external)	1,235.4
<b>3,861.3</b>		<b>4,137.2</b>

Notes to the Accounts

31 March 2015 £m restated		31 March 2016 £m
	<b>Pooled investment vehicles</b>	
	<b>Managed funds</b>	
498.2	UK fixed interest	505.1
644.6	Other fixed interest	669.2
709.9	UK quoted, index-linked	723.1
281.2	UK unquoted equities	263.1
1,451.0	Overseas unquoted equities	1,396.5
626.3	UK absolute returns	480.4
82.0	Overseas absolute returns	129.7
54.3	UK property	52.8
185.3	Foreign property	156.3
	<b>Unit trusts</b>	
83.1	UK quoted equities	96.8
481.4	Overseas equities	442.5
5.2	Overseas property	6.0
<b>5,102.5</b>		<b>4,921.5</b>
	<b>Property</b>	
604.6	UK freehold	638.6
51.8	UK leasehold*	55.9
<b>656.4</b>		<b>694.5</b>
	<b>Foreign currency holdings</b>	
4.4	Australian Dollars	3.5
8.1	Canadian Dollars	2.3
0.7	Czech Koruna	0.7
0.4	Danish Kroner	1.5
23.0	Euro	7.4
6.4	Hong Kong Dollars	0.6
0.5	Hungarian Forints	0.5
1.9	Japanese Yen	1.9
0.2	New Zealand Dollars	0.2
0.5	Norwegian Kroner	1.3
0.2	Polish Zloty	0.4
2.0	Singapore Dollars	0.4
0.9	Swedish Kroner	0.7
6.6	Swiss Francs	2.8
0.6	Turkish Lira	0.6
35.5	United States Dollars	146.3
<b>91.9</b>		<b>171.1</b>

## Notes to the Accounts

31 March 2015 £m restated		31 March 2016 £m
	<b>Cash deposits</b>	
458.3	UK	459.8
	<b>Other investments</b>	
1.6	Broker balances	(2.6)
44.3	Outstanding dividend entitlement and recoverable withholding tax	35.7
<b>11,421.8</b>	<b>Total net investment assets</b>	<b>11,633.5</b>

*\*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 investment represents more than 5% of the net assets of the scheme:

31 March 2015 Market value £m	% of total market value		31 March 2016 Market value £m	% of total market value
		<b>Security</b>		
709.9	6.2	Legal & General - All Stocks Index-Linked Gilts Fund	723.1	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 2015 Market value £m	% of total market value		31 March 2016 Market value £m	% of total market value
4,878.5	42.9	In-house	5,260.9	45.3
40.1	0.4	Managers: UK quoted	35.1	0.3
826.0	7.3	Managers: emerging markets	859.7	7.4
856.8	7.5	Managers: global equities	818.2	7.1
2,047.7	18.0	Managers: fixed interest	2,077.5	17.9
287.8	2.5	Managers: indirect property	276.8	2.4
381.0	3.3	Managers: infrastructure funds	340.4	2.9
708.4	6.2	Managers: absolute return	610.1	5.3
1,351.2	11.9	Managers: private equity	1,319.1	11.4
<b>11,377.5</b>	<b>100.0</b>		<b>11,597.8</b>	<b>100.0</b>
44.3		Outstanding dividend entitlement and recoverable withholding tax	35.7	
<b>11,421.8</b>		<b>Total investment assets</b>	<b>11,633.5</b>	

## Notes to the Accounts

### 16) Investment Market Value Movements Analysis

	Value as at 31 March 2015 £m	Purchases at cost £m	Sales at book value £m	Change in market value £m	Value at 31 March 2016 £m
Fixed interest securities	185.9	-	(0.2)	(5.6)	180.1
UK equities	1,019.6	279.6	(105.9)	(157.1)	1,036.2
Overseas equities	3,861.3	496.3	(137.9)	(82.5)	4,137.2
Pooled investment vehicles	5,102.5	1,237.0	(1,188.3)	(229.7)	4,921.5
Property	656.4	16.2	(23.6)	45.5	694.5
	<b>10,825.7</b>	<b>2,029.1</b>	<b>(1,455.9)</b>	<b>(429.4)</b>	<b>10,969.5</b>
Broker balances	1.6				(2.6)
Outstanding dividend entitlement and recoverable withholding tax	44.3				35.7
Foreign currency	91.9				171.1
Cash deposits	458.3				459.8
<b>Total investments</b>	<b>11,421.8</b>				<b>11,633.5</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 profits and losses on the sale of investments shown in the Fund Account include an additional £552.1 million which represents profit realised on sale of the Fund's assets.

Purchases also include transfers in of investments, takeover 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 £2.3 million (2014/15: £0.7 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 2015 £m		31 March 2016 £m
0.7	Equities - overseas quoted	2.3
<b>0.7</b>		<b>2.3</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.

## Notes to the Accounts

The change in the value of investments during 2014/15 is set out below:

	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 profits and losses on the sale of investments shown in the Fund Account include an additional £532.6 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 2015 £m		31 March 2016 £m
768.4	Non-equities	692.2
172.4	Property	132.8
<b>940.8</b>		<b>825.0</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 2015 £m		31 March 2016 £m
4.0	Administering authority	-
7.6	Other local authorities	12.6
<b>11.6</b>	<b>Total</b>	<b>12.6</b>

## Notes to the Accounts

### 19) Current Assets

31 March 2015 £m		31 March 2016 £m
	<b>Receivables and prepayments</b>	
	Contributions receivable	
14.4	• Employers	17.6
7.0	• Members	6.2
33.0	Other receivables	27.8
<b>54.4</b>	<b>Total receivables and prepayments</b>	<b>51.6</b>
0.4	Cash	1.0
<b>54.8</b>	<b>Total current assets</b>	<b>52.6</b>

NNote: 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 10 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 2016 is £12.9 million (31 March 2015: £16.1 million).

31 March 2015 £m		31 March 2016 £m
	<b>Analysis of receivables</b>	
4.9	Administering authority	3.2
16.6	Other local authorities	14.9
32.9	Other entities and individuals	33.5
<b>54.4</b>	<b>Total</b>	<b>51.6</b>

### 20) Current Liabilities

31 March 2015 £m		31 March 2016 £m
	<b>Payables and receipts in advance</b>	
(2.4)	Pensions and lump-sum benefits	(2.0)
(21.8)	Other payables	(36.0)
<b>(24.2)</b>	<b>Total</b>	<b>(38.0)</b>
	<b>Analysis of payables</b>	
(3.7)	Central government bodies	(3.8)
(10.5)	Administering authority	(7.9)
(0.1)	Other local authorities	-
(9.9)	Other entities and individuals	(26.3)
<b>(24.2)</b>	<b>Total</b>	<b>(38.0)</b>

## Notes to the Accounts

### 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 2015			31 March 2016	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
<b>2.4</b>	<b>35.8</b>	<b>Opening value of the Fund</b>	<b>2.1</b>	<b>38.7</b>
-	7.2	Income	0.1	6.2
(0.4)	(8.4)	Expenditure	(0.3)	(7.7)
0.1	4.1	Change in market value	-	0.2
<b>2.1</b>	<b>38.7</b>	<b>Closing value of the Fund</b>	<b>1.9</b>	<b>37.4</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 2015 £m restated		31 March 2016 £m
	<b>Financial assets</b>	
(888.6)	Fair value through profit and loss	474.9
<b>(888.6)</b>	<b>Total</b>	<b>474.9</b>

#### 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.

## Notes to the Accounts

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 2016</b>				
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	7,121.1	884.4	2,269.6	<b>10,275.1</b>
Loans and receivables	730.3	-	-	<b>730.3</b>
Financial liabilities at amortised cost	(36.7)	-	-	<b>(36.7)</b>
<b>Net financial assets</b>	<b>7,814.7</b>	<b>884.4</b>	<b>2,269.6</b>	<b>10,968.7</b>

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m (restated)	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	932.3	2,440.5	<b>10,169.2</b>
Loans and receivables	662.6	-	-	<b>662.6</b>
Financial liabilities at amortised cost	(20.4)	-	-	<b>(20.4)</b>
<b>Net financial assets</b>	<b>7,438.6</b>	<b>932.3</b>	<b>2,440.5</b>	<b>10,811.4</b>

## 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% is 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 2016 totalled £452.6 million in respect of temporary loans and treasury management instruments (31 March 2015: £449.3 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 2016 is shown overleaf:

Notes to the Accounts

<b>Credit rating sensitivity analysis</b>		<b>Balances as at 31 March 2015 £m</b>	<b>Balances as at 31 March 2016 £m</b>
<b>Summary</b>	<b>Rating</b>		
<b>Money market funds</b>			
AIM STIC Global Sterling Portfolio		45.0	35.0
HSBC Sterling Liquidity Fund		263.2	230.2
<b>Short-term deposits</b>			
Nationwide Building Society	A	25.0	2.4
Principality Building Society	BBB+	10.0	10.0
Nottingham Building Society	Baa1	10.0	10.0
Leeds Building Society	A-	10.0	10.0
Newcastle Building Society	BB+	10.0	10.0
Barclays	A	10.0	35.0
Skipton Building Society	BBB+	10.0	-
West Bromwich Building Society	B1	5.0	5.0
Santander UK	A	-	35.0
Lloyds Bank Plc	A+	-	-
Coventry Building Society	A	-	-
<b>Bank deposit accounts</b>			
NatWest Corporate Cash Manager Account		49.8	50.0
GBP Current Accounts		1.3	1.0
HSBC Global Active		-	19.0
<b>Total</b>		<b>449.3</b>	<b>452.6</b>

\*Moody's rating used if  
no Fitch rating available

## Notes to the Accounts

### Liquidity Risk

The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. Due to the cash flow 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 2016, £406.4 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 2015: £314.0 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £442.3 million, giving a margin of 8.8% (2014/15, £333.9 million, margin of 6.3%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stock lending amounted to £1.7 million during the year (2014/15: £1.3 million) and is detailed in note 14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

### Reputational Risk

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

### Other Price Risk

Other price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer, or factors affecting all such instruments in the market. The Fund is exposed to share and derivative price risk, which arises from investments held by the fund for which the future price is uncertain. The Fund mitigates price risk through diversification and the selection of securities and other financial instruments is monitored by the council to ensure it is within limits specified in the Fund investment strategy.

### Other Price Risk: Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the Fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2015/16 reporting period (overleaf):

## Notes to the Accounts

Asset type	Value as at 31 March 2016 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,071.3	17.1%	1,254.5	888.1
Global equities (ex UK)	4,579.8	19.6%	5,477.4	3,682.2
Property*	1,009.2	14.7%	1,157.6	860.8
Fixed interest**	2,705.8	8.0%	2,922.3	2,489.3
Private equity	1,319.1	28.7%	1,697.7	940.5
Alternatives***	912.6	15.5%	1,054.1	771.1
<b>Total Fund</b>	<b>11,597.8</b>	<b>12.3%</b>	<b>13,024.3</b>	<b>10,171.3</b>

\*includes exposure to forestry (£36.3m)

\*\*includes exposure to fixed interest gilts, index-linked gilts, corporate bonds, cash, high yield debt, emerging market debt, mezzanine debt, convertibles and senior loans

\*\*\*includes exposure to absolute return and infrastructure

\*\*\*includes exposure to absolute return (£618.0m) and infrastructure (£356.6m)

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 12.3%. On this basis, the total value on increase is £13,024.3 million, and the total value on decrease is £10,171.3 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.

## Notes to the Accounts

### 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 financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2016:

Currency risk by asset class	Value as at 31 March 2016 £	% Change	Value on Increase £	Value on decrease £
Global equities (ex UK)	4,579.8	10.0%	5,037.8	4,121.8
Private equity	1,143.1	10.0%	1,257.4	1,028.8
Fixed interest	391.2	10.0%	430.3	352.1
Alternatives	383.1	10.0%	421.4	344.8
Property funds	162.3	10.0%	178.5	146.1
Liquid assets	171.1	10.0%	188.2	154.0
<b>Total</b>	<b>6,830.6</b>	<b>10.0%</b>	<b>7,513.6</b>	<b>6,147.6</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 2016 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked gilts	723.1	(147.9)	147.9
Gilts	155.4	(15.3)	15.3
Corporate bonds	529.8	(43.0)	43.0
<b>Total change</b>	<b>1,408.3</b>	<b>(206.2)</b>	<b>206.2</b>

## Notes to the Accounts

### 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	29	1,080.62
£100 - £500	6	968.48
<b>Total</b>	<b>35</b>	<b>2,049.10</b>

#### Write-off analysis

Individual value	Number	Total £
Less than £100	12	736.99
£100 - £500	49	10,304.43
Over £500	13	15,479.52
<b>Total</b>	<b>74</b>	<b>26,520.94</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 £33.1 million were receivable from the City of Wolverhampton Council for 2015/16 (2014/15: £36.0 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, as set out below:

<b>Pensioner:</b>	Councillors Inston, Page, Sparks and Thompson
<b>Active:</b>	Councillors Brookfield, Hevican, McGregor 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 five employing bodies of the Fund in which a member of the Committee has declared an interest for 2015/16. Contributions from each of these are set out below.

Contributions receivable 2014/15 £000		Contributions receivable 2015/16 £000
358	Birmingham Museum Trust	457
-	Black Country Housing Group	115
19	Kingswood Trust	20
3,140	Walsall Housing Group	3,465
3,503	West Midlands Fire and Rescue Service	3,331

#### Key Management Personnel

The Fund's senior management comprises six individuals: the Strategic Director of Pensions, the Assistant Director (Investments), the Assistant Director (Actuarial and Pensions), the Head of Client and Funding Management, the Head of Governance and the Head of Finance. The total salary paid to the senior management team in 2015/16 was £454,000 (2014/15: £369,000, for five individuals). In addition to this, employer's pension contributions of £98,000 (2014/15: £75,000) were met from the Fund in respect of these individuals.



**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; and
- 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 of the same regulations 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.

**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; and
- 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.

**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.

**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.

**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.

**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.

**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; and
- 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.

**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.co.uk](mailto:wmpfonline@wolverhampton.co.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 will place it upon its website and open up 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)

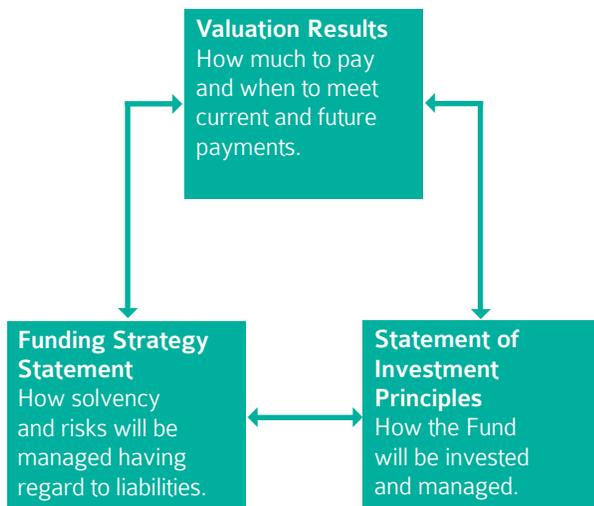
West Midlands Pension Fund

Policy Statements

Funding Strategy Statement  
2014

**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 actuarial valuation supports this.
- 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 will become 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:
  - a) investment returns relative to movement in liabilities;
  - b) increases in longevity of pensioners;
  - c) falling long-term interest rates;
  - d) change in CPI inflation expectations.

There are some steps that the actuary can take to assist employing bodies. These include:

- a) 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;
  - b) phasing increases in contributions typically over three years where appropriate;
  - c) recognising the changes to the LGPS with effect from 1 April 2014;
  - d) recognising the changes in financial markets after the valuation;
  - e) 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; and
- 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.

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; and
- 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; and
- 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 (City of Wolverhampton 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; and
- 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; and
- 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;
- prepares advice and calculations in connection with bulk transfers and individual benefit-related matters; and
- 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 schemes employers; and
- 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, 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 in 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.
  - 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.

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; and
- 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 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; and
- length of expected period of participation in the Fund.

### 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; and
- 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); and
- 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; and
- 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.

**• 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, to be introduced with 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**

<b>Long-term gilt yields</b>		
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
<b>Past service funding target financial assumptions</b>		
Investment return/discount rate		4.6% pa
Salary increases		4.35% pa
Pension increases		2.6% pa
<b>Future service accrual financial assumptions</b>		
Investment return/discount rate		5.6% pa
Salary increases		4.35% pa
Pension increases		2.6% pa
<b>Principal demographic assumptions</b>		
<b>Mortality assumptions</b>	<b>Table</b>	<b>Adjustment</b>
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.

West Midlands Pension Fund

Policy Statements

Statement of Investment  
Principles 2015

**1) Introduction**

This is the Statement of Investment Principles (the 'Statement') of the West Midlands Pension Fund (the Fund) as required by the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (the '2009 Regulations'). In preparing this Statement, the Pensions Committee has consulted with such persons as it considered appropriate.

The City of Wolverhampton Council is the administering authority for the Fund under the regulations. The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee.

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

To assist in its role, the Pensions Committee has delegated responsibility for investment specific decisions to the Investment Advisory Sub-Committee which has oversight of the implementation of the management arrangements for the Fund's assets and comprises of representatives from the seven district councils and two local trade unions.

In addition, the Fund has the statutory local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. Finally, the Investment Advisory Panel advises the Strategic Director of Pensions on investment issues relating to the Fund. Neither the Pensions Board or the Investment Advisory Panel have any decision-making powers.

This Statement has been adopted by the Pensions Committee.

The Statement is subject to review at least annually and from time to time on 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. In preparing this Statement, the Committee has considered advice from the investment practice of Hymans Robertson LLP.

The responsibilities of relevant parties are set out in Appendix B.

The Fund's Statement of Investment Beliefs, adopted by the Pensions Committee, are set out in Appendix D.

Related Fund policies and statements are as follows and are publicly available on its website:

- Funding Strategy Statement
- Responsible Investment Framework
- Compliance with Myners
- Compliance with the UK Stewardship Code
- Governance Compliance Statement

**2) Fund Objectives**

The primary objective of the Fund is to provide pension and lump-sum benefits for members on their retirement and/or benefits on death, before or after retirement, for their dependents, on a defined benefits basis.

The Committee aims to fund the Fund in such a manner that, in normal market conditions, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases.

In addition, the Fund has the following objectives:

- To improve our funding level
- To provide excellent customer service
- To achieve target investment returns
- To become a top-performing fund

**3) Risk**

The Fund is exposed to a number of risks which pose a threat to the Fund meeting its objectives. These risks are set out and monitored as part of a formal risk register. In summary, the principal risks affecting the Fund are as follows:

**Funding Risks**

- a) 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 that seeks to achieve the appropriate balance between generating a satisfactory long-term return, while taking account of market volatility and the nature of the Fund's liabilities. 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.

- 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, ie, 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 mitigates systemic risk through a highly diversified portfolio with exposure to a wide range of asset classes, portfolio holdings and different management styles.

#### 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 and its compliance with the UK Stewardship Code for Institutional Investors. Both documents are available on the Fund's website.

#### 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 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 Committee has translated its objectives into a suitable strategic investment allocation benchmark (SIAB) and structure for the Fund (set out in Appendix A) taking into account both the liability structure and the objectives set out above. The Fund benchmark is consistent with the Committee's views on the appropriate balance between generating a satisfactory long-term return on investments whilst taking account of market volatility and risk and the nature of the Fund's liabilities. Outperformance of 0.5% per annum over rolling three-year periods above the customised benchmark for the Fund is targeted.

The Committee monitors investment strategy relative to the agreed asset allocation benchmark. In addition to ongoing monitoring the investment strategy is formally reviewed annually at Pensions Committee meetings set aside for that purpose. Furthermore, specific consideration is given to investment strategy in the light of information arising from each triennial actuarial valuation.

**5) Day-to-Day Management of the Assets****Internally-Managed Assets**

A significant amount of investment is carried out by the Fund internally. The majority of quoted equities are managed in-house, both passively and actively. Where appropriate skills are not available internally, external investment managers are used.

**External Investment Managers**

The Fund has appointed a number of investment managers all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The investment managers are required to comply with LGPS investment regulations.

The Fund may invest in, but is not limited to, quoted and unquoted securities of UK and overseas markets, including equities, fixed interest and index linked bonds, cash, property, infrastructure, insurance linked securities and loans either directly, through pooled funds or via partnership agreements. The Fund may also make use of contracts for difference and other derivatives either directly or in pooled funds when investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective

benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

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. The managers appointed, and the mandates they manage, are detailed in Appendix A.

**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.

**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.

**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.

**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. The Fund's liquidity characteristics are monitored on a regular basis and the majority of the Fund's investments may be realised quickly if required. Private equity and a number of the Fund's alternative investments, which together represent around 33% of total assets, may be difficult to realise quickly in certain circumstances.

**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.

**6) Day-to-Day Custody of the Assets**

The Fund has appointed a custodian with regard to the safekeeping of the assets in the Fund and other investment administrative requirements.

**7) Stocklending**

Stocklending is undertaken in respect of the Fund's quoted equities holdings through the custodian as permitted by the LGPS (Management and Investment of Funds) Regulations 2009 and operates within the limits set by the regulations. There is a formal stocklending agreement and approved collateral. Stocklending may also take place in pooled investment vehicles held by the Fund.

**8) Responsible Investment**

The Fund's approach to responsible investment (RI) is highlighted below and further detailed in our Responsible Investment Framework.

**Beliefs and Guiding Principles**

The Fund's RI beliefs and guiding principles underpin its RI approach.

**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.

**Voting**

Where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. 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.

**9) 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.

**10) 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.

**List of Appendices**

**Appendix A** – Fund Structure and Investment Benchmarks

**Appendix B** – Roles and Responsibilities

**Appendix C** – List of Advisers

**Appendix D** – Statement of Investment Beliefs

**Appendix A - Portfolio Structure September 2015**

The structure summary is as follows:

<b>Equities</b>	
UK	In-house
North America	In-house
Europe	In-house
Far East	In-house
Global	MFS Investment Management BlackRock In-house
Emerging markets	AGF Investments BMO Mondrian Investment Partners
Private equity	In-house through specialist funds
<b>Fixed interest</b>	
UK gilts	In-house through specialist funds
UK index-linked	In-house through specialist funds
UK corporate bonds	In-house through specialist funds Royal London Asset Management
Cash	In-house
<b>Alternative investments</b>	
In-house through a selection of specialist funds	
Direct property	CBRE
Indirect property	In-house through specialist fund

**Appendix A - Investment Benchmark September 2015**

	Medium-term asset allocation September 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	5.0			
UK gilts	2.0			
Cashflow matching	3.0			
Corporate bonds	2.5			
Emerging market debt	2.5			
Other fixed interest	2.0			
Cash	2.0			
<b>Alternative</b>		<b>23</b>	<b>15-25</b>	
Direct property	7.0			
Indirect property	3.0			
Real assets & 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>		

**Appendix B - Roles and Responsibilities****Pensions Committee**

Pensions Committee consists of 'trustees' who sit as the decision-making body of the Fund.

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

The key duties in discharging this role are:

- to monitor compliance with legislation and best practice;
- to determine admission policy and agreements;
- to monitor pension administration arrangements;
- to determine investment policy based upon a medium-term benchmark and quarterly reviews agreeing a short-term tactical position relative to the benchmark;
- to monitor policy;
- to appoint Committee advisors; and
- to determine detailed management budgets.

**Investment Advisory Sub-Committee**

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.

The Committee meets at least four times a year and its key duties are:

- to monitor and review investment management functions;
- to review strategic investment opportunities;
- to monitor and review portfolio structures;
- to monitor implementation of investment policy;
- to advise on the establishing of policies in relation to investment management including the appointment and approval of terms of reference of independent advisors to the Fund;

- to monitor investment activity and the performance of the Fund; and
- to oversee the administration and 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 operational functions through the pensions 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.

#### **Pensions Board**

The role of the Pensions Board is to assist in the good governance of the scheme through the monitoring of Fund performance and adherence to statutory duties.

The Board consists of six employer and six member representatives consisting of five employer (officer) and five member (trade union) representatives together with two City of Wolverhampton councillors, each sitting one as an employer representative and one as a member representative.

The Pensions Board is not a decision-making body, nor does it hold a scrutiny function; its role is to assist in the compliance with scheme rules.

#### **Investment Advisory Panel**

The Investment Advisory advises the Strategic Director of Pensions on investment issues relating to the Fund.

#### **Appendix C - Advisers as of September 2015**

##### **Hymans Robertson**

Investment policy, general investment matters.

##### **Barnett Waddingham**

Actuarial matters

##### **CBRE**

Commercial property management

##### **Knight Frank**

Agricultural property management matters

##### **Knight Frank**

Independent property valuations

##### **Savills**

Independent agricultural property valuations

##### **AMEC**

Planning matters (agricultural holdings)

##### **PIRC**

Company governance issues

##### **HSBC**

Stocklending

##### **Scott Jamieson**

Independent Investment Adviser – Investment Advisory Panel

The SIP links with note 24 of the financial statements (pages 105 to 110 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:

<b>Note 24 risk area</b>	<b>Link to SIP</b>	<b>SIP section</b>
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)

**Appendix D - 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

**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's 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.
- 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.
- 6) 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.

<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>

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.

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>

<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

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

### 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>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/>

### 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

**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.

**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	✓	✓	✓		✓	

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>1) Elected members have a fiduciary duty to the Fund, Scheme members and local taxpayers.</li> <li>2) Functions can be delegated and investment managers used, but overall responsibility rests with members.</li> <li>3) Proper advice should be taken and the regulations define this as: "the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters."</li> <li>4) The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour.</li> <li>5) All councils must appoint one of its officers to have responsibility for ensuring arrangements are in a place for the proper/financial administration of its financial affairs.</li> <li>6) The role of the Pensions Committee and key officers should be clear in the Council's constitution.</li> <li>7) Best governance practices should be followed.</li> <li>8) 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 and 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 and 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>1) A three-yearly actuarial valuation as required by regulation.</li> <li>2) A full range of investment opportunities should be considered.</li> <li>3) A strategic asset allocation should be used and reviewed regularly.</li> <li>4) Robust investment management agreements should be used.</li> <li>5) The targeted investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process.</li> <li>6) 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. 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 Advisory Sub-Committee regularly reviews new investment opportunities and make up of asset portfolios.</p> <p>Robust agreements are in place with investment managers.</p>

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 and Pensions Board 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>The Pensions Committee receive quarterly compliance and risk monitoring reports.</p> <p>All new employers are required to have a guarantor and the Fund monitors the strength of existing employer covenants, taking action where necessary.</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 Advisory Sub-Committee and appropriate action agreed.</p> <p>The regular annual report details the work and achievement of the Committees and Board.</p>

Principles	Key points	Demonstration of Compliance
<p><b>Principle 5: Responsible Ownership</b></p> <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 as 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>
<p><b>Principle 6: Transparency and Reporting</b></p> <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.</p> <p>A comprehensive annual report is produced.</p>



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.

**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.

**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.

**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.

**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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**Scheduled Bodies**

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**District Councils**

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- Birmingham City Council
  - Coventry City Council
  - Dudley Metropolitan Borough Council
  - Sandwell Metropolitan Borough Council
  - Solihull Metropolitan Borough Council
  - Walsall Metropolitan Borough Council
  - Wolverhampton City Council
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**Major Employers**

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- Centro
  - The Chief Constable For West Midlands Police
  - West Midlands Fire and Civil Defence Authority
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**Universities**

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- Birmingham City University
  - Coventry University
  - University of Wolverhampton (The)
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**Colleges of Further Education and Higher Education**

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- 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
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**Other Bodies**

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- Ace Academy - Education Central MAT (The)
  - Acocks Green Primary Academy
  - Albert Bradbeer Junior School- Education Central MAT (The)
  - Alderbrook School
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- Alston Primary School – Leigh Trust
- Aldridge School - A Science College
- All Saints National Academy – St Chads Academy Trust
- Arden Academy Trust
- ARK St Albans Academy
- ARK Boulton Academy
- ARK Chamberlain Academy
- ARK Kings Academy
- ARK Rose Primary Academy
- ARK Tindal Primary Academy
- Arthur Terry Learning Partnership
- Aston Manor Academy
- Aston University Engineering Academy Birmingham
- Balsall Common Primary Academy
- Balsall Parish Council
- Barr’s Hill School Academy – The Futures Trust
- Bartley Green School
- Baverstock Academy - The Leap Academy Trust
- Bentley Heath Church of England Primary School
- Berrybrook Academy- Perry Hall MAT
- Bickenhill & Marston Green Parish Council
- Billesley Primary Academy - The Elliot Foundation Academies Trust
- Birchills Academy - St Chads Academies Trust
- Birmingham Museums Limited
- Bishop Milner Academy – St John Bosco CAT
- Bishop Vesey's Grammar School
- Bishop Walsh - John Paul II Multi-Academy
- Black Country University Technical College - *terminated 31 August 2015*
- Blue Coat Church of England Academy Limited (The)
- Blue Coat Church of England (Walsall) Trust
- Birmingham Ormiston Academy
- Bournville School and Sixth Form Centre - Fairfax MAT
- Bramford Primary - Griffin Academy Trust
- Bristnall Hall Academy - The Academy Transformation Trust
- British Sikh School (The) – The Khalsa Academies Trust
- Broadway Academy
- Bromley-Pensnett Primary School (The)– DRB Ignite MAT
- Brownmead Primary Academy – Washwood Heath MAT
- Castle Bromwich Parish Council
- Caludon Castle School
- Calthorpe Academy
- Cardinal Wiseman Catholic School – Romero MAC
- Charles Cuddy Walker Academy - Erudition Schools Trust
- Chelmsley Wood Town Council

- Cheswick Green Parish Council
- Chilwell Croft Academy – Equitas Academies Trust
- Chivenor Primary School – Griffin Schools Trust
- City Road Academy - Birmingham City University Academy Trust
- City of Wolverhampton Academy Trust
- Clifford Bridge Academy – Inspire Education Trust
- Corngreaves Primary - United Learning Academies
- Corpus Christi Catholic Primary- Pope John XXIII MAC
- Corpus Christi Catholic Primary School – Romero MAC
- Cottesbrooke Infant and Nursery School
- Coundon Court Academy
- Coventry and Solihull Waste Disposal Company Limited (The)
- Coventry University Enterprises Limited
- Crestwood Academy
- CTC Kingshurst Academy
- Croft Primary Academy - The Elliot Foundation Trust
- Deanery Church of England School
- Devonshire Infant Academy- Victoria Park MAT
- Devonshire Junior Academy- Victoria Park MAT
- Dorrington Academy Trust
- Earls High School (The)
- EBN Free School
- Edgar Stammers Academy - Education Central MAT
- Edge Academy (The)
- Education Central Multi Academy Trust
- Ellowes Hall Sports Academy -Invictus Education Trust
- Elston Hall Primary School – Elston Hall MAT
- Erdington Hall Primary Academy – Ninestiles Academy Trust
- Ernsford Grange Community Academy - Sidney Stringer Academy Trust
- Fairfax School (Academy)
- Fairway School - Educational Central MAT
- Field View Primary School- St. Martin’s MAT
- Finham Park School Academy
- Finham Park 2
- Fordbridge Parish Council
- Four Dwellings Primary Academy - Academies Enterprise Trust
- Four Dwellings Secondary Academy - Academies Enterprise Trust
- Futurelets Limited
- George Betts Academy - The Elliot Foundation Academies Trust
- George Dixon Academy
- The Giffard Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
- Good Shepherd Primary School – Romero MAC
- Golden Hillock Academy –The Core Education Trust (formerly called Park View Educational Trust) - *terminated 31 August 2015*
- Goldsmith Primary Academy - Windsor Academy Trust

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- 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
  - Health Futures UTC
  - Heartlands E-ACT Academy
  - Heart of England School
  - Heathfield Primary School – Prince Albert Community Trust
  - Heathlands Academy- Education Central MAT (The)
  - Heath Park Academy - Central Learning Partnership Trust
  - Highfields School
  - 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 MAC
  - Holy Trinity C of E Primary Academy (Handsworth)
  - Holly Hall Academy
  - Holyhead School
  - Inspire Education Trust
  - James Brindley School
  - Jervoise School – DRB Ignite MAT
  - John Henry Newman Catholic College
  - Joseph Leckie Academy Trust
  - Jubilee Academy Mossley - ATT
  - Jubilee Park Academy Trust
  - 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
  - King Solomon International Business School (The)
  - Kings Norton Girl's School and Language College
  - Kings Rise Academy - The Elliot Foundation Academies Trust
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- Kingshurst Parish Council

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  - Kingswinford School and Science College (The)

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  - Knowle C of E Primary Academy

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  - Langley School

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  - Lea Forest Primary Academy - Academies Enterprise Trust

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  - Leigh Primary Academy - Leigh Trust

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  - Light Hall School

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  - Lode Heath School

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  - Lordswood Boys School - Lordswood Academies Trust

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  - Lordswood Girls School and Sixth Form Centre - Lordswood Academies Trust

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  - Lyndon Academy – Ninestiles Academy Trust

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  - Manor Way Primary Academy – Windsor Academy Trust

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  - Manor Primary School – Manor MAT

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  - Manor Park Primary Academy – REAch2 Academy Trust

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  - Mansfield Green E-ACT Academy

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  - Marston Green Infant Academy

---

  - Meriden Parish Council

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  - Merritts Brook E-ACT Primary Academy

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  - Mesty Croft Academy

---

  - Mirus Academy (The) – Matrix Academy Trust

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  - Moor Green Primary Academy - HTI MAT - *terminated 31 August 2015*

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  - Moor Green Primary Academy – REAch2 MAT

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  - Montgomery Primary Academy - Academies Enterprise Trust

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  - Moseley Park School - Central Learning Partnership Trust

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  - Nansen Primary School - The Core Education Trust (formerly called Park View Educational Trust)

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  - Nechells Primary E-ACT Academy

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  - Ninestiles Academy Trust

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  - Nishkam School Trust

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  - Nonsuch Primary School – Barchelai Academy Trust

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  - North Birmingham E-ACT Academy

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  - Northern House School Academy Trust

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  - Northern House School (City of Wolverhampton) – Northern House School Academy Trust

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  - Northfield Manor Primary Academy- Victoria Academy Trust

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  - Northwood Park Primary Academy

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  - Oaklands Primary - Ninestiles Academy Trust

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  - Oasis Community Learning - Foundry Primary

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  - Oasis Community Learning - Hobmoor Primary

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  - Oasis Community Learning - Matthew Boulton

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  - Oasis Community Learning - Short Heath Primary

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  - Oasis Community Learning - Blakenhale Infants

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  - Oasis Community Learning - Blakenhale Junior

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  - Oasis Community Learning - Woodview School

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  - Ocker Hill Academy Trust

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  - Oldbury Academy

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- Oldknow Academy - *terminated 31 August 2015*
- Orchards Primary Academy - Education Central MAT (The)
- Ormiston Academies Trust
- Ormiston Forge Academy
- Ormiston George Salter Academy
- Ormiston Sandwell Community Academy
- Our Lady & St. Chad's Catholic Sports College- Pope John XX111 MAC
- Our Lady of Fatima Catholic Primary School- St. Nicholas Owen Catholic MAC
- Our Lady and St Hubert's Primary Academy –St Catherine of Siena MAC
- Park Hall Academy
- Park Hall Infant Academy
- Park Hall Junior Academy
- Parkfield Academies Trust
- Pegasus Academy - Ninestiles Academy Trust
- Percy Shurmer Primary School
- Perry Beeches - The Academy
- Perry Hall Primary School
- Plantsbrook School – Plantsbrook Learning Trust
- Police and Crime Commissioner West Midlands
- Pool Hayes Academy – AT T
- President Kennedy School
- Prince Albert Primary School – Prince Albert Community Trust
- 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 High School – King Edward's Stourbridge Academy Trust
- Rivers Primary Academy - Windsor Academy Trust
- Riverbank Academy- Sidney Stringer Academy Trust
- Robin Hood Academy
- Rockwood Academy –The Core Education Trust
- Romero Catholic Academy (The )
- Rookery School
- Rough Hays Primary - Elliot Foundation Trust
- RSA Academy
- Ryder Hayes Academy Trust
- Sacred Heart Academy – Romero MAC
- Saltley Academy – Washwood Heath MAT
- Sandwell Academy
- Seva Free School- Sevak Educational Trust

- Ormiston Sheffield Community Academy
- Shenley E-ACT Academy
- Shireland Collegiate Academy – The Collegiate Academy Trust
- Shireland Hall Academy - The Elliot Foundation Academies Trust
- Shire Oak Academy Trust
- Shirestone Community Academy - The Elliot Foundation Academies Trust
- Sidney Stringer Academy Trust
- Sidney Stringer Free Primary School – Sidney Stringer Academy Trust
- Silvertrees Academy Trust
- Smestow School - Education Central MAT
- Smith’s Wood Parish Council
- Smith’s Wood Primary School
- SS Peter and Paul Catholic Primary School – Romero MAC
- Solihull Community Housing Limited
- SS Mary and John's Catholic Primary Academy - Bishop Cleary Catholic MAC
- St Bartholomew C of E Academy
- St Brigid’s Catholic Primary School – Lumen Christi Catholic MAT
- St Chad’s Academy - The St John Bosco CAT
- St Clement’s C of E Academy Nechells
- St Columba’s Catholic Primary School – Lumen Christi Catholic MAT
- St Edmund's Catholic Academy - Bishop Cleary Catholic MAC
- St Francis Xavier Academy – St Catherine of Siena MAC
- St George’s Academy C of E Academy
- St George’s Academy Newtown
- St Gregory’s Academy – St Catherine of Siena MAC
- St Gregory’s School Coventry – Romero MAC
- St James’s Catholic Primary School – Lumen Christi Catholic MAT
- St John Fisher Primary School – Romero MAC
- 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 – All Saints MAT
- St Joseph’s - John Paul II Multi-Academy
- St Joseph’s Academy - The St John Bosco CAT
- St Joseph’s Catholic Primary School – Lumen Christi Catholic MAT
- 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 MAT
- 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 Primary Academy and Nursery
- 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 Patrick's Catholic Primary School – Romero MAC
- St Paul's C of E Primary Academy
- St Paul's Catholic Primary School – Lumen Christi Catholic MAT
- St Peter's Church of England Academy Trust
- St Philip's Catholic Primary Academy – St Catherine of Siena MAC
- St Teresa's Catholic Primary Academy - Bishop Cleary Catholic MAC
- St Thomas Aquinas Catholic Primary School – Lumen Christi Catholic MAT
- St Thomas CE Academy – All Saints MAT
- Streetly Academy (The)
- Stretton Primary Academy - Diocese of Coventry MAT
- Sutton Coldfield Grammar School for Girls Academy Trust
- Tame Valley Academy - Education Central MAT
- The University of Birmingham 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 St James
- Twickenham Primary Academy
- Urban Enterprises (Bournville) Limited
- Valuation Tribunal Service - *terminated 31 December 2015*
- Victoria Park Primary Academy
- Walsall Adult Community College
- Walsall City Academy Trust Limited
- Walsall Studio School - The Vine Trust
- Walsgrave C of E Academy – Inspire Education Trust
- Warren Farm Primary School
- Washwood Heath Academy – Washwood Heath MAT
- Waverley School – The Waverley Education Foundation Ltd
- Waverley Studio College
- Wednesbury Oak Primary Academy
- Wednesfield High School- Education Central MAT (The)
- West Midlands Construction UTC Trust
- West Walsall E-ACT Academy
- Westcroft Sport & Vocational College – Central Learning Partnership Trust
- Westwood Academy
- Whittle Academy – Inspire Education Trust
- Willenhall E-ACT Academy

- Whitley Academy
- 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
- Wolverhampton Vocational Training Centre – Central Learning Partnership Trust
- Woodhouse Primary Academy - Education Central MAT
- Wood Green Academy
- Woodlands Academy
- Woodlands Academy of Learning
- Wychall Primary School - DRB Ignite MAT
- Wyndcliffe Primary School - Leigh Trust
- Yardleys School
- Yarnfield Academy - Ninestiles Academy Trust

#### **Other Bodies With No Active Members**

- Bickenhill Parish Council
- Mirus Academy - Walsall College Academies Trust
- 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
- 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

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- Delves East Estate Management Limited
  - Dovecotes TMO
  - Family Care Trust
  - Friendship Care and Housing Limited
  - Home Start Birmingham South
  - Home Start Stockland Green/Erdington
  - Home Start Walsall
  - Kingswood Trust
  - 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 - *terminated 13 November 2015*
  - 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)
  - Rightstepcareers Ltd (formally CSW Partnership Limited)
  - Riverside Housing Association Limited (formerly Riverside Group Limited) - *terminated 2 April 2015*
  - 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

- ACUA Limited - *terminated 31 July 2014*
- 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
- 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
- Edith Cadbury Nursery School - *terminated 31 August 2014*
- 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
- Pool Hayes Community Association - *terminated 30 April 2014*

- Priory 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
- 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)
- ABM Catering Limited (John Shelton Community Primary School)
- ABM Catering Limited (St Andrews CE Infant School)
- ABM Catering Limited (St Johns C of E Academy)
- Action for Children (Smethwick)

- Action for Children (West Bromwich)
- Agilisys Limited (Rowley/Smethwick)
- Agilisys Limited (OCOS/WODO/Tipton)
- Alliance in Partnership Limited (Broadway)
- Alliance in Partnership Limited (Brownhills)
- Alliance in Partnership Limited (Camp Hill)
- Alliance in Partnership Limited (Coventry South Cluster Group)
- Alliance in Partnership Limited (Ernesford Grange)
- Alliance in Partnership Limited (Greenfields Primary School)
- Alliance in Partnership Limited (King Edward VI Sheldon Heath)
- Alliance in Partnership Limited (President Kennedy)
- Alliance in Partnership Limited (Stoke Park)
- Alliance in Partnership Limited (Unity Cluster)
- Amey Highways Limited
- Amey LG Limited
- APCOA Parking (UK) Limited (Wolverhampton)
- Aspen Services Ltd (Gosford Park)
- Aspens Services Limited (Aldridge School)
- Aspens Services Limited (Courthouse Green)
- Aspens Services Limited (Old Church School)
- Aspens Services Limited (Phoenix Collegiate)
- Aspens Services Limited (Pinfold Street Primary)
- Aspens Services Limited (Rough Hays School)
- Aspens Services Limited (Salisbury)(ADD)
- Balfour Beatty Living Places (Coventry) (previously Balfour Beatty Workplace Limited - Coventry)
- Barnardos (Sandwell)
- BAM Construct UK Limited
- Bespoke Cleaning Services Limited (Wolverhampton College)
- Bespoke Cleaning Services Limited (Westwood Academy)
- Birmingham Solihull Mental Health NHS Foundation Trust
- 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) - *terminated 24 July 2015*
- Call First Cleaning
- Carillion plc (Highfield & Pennfields)
- Carillion (Ambs) Limited (St Mathias)
- Carillion (Ambs) Limited (Heath Park Academy)
- Churchill Contract Catering Limited (Calthorpe School)
- Churchill Contract Services Limited (Cottesbrook School)
- Churchill Contract Services Limited (Walsall College)
- Churchill Contract Services Limited (Whitehall School)
- Civica UK Limited (ARK Schools)

- Creative Support Limited
- Crime Reduction Initiatives
- DRB Contract Cleaning Limited (Yew Tree Primary)
- DRB Contract Cleaning Limited (Wychall Primary School)
- Engie FM Limited (Broadway School)
- Engie FM Limited (George Dixon School)
- Engie FM Limited (HM and Stockland Green School)
- Engie FM Limited (International School)
- Engie FM Limited (Moseley School)
- Engie FM Limited (Park View School)
- Engie FM Limited (Saltley School)
- Engie FM Limited (Sheldon Heath School)
- Engie FM Limited (Waverley School)
- Engie Services Limited
- Enterprise Managed Services Limited (Solihull)
- Enterprise Managed Services Limited (Wolverhampton)
- Enterprise AOL Managed Services Limited (Telford/Wrekin)
- Elite Cleaning and Environmental Services (Walsall)
- Elite Cleaning and Environmental Services (Hereward College)
- 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 (Coventry)
- Integral UK Limited (Queensbridge School)
- Interserve FM Limited (Rowley Campus)
- Interserve FM Limited (OCOS/Wodo/Tipton)
- KCLS Limited (Coventry) - *terminated 3 April 2015*
- KCLS Limited (Alderbrook School)
- KGB Cleaning & Support Services Limited (Bishop Ullathorne)
- KGB Cleaning and Support Services Ltd (Lyndon)
- Lawrence Cleaning Limited (Parkfields)
- Lawrence Cleaning Limited (St Stephens)
- Leisure Living Limited – *terminated 16 October 2015*
- 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 (Stockland Green Broadway School)
- Lend Lease Construction (EMEA) Limited (Waverley School)
- Mears Group plc - *terminated 31 March 2016*

- Mears Limited - *terminated 31 March 2016*
- Mitie PFI Limited
- Mouchel Limited - *terminated 13 November 2015*
- NSL Limited (BCC)
- NSL Limited (Solihull)
- Pell Frishman Consultants Limited
- Pendergate Limited
- 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) - *terminated 31 July 2015*
- Premier Support Services Limited (Hodge Hill School) - *terminated 31 July 2015*
- Premier Support Services Limited (Holy Trinity RC) - *terminated 31 December 2015*
- Quadron Services Limited
- Regent Office Care Limited (Henley College)
- Regent Office Care Limited (Ormiston Shelfield Academy)
- Serco Limited (Sandwell)
- Service Birmingham Limited
- Sodexo Limited
- Superclean Services Wolthorpe Limited (Finham Park)
- Superclean Services Wolthorpe Limited (Fordbridge Community Primary School)
- Tarmac Limited
- Taylor Shaw Limited (Great Barr Birmingham)
- Taylor Shaw Limited (Colton Hills)
- Taylor Shaw Limited (Brownhills) - *terminated 31 May 2015*
- Willmott Dixon Partnership Limited (North Contract) - *terminated 31 March 2016*
- Willmott Dixon Partnership Limited (South Contract) - *terminated 31 March 2016*

#### 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
- KGB Cleaning and Support Services Limited (Alderbrook) - *terminated 6 August 2014*
- Lawrence Cleaning Limited (Woodthorne School)
- Lend Lease Construction (EMEA) Limited (Saltley School) - *terminated 31 January 2015*
- Liberata UK Limited
- 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
- NSL Limited (Birmingham) - *terminated 31 January 2015*
- 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)
- Regent Office Care Limited (Willenhall) - *terminated 31 December 2014*
- Regent Office Care Limited (COWAT) - *terminated 31 July 2014*
- 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 (Great Barr School) - *terminated 31 August 2014*

## Further Information **Participating Employers in the Fund**

- 
- Taylor Shaw Limited (St Albans)
  - Taylor Shaw (Hodge Hill)
  - Taylor Shaw Limited (COWAT) - *terminated 31 August 2014*
  - 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
  - Staffordshire and West Midlands Probation Trust
  - West Midlands Magistrates Courts Committee
- 

### **ITA Fund Employers**

- 
- National Express Group plc
  - Preston Bus Limited
-



### Fund Highlights

5,129

total scheme members

£460.9m

net assets of the Fund

£10.5m

total contributions

2

active scheme employers

116.5

staff employed by the Fund (FTE)

470

contributing members

814

deferred members

3,845

pensioner members

#### Our four core objectives



To be a leading performer  
in the LGPS sector



To ensure the solvency of  
the Fund and its ability to  
pay pensions



To achieve target  
investment returns



To provide excellent  
customer service

## Scheme Management and Advisors as at 31 March 2016

---

### Officers Administering the Fund

- G Drever  
Strategic Director of  
Pensions
- M Chaloner  
Assistant Director  
(Investments)
- R Brothwood  
Assistant Director  
(Actuarial & Pensions)
- R Howe  
Head of Governance
- S Taylor  
Head of Client and  
Funding Management
- D Kane  
Head of Finance

### Investment Managers

- Baillie Gifford
- Legal & General Investment  
Management Ltd
- Newton Real Return

### AVC Provider

Prudential and Equitable Life

### Actuary

Mercer Human Resource  
Consulting Ltd  
(to June 2015)

Barnett Waddingham LLP  
(from July 2015)

### Main External Advisers and Service Providers

- City of Wolverhampton  
Council in-house solicitors
- HSBC
- Portfolio Evaluation Ltd
- Squire Patton Boggs

### Banker

NatWest

### WMITA Accountants

- Emma Smart
- Forida Akhtar (*until February  
2016*)
- Rachel Teoh (*from March  
2016*)

### Auditor

Grant Thornton LLP

### Scheme Administrator

West Midlands Integrated  
Transport Authority

### Independent Advisors

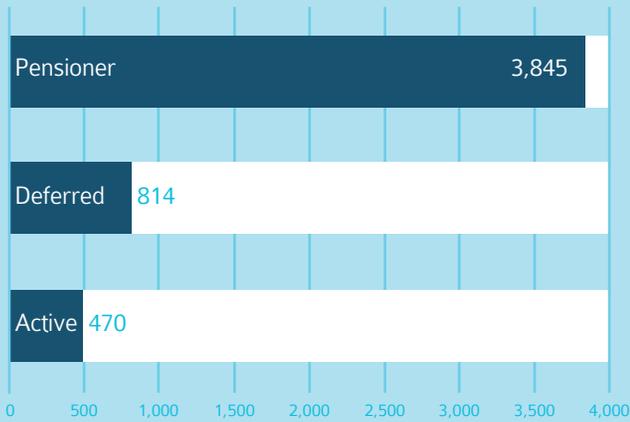
Hymans Robertson

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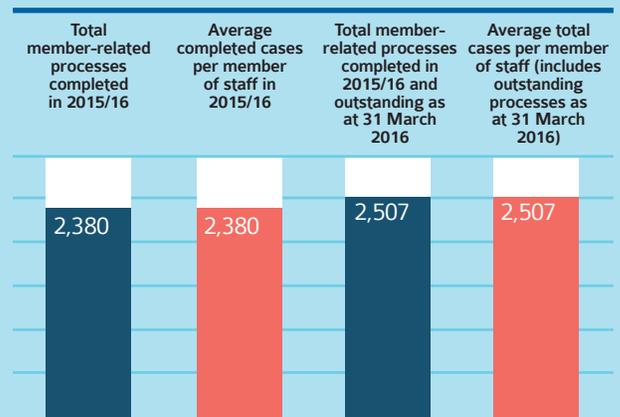
Administrative Management Performance

Administration and Key Operation Data

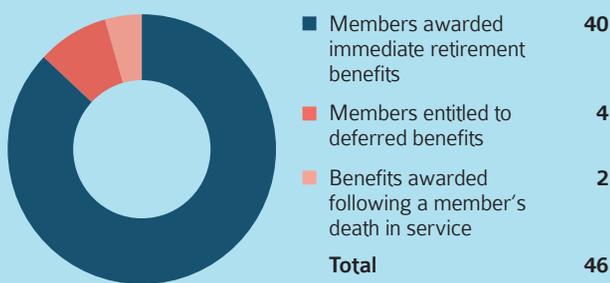
Membership Numbers as at 31 March 2016



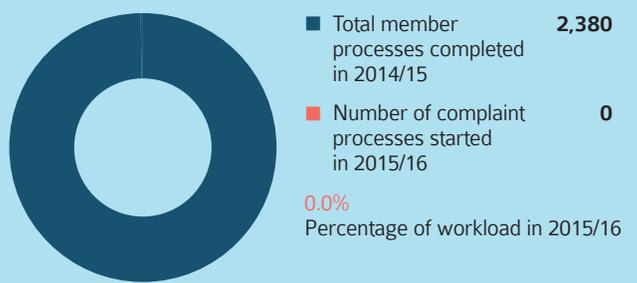
Average Cases Per Member of Staff



Withdrawals from the Fund



Complaints - Number of Complaints/  
Number as % of Workload



## Administrative Management Performance

### Administration and Key Operation Data

#### Five-Year Detail

	Employer name	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
<b>2012</b>	West Midlands Travel Ltd	796	897	17	3,000	423	5,133
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	30	0	94	19	143
	<b>Total</b>	<b>796</b>	<b>928</b>	<b>17</b>	<b>3,096</b>	<b>442</b>	<b>5,279</b>
<b>2013</b>	West Midlands Travel Ltd	744	858	17	3,044	452	5,115
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	28	0	93	21	142
	<b>Total</b>	<b>744</b>	<b>886</b>	<b>17</b>	<b>3,139</b>	<b>473</b>	<b>5,259</b>
<b>2014</b>	West Midlands Travel Ltd	586	895	17	3,103	483	5,084
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	26	0	92	22	140
	<b>Total</b>	<b>586</b>	<b>921</b>	<b>17</b>	<b>3,197</b>	<b>505</b>	<b>5,226</b>
<b>2015</b>	West Midlands Travel Ltd	518	849	16	3,160	499	5,042
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	22	0	92	23	137
	<b>Total</b>	<b>518</b>	<b>871</b>	<b>16</b>	<b>3,253</b>	<b>522</b>	<b>5,180</b>
<b>2016</b>	West Midlands Travel Ltd	470	782	16	3,201	525	4,994
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	16	0	94	24	134
	<b>Total</b>	<b>470</b>	<b>798</b>	<b>16</b>	<b>3,296</b>	<b>549</b>	<b>5,129</b>

## Administrative Management Performance

### Administration and Key Operation Data

#### Age Analysis - 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	0	0	0	0	0	0	0	0	11	56	141
Beneficiary pensioner	0	1	3	4	3	0	0	3	2	3	16
Deferred	0	0	0	0	0	0	0	0	62	147	289
Deferred ex-spouse	0	0	0	0	0	0	0	0	0	2	3
Pensioner	0	0	0	0	0	0	0	0	1	9	30
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Preserved refund	0	0	0	0	0	0	0	0	10	2	2
<b>Total</b>	<b>0</b>	<b>1</b>	<b>3</b>	<b>4</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>86</b>	<b>219</b>	<b>481</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	144	60	53	5	0	0	0	0	0	0	<b>470</b>
Beneficiary pensioner	37	47	103	140	106	69	11	1	0	0	<b>549</b>
Deferred	247	41	2	0	0	0	0	0	0	0	<b>788</b>
Deferred ex-spouse	4	1	0	0	0	0	0	0	0	0	<b>10</b>
Pensioner	76	512	861	859	661	231	54	0	0	0	<b>3,294</b>
Pensioner ex-spouse	0	0	2	0	0	0	0	0	0	0	<b>2</b>
Preserved refund	2	0	0	0	0	0	0	0	0	0	<b>16</b>
<b>Total</b>	<b>510</b>	<b>661</b>	<b>1021</b>	<b>1004</b>	<b>767</b>	<b>300</b>	<b>65</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>5,129</b>

#### Active Members

The Fund has a total active membership of **470**. Since 31 March 2015, the number of contributing employees in membership has decreased by **48**.

#### 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 **£28.8 million** were paid in the year to deceased and retired members.



## Investment Report

### 1) Investment Managers

At 31 March 2016, the market value of the ITA Pension Fund was £460.9m. The largest component of this was an insurance policy valued at £250.9m, and a further £207.7m was invested with three Fund managers. £128.4m was invested with Legal & General Investment Management, £38.8m with Baillie Gifford and £40.5m with Newton. The balance of the fund was held in liquid investments. Legal & General managed equities, gilts and corporate bonds while Baillie Gifford and Newton managed diversified growth funds. The returns by manager and asset class are detailed overleaf for 2014/2015 and 2015/2016.

As at year-end, the values of the funds under management were as follows:

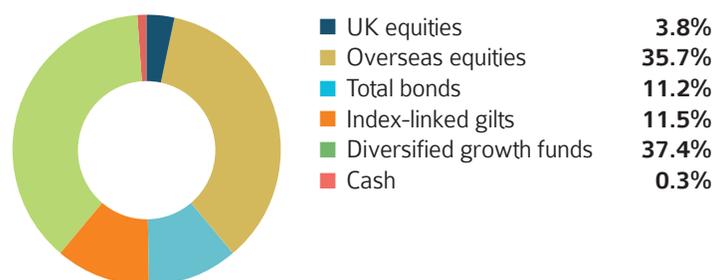
Total market value 31 March 2015				Total market value 31 March 2016	
£m	%			£m	%
132.0	62	Legal & General Investment Management		128.4	62
39.3	19	Baillie Gifford		38.8	19
40.1	19	Newton		40.5	19
211.4	100			<b>207.7</b>	100

### 2) Investment Principles

As required by Section 35 of the Pensions Act 1995 a Statement of Investment Principles was produced (in September 2015) and is available on request or from the Fund's website (<http://www.wmpfonline.com/corporateinfo>). This statement is reviewed every three years unless circumstances change.

The asset distribution as at 31 March 2016 is illustrated in the following chart:

#### ITA Asset Allocation (ex-Prudential Annuity)



### 3) Review of Investment Performance

With the exception of corporate bonds, Legal & General managed their investments on a passive basis with the expectation of achieving market index returns. Corporate bonds are managed on an active basis with the expectation of producing returns above the market using the manager's skills to outperform. The Newton and Baillie Gifford diversified growth funds are not benchmarked against market indices and aim to earn a consistent return above cash.

## Investment Report

Over the last five years, the Fund's returns, relative to the bespoke benchmark\*, are as follows:

	Year ending 31 March				
	2012	2013	2014	2015	2016
Fund	+6.5%	+12.6%	+3.0%	+12.7%	-0.7%
Benchmark	+6.8%	+12.3%	+3.8%	+11.5%	+0.9%
Relative	-0.3%	+0.3%	-0.8%	+1.2%	-1.6%

\*The bespoke benchmark is a pro-rated combination of the different indices used by the above-mentioned managers.

The annualised performances of the Fund over one, three, five and ten years are detailed below:

	One year	Three years	Five years	Ten years
Fund	-0.7%	4.8%	6.7%	5.9%
Benchmark	0.9%	5.3%	7.0%	6.0%
Relative	-1.6%	-0.5%	-0.3%	-0.1%

During the year to 31 March 2016, the Fund underperformed the benchmark by -1.6%. Most of this underperformance was attributable to the diversified growth funds which returned -0.1% against a target of 4.3% for the 12-month period. The equity portfolio matched its benchmark of -2.4% and the fixed income sector produced a positive return of 1.2% outperforming its benchmark of 1.1%. The performance of the Fund is reviewed by an independent measurer, HSBC Securities Services. Investment returns are based on mid-point valuations for Legal & General and bid-point valuations for the diversified growth funds.

#### 4) Custodial and Accounting Arrangements

The ITA is composed of two employers that have different member profiles and funding levels and it was considered optimal for each employer to have a tailored investment strategy. A unitisation approach was implemented on 1 April 2015 to facilitate this approach and HSBC have provided fund accounting services.

As the membership profile of the Fund advances towards maturity, its cashflow profile has changed due to falling receipts of pension contributions and rising pension payments. To mitigate this reduction in cash, three of the L&G funds (UK equities, index-linked gilts and corporate bonds) have been changed from accumulating to distributing funds so that redemptions do not need to be made to prevent the cash level becoming negative. This approach was implemented with effect from 1 July 2015.

The ITA Pension Fund currently holds all of its investments in pooled investment vehicles managed by FCA-regulated fund managers with administrative and custody arrangements in place to support them. The Fund owns units in investment vehicles (rather than the underlying assets) and obtains and reviews reporting accountants' reports on internal controls from the relevant investment managers to ensure control arrangements are suitable and risks are effectively managed.

Where direct investments are held by the ITA Pension Fund these are held by its Custodian, HSBC.

Custodian: HSBC Bank plc, HSBC Securities Services, 8 Canada Square, London, E14 5HQ

Assets are held in the name of: HSBC Global Custody Nominee (UK) Ltd.

The Custodian is authorised and regulated by the Financial Conduct Authority (FCA) and the Custodian shall take all reasonable steps to ensure the protection of the Client's assets in accordance with the FCA rules.

## Investment Report

### 2015/2016 Gross Returns

	Legal & General		Baillie Gifford		Newton	
	Actual	Index	Actual	Index	Actual	Index
<b>UK equities</b>	-3.8%	-3.9%	-	-	-	-
<b>Overseas equities:</b>						
- North America	3.6%	3.6%	-	-	-	-
- Europe	-4.2%	-4.3%	-	-	-	-
- Japan	-3.1%	-3.2%	-	-	-	-
- Pacific Basin ex Japan	-5.4%	-5.4%	-	-	-	-
- Emerging markets	-8.8%	-8.8%	-	-	-	-
<b>UK gilts</b>	-	-	-	-	-	-
<b>Index-linked</b>	1.7%	1.7%	-	-	-	-
<b>Non-government bonds</b>	0.7%	0.5%	-	-	-	-
<b>Diversified growth funds</b>	-	-	-1.2%	4.0%	0.9%	4.5%
<b>Total</b>	-1.1%	-1.2%	-1.2%	4.0%	0.9%	4.5%

### 2014/2015 Gross Returns

	Legal & General		Baillie Gifford		Barings		Newton	
	Actual	Index	Actual	Index	Actual	Index	Actual	Index
<b>UK equities</b>	+6.6%	+6.6%	-	-	-	-	-	-
<b>Overseas equities:</b>								
- North America	+25.2%	+25.1%	-	-	-	-	-	-
- Europe	+7.6%	+7.7%	-	-	-	-	-	-
- Japan	+26.9%	+27.1%	-	-	-	-	-	-
- Pacific Basin ex Japan	+10.6%	+10.6%	-	-	-	-	-	-
- Emerging markets	16.0%	+16.3%	-	-	-	-	-	-
<b>UK gilts</b>	+1.6%	+1.6%	-	-	-	-	-	-
<b>Index-linked</b>	+18.6%	+18.6%	-	-	-	-	-	-
<b>Non-government bonds</b>	+13.3%	+13.1%	-	-	-	-	-	-
<b>Diversified growth funds</b>	-	-	+8.5%	+4.0%	+0.2%	+2.6%	+6.5%	+1.9%
<b>Total</b>	+16.1%	+15.6%	+8.5%	+4.0%	+0.2%	+2.6%	+6.5%	+1.9%

## Investment Report

### Asset Allocation Benchmark and Actual

	31 March 2016 Benchmark %	31 March 2016 Actual %
<b>UK equities</b>	3.6	3.6
<b>Overseas equities:</b>	35.2	35.2
- Europe	9.6	9.6
- North America	12.5	12.5
- Japan	4.2	4.2
- Pacific Basin	3.7	3.7
- Emerging markets	5.2	5.2
Diversified growth funds	37.8	37.8
<b>Total growth</b>	<b>76.6</b>	<b>76.6</b>
Index-linked gilts	11.3	11.3
Gilts	-	-
Corporate bonds	11.0	11.0
Cash	1.1	1.1
<b>Total defensive</b>	<b>23.4</b>	<b>23.4</b>
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>

### Largest Holdings

The Fund, as part of its risk management arrangements, now uses pooled vehicles and has no direct shareholdings in companies (see note 14 of the accounts)

	31 March 2015 Benchmark %	31 March 2015 Actual %
<b>UK equities</b>	3.9	3.8
<b>Overseas equities:</b>	34.5	35.8
- Europe	9.6	10.0
- North America	11.5	12.0
- Japan	3.8	4.3
- Pacific Basin	3.8	3.8
- Emerging markets	5.8	5.7
Diversified growth funds	38.4	37.4
<b>Total growth</b>	<b>76.8</b>	<b>77.0</b>
Index-linked gilts	11.6	11.5
Gilts	0.0	0.0
Corporate bonds	11.6	11.2
Cash	0.0	0.3
<b>Total defensive</b>	<b>23.2</b>	<b>23.0</b>
<b>Total assets</b>	<b>100.0</b>	<b>100.0</b>

### Shareholder Voting

The Fund has regular meetings with Legal and General to review their governance activity and voting of shares held in the unit trusts in which the Fund has invested.



### Introduction

The last full triennial valuation of the West Midlands ITA Pension Fund was carried out as at 31 March 2013 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the Funding Strategy Statement of the Fund. The results were published in the triennial valuation report dated March 2014.

### Asset Value and Funding Level

The market value of the Fund's assets as at 31 March 2013 including the value of the insurance policy held with Prudential in relation to certain pension payments from the Fund was £449m. The value of the Fund's accrued liabilities was £563m at that date, allowing for future increases in pay and pensions in payment, resulting in a deficit of £114m. An allowance for significant changes in financial markets following the valuation date reduced the deficit to £86m and a funding level of 84%.

The deficit of £86m was taken into account when considering the deficit contribution requirements for employers (alongside any previous arrangements with employers regarding contribution rates that were in place).

### 2013 Valuation Results

The valuation also showed that a common rate of contribution of 21.5% of pensionable pay p.a. 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.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014. In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (both ill-health and non-ill-health retirements) will be made to the Fund by the employers.

### Contribution Rates

The contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

- The annual accrual of benefits allowing for future pay increases and increases to pensions in payment when these fall due;
- plus an amount to reflect each participating employer's notional share of the Fund's assets compared with 100% of their liabilities in the Fund, in respect of service to the valuation date.

Further details regarding the assumptions, and the allowance for changes in post valuation date market conditions are contained in the formal report on the actuarial valuation dated 31 March 2014. The Fund's invested assets were assessed at market value.

### Assumptions

The assumptions used to value the benefits at 31 March 2013 are summarised below (split between the two employers):

Assumption	31 March 2013
<b>Discount rate (West Midlands Travel Ltd)</b>	<ul style="list-style-type: none"> <li>• Pre-retirement (non-pensioners) - 5.5% p.a.</li> <li>• Post-retirement (non-pensioners) - 3.5% p.a.</li> <li>• Post-retirement (non-buy-in pensioners) - 3.5% p.a.</li> <li>• Post-retirement (buy-in pensioners) - 3.0% p.a.</li> <li>• Buy-in asset valuation - 2.5% p.a.</li> </ul>
<b>Discount rate (Preston Bus Ltd)</b>	<ul style="list-style-type: none"> <li>• Pre-retirement - 5.0% p.a.</li> <li>• Post-retirement - 3.0% p.a.</li> </ul>
<b>Pension increases</b>	2.6% p.a.
<b>Salary increases</b>	2.6% p.a.
<b>Mortality</b>	S1PA tables with a multiplier of 111% for males and 103% for females with projected improvements in line with the 2013 CMI model allowing for a long-term rate of improvement of 1.25% p.a.
<b>Retirement</b>	For those members who are entitled to receive their accrued benefits (or part of those benefits) prior to the Fund's normal pension age, a proportion of the active membership is assumed to retire in normal health prior to age 65
<b>Commutation</b>	Members will convert 50% of the maximum possible amount of pension into cash

The buy-in asset valuation was derived based on the assumptions set out in the report which are consistent with the assumptions to calculate the liabilities allowing for the profile of payments expected from the buy-in asset.

### Updated Position Since the 2013 Valuation

Since March 2013, the financial position of the Fund is likely to have deteriorated, mainly due to a decrease in the real discount rates underlying the valuation funding model.

The next actuarial valuation is due as at 31 March 2016 and the resulting contribution rates required by the employers will take effect from 1 April 2017. We will continue to monitor the financial position of the Fund on a regular basis.

**Graeme D Muir FFA**  
Partner  
Barnett Waddingham LLP

West Midlands ITA Pension Fund

# Statement of Accounts

for the year ended 31 March 2016

## Contents

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## Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

### Explanatory Foreword

The following statements comprise the Financial Report for the West Midlands Integrated Transport Authority ('ITA') Pension Fund ('the Fund'). The accounts cover the financial year from 1 April 2015 to 31 March 2016.

This report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

- **The Treasurer's Report** which provides general information on the background of the Fund, management and advisors and officers of the Fund, and actuarial position.
- **Statement of Responsibilities for the Fund Accounts** which sets out the respective responsibilities of the Authority and the Treasurer for the Fund Accounts.
- **The Investment Report** which provides details of the investment managers, investment principles and custodial arrangements plus a review of investment performance at the year end.
- **Fund Account** which discloses the size and character of financial additions to, withdrawals from and changes to the value of the Fund during the accounting period, analysed between contributions and benefits, and returns on investments.
- **Net Assets Statement** which discloses the size and disposition of the net assets of the scheme at the end of the year.
- **Notes to the Fund Accounts** which gives supporting details and analysis concerning the contents of the financial statements.
- **The Compliance Statement** which gives the tax status of the scheme and pension increases during the year.
- **Statement by the Consulting Actuary** – This statement has been provided to meet the requirements under Regulation 57(1)(d) of The Local Government Pension Scheme.

## The Treasurer's Report

### 1) Description of the Fund

The West Midlands Passenger Transport Authority Pension Fund ('the Fund') was established on 29 November 1991 under the Local Government Superannuation (Miscellaneous Provisions) Regulations 1991. The Local Transport Act 2008 changed the names of all English Passenger Transport Authorities to Integrated Transport Authorities. This was effective from the 9 February 2009 under Statutory Instrument 2009 No. 107 (C.08).

The West Midlands Integrated Transport Authority ('ITA') is responsible for the administration of the Fund, but has appointed the City of Wolverhampton Council as agents to administer the Fund on its behalf. 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)

Following the transfer of ownership of West Midlands Travel Limited from local authority to employees' ownership, the West Midlands Passenger Transport Authority entered into an admission agreement with West Midlands Travel Limited whereby 5,556 existing employees of West Midlands Travel Limited transferred on 4 December 1991 from the West Midlands Metropolitan Authorities Pension Fund ('WMPF') to the new Fund. The West Midlands Passenger Transport Authority also entered into an admission agreement with Preston Bus Limited, following their change from local authority to employee ownership. On 31 March 1993, 162 employees of the company were transferred from the Lancashire County Council Pension Fund to the West Midlands Passenger Transport Authority Fund. Preston Bus Limited decided during 2005/06 that it wished to terminate its active membership of the Fund and the Passenger Transport Authority agreed to this request.

Agreement was reached between Preston Bus Limited and 52 of their 56 existing members to terminate their active membership during 2005/2006 in return for a cash lump-sum payment. The 4 active members remaining at 31 March 2006 subsequently agreed to the same offer. There is no provision in the admission agreement for new employees of West Midlands Travel Limited to be admitted to the Fund.

### 2) Management of the Fund

On 1 April 2015, the strategic management of the assets was transferred from the Finance, Delivery and Performance Monitoring Committee established by the ITA (the administering authority) to the West Midlands Pension Fund.

### 3) Advisors and Officers

Investments and pensions administration are complex areas and the Fund recognises the need for its Committee to receive appropriate and timely advice. The day-to-day oversight of the Fund is delegated to senior pension officers from the WMPF at the City of Wolverhampton Council. Against this background, its principal advisors are as follows:

<b>Barnett Waddingham</b>	Actuarial matters
<b>Hymans Robertson</b>	Policy and investment matters relative to liabilities
<b>City of Wolverhampton Council Officers</b>	Investment implementation and administration, oversight of cash flows and pensions administration.
<b>Grant Thornton</b>	Scheme auditors

## The Treasurer's Report

### 4) Membership

Membership of the Fund at the year end was as follows:

31 March 2015 No.		31 March 2016 No.
518	Active members	470
3,775	Pensioner members	3,845
887	Deferred members	814
<b>5,180</b>	<b>Total</b>	<b>5,129</b>

### 5) Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2016 depending on the level of pay.

Employee contributions are matched by employers' contributions which are set based on triennial actuarial funding valuations. The latest valuation completed as at 31 March 2013 has set the rates for the period from 1 April 2014 to 31 March 2017. The details of employer's contributions and the actuarial valuation are set out in note 20 to the accounts.

The next valuation will take place as at 31 March 2016.

### 6) Benefits

With effect from 1 April 2008, new rules were introduced replacing the 1997 scheme. The principal changes were the replacement of 1/80th of pensionable pay for each year of pensionable service plus an automatic lump-sum of three times this amount by one based on 1/60th of pensionable pay for each year of pensionable service with no automatic lump-sum. Part of the annual pension can be commuted for a one-off tax-free lump-sum at a rate of £12 cash for each £1 per annum of pension given up.

There are a range of other benefits provided under the scheme including early retirement, disability pensions and death benefits. Benefits are index-linked in order to keep pace with inflation. In June 2010, the Government announced that the method of indexation would change from the retail prices index to the consumer prices index. This change took effect from 1 April 2011.

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.

### 7) Bulk Annuity Insurance Arrangement

As an integral part of its risk management and reduction strategy the ITA, in 2011, approved a bulk annuity insurance buy-in and, following a comprehensive procurement process, the policy was put in place on 18 April 2012 with Prudential Retirement Income Limited (Prudential). The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011. The insurance provider will pay the cost of the monthly pension payments for current pensioners whilst they or their dependants are entitled to a pension. The initial arrangements do not cover the Preston Bus Company liabilities or future West Midlands Travel Limited pension payments arising from new pensioners or inflation uplifts or pre-October 1986 service.

The financial effect of the buy-in is explained in note 14 to the accounts.

## The Treasurer's Report

### **8) Investment Strategy**

In 2014/15, the ITA Pension Fund's Investment Strategy Panel agreed to change the investment strategy for the Preston Bus Limited section in order to improve its diversification characteristics. From 1 April 2015, the investments of Preston Bus Limited and National Express Limited were unitised to facilitate this approach.

From July 2015, the Fund elected to receive monthly dividend income payment (NDIP) from Legal & General in respect of their UK investments. This decision was made to help maintain a positive cash flow position.

#### **James Aspinall**

Treasurer to the Integrated Transport Authority

Date: 27 May 2016

## Statement of Responsibilities for the Pension Fund Accounts

### **The Integrated Transport Authority's Responsibilities**

The Authority is required:

- i) To make arrangements for the proper administration of the financial affairs of the ITA Pension Fund and to secure that one of its officers has the responsibility for the administration of those affairs. In this Authority, that officer is the Treasurer.
- ii) To manage the affairs of the ITA Pension Fund to secure economic, efficient and effective use of resources and safeguard its assets.

### **The Treasurer's Responsibilities**

The Treasurer to the Authority is responsible for the preparation of the ITA Pension Fund Statement of Accounts which is required to present fairly the financial position of the ITA Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2016.

In preparing this statement of account, the Treasurer has confirmed that:

- suitable accounting policies have been adopted and then applied consistently;
- judgements and accounting estimates have been made which were reasonable and prudent;
- they comply with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code);
- proper accounting records have been kept and are up to date;
- reasonable steps were taken for the prevention and detection of fraud and other irregularities.

### **Certification of the Accounts**

I certify that the Statement of Account presents fairly the position of the West Midlands Integrated Transport Authority Pension Fund at 31 March 2016 and the financial transactions for the year ended 31 March 2016.

### **James Aspinall**

Treasurer to the Integrated Transport Authority

Date: 27 May 2016

Independent Auditor's Report to the Members of  
West Midlands Integrated Transport Authority

## Investment Report

### 1) Investment Managers

During the year, the Fund had investments with three managers: Legal & General Investment Management, Baillie Gifford and BNY Mellon (who manages the Newton Real Return fund). Legal & General manages equities, gilts and corporate bonds whilst Baillie Gifford and BNY Mellon manage diversified growth funds.

As at the year end, the values of the funds under management were as follows:

Total market value 31 March 2015			Total market value 31 March 2016		
£m	%		£m	%	
132.0	62	Legal & General Investment Management	128.4	62	
39.3	19	Baillie Gifford	38.8	19	
40.1	19	Newton	40.5	19	
211.4	100		207.7	100	

### 2) Investment Principles

As required by Section 35 of the Pensions Act 1995 a Statement of Investment Principles was produced (in May 2013) and is available on request or can be found within the Corporate Information section of the Fund's website ([www.wmpfonline.com/corporateinfo](http://www.wmpfonline.com/corporateinfo)). This statement is reviewed every three years unless circumstances change.

### 3) Review of Investment Performance

With the exception of corporate bonds, Legal & General manage their investments on a passive basis with the expectation of making market returns. Corporate bonds are managed on an active basis with the expectation of producing returns above the market using the manager's skills to outperform. In respect of Newton and Baillie Gifford, unlike traditional portfolios, diversified growth funds do not measure their performance against market indices. Instead, they aim to earn a consistent return above cash.

Over the last five years, the Fund's returns, relative to the bespoke benchmark\*, are as follows:

	Year ending 31 March				
	2012	2013	2014	2015	2016
Fund	+6.5%	+12.6%	+3.0%	+12.7%	-0.7%
Benchmark	+6.8%	+12.3%	+3.8%	+11.5%	0.9%
Relative	-0.3%	+0.3%	-0.8%	+1.2%	-1.6%

\*The bespoke benchmark is a pro-rated combination of the different indices used by the above mentioned managers.

The annualised performance of the Fund over one, three, five and ten years is detailed below:

	One year	Three years	Five years	Ten years
Fund	-0.7%	4.8%	6.7%	5.9%
Benchmark	0.9%	5.3%	7.0%	6.0%
Relative	-1.6%	-0.4%	-0.3%	0.0%

During the year to 31 March 2016, the Fund underperformed the benchmark by 1.6%. Most of this underperformance was attributable to the diversified growth funds which returned -0.1% against a target of 4.3% for the 12-month period. The equity portfolio matched its benchmark returning -2.4%. The fixed income sector produced a positive return of 1.2% outperforming its benchmark of 1.1%.

The performance of the Fund is reviewed by an independent measurer, HSBC Securities Services. Investment returns are based on bid-point valuations.

## Investment Report

### 4) Custodial Arrangements

The ITA Pension Fund currently holds all of its investments in pooled investment vehicles managed by FCA regulated fund managers with administrative and custody arrangements in place to support them. The Fund owns units in investment vehicles (rather than the underlying assets) and obtains and reviews reporting accountants' reports on internal controls from the relevant investment managers to ensure control arrangements are suitable and risks are effectively managed.

Where direct investments are held by the ITA Pension Fund these are held by its Custodian, HSBC.

Custodian:	HSBC Bank plc HSBC Securities Services, 8 Canada Square, London, E14 5HQ
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Assets are held in the name of: HSBC Global Custody Nominee (UK) Ltd

The Custodian is authorised and regulated by the Financial Conduct Authority (FCA) and the Custodian shall take all reasonable steps to ensure the protection of the Client's assets in accordance with the FCA rules.

## Fund Account and Net Assets Statement

### Fund Account

2014/15 restated £'000		Notes	2015/16 £'000
	<b>Dealings with members, employers and others directly involved in the Fund</b>		
(10,125)	Contributions	5	(10,482)
(4)	Transfers in from other pension funds	6	(65)
(1,991)	Other employer contributions	7	(2,766)
(12,120)			(13,313)
28,364	Benefits	8	28,829
34	Payments to and on account of leavers	9	457
4	Other payments	10	6
872	Management expenses	11	917
29,274			30,209
<b>17,154</b>	<b>Net withdrawals from dealing with members</b>		<b>16,896</b>
	<b>Returns on investments</b>		
(17,267)	Investment income	12	(17,080)
(24,113)	(Profits) and losses on disposal of investments and changes in the market value of investments	13	1,360
(18,900)	(Increase)/decrease in value of bulk annuity insurance buy-in	14	12,846
<b>(60,280)</b>	<b>Net return on investments</b>		<b>(2,874)</b>
<b>(43,126)</b>	<b>Net (increase)/decrease in the net assets available for benefits during the year</b>		<b>14,022</b>
431,760	Net assets of the Fund brought forward		474,886
<b>474,886</b>	<b>Net assets of the Fund carried forward</b>		<b>460,864</b>

### Net Assets Statement

2014/15 £'000		Notes	2015/16 £'000
211,418	Investment assets	13	207,730
263,720	Bulk annuity insurance buy-in	14	250,874
1,027	Current assets	15	2,746
(1,279)	Current liabilities	16	(486)
<b>474,886</b>	<b>Net assets of the Fund available to fund benefits at the period end</b>		<b>460,864</b>

## Notes to the Accounts

### 1) Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2015/16 financial year and its position at the year end as at 31 March 2016. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2015/16 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 in note 21 of these accounts.

### 2) Summary of significant accounting policies

#### Fund Account – Revenue Recognition

##### a) Contribution Income

Normal contributions, both from the members and from the employer, are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate.

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 will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

Employer deficit funding contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

##### b) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who have either joined or left the fund during the financial year and are calculated in accordance with the Local Government Pension Scheme Regulations. Individual transfers in/out are accounted for when received/paid.

##### c) Investment Income

###### *i) Interest income*

Interest income is recognised in the Fund Account as it accrues, using the effective rate of the financial instrument as at the date of acquisition or origination.

###### *ii) Distributions from pooled funds*

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.

###### *iii) Movement in the net market value of investments*

Changes in the net market value of investments are recognised as income and comprise all realised and unrealised profits/losses during the year.

###### *iv) Benefits underwritten*

The annuity purchased (see note 14) is treated in the accounts as an investment. Any income arising from this insurance contract to cover benefits underwritten is recognised in the fund as investment income on an accruals basis.

## Notes to the Accounts

### Fund Account – Expense Items

#### d) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at the end of the financial year. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

#### e) Taxation

##### *i) Value added tax*

The Fund bears the cost of VAT incurred on expenditure.

##### *ii) Income tax*

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.

#### f) Administration Expenses

All administration expenses are accounted for on an accruals basis.

The pension administration recharge from the City of Wolverhampton Council is calculated on a historical cost basis based on the proportion of time spent by the council's in-house pensions administration team on the Fund's activities.

#### g) Investment Management Expenses

All investment management expenses are accounted for gross on an accruals basis.

Fees of the external investment managers are agreed in the respective mandates governing their appointments. Each investment manager receives a fee for their service based on the market value of the assets they manage on the Fund's behalf. All managers have a specific target return against a benchmark.

The costs of the in-house fund management team are recharged to the Fund by the City of Wolverhampton Council on the same basis as the administration expenses recharge.

#### h) Oversight and Governance Costs

All oversight and governance expenses are accounted for on an accruals basis.

### Net Assets Statement

#### i) Financial Assets

The Fund's financial assets include debtors (mainly contributions due from members and employers), cash and cash equivalents, investment assets and bulk annuity insurance buy-in. Such financial assets are recognised initially at cost.

Cash and cash equivalents comprise cash balances and call deposits. Subsequent to initial recognition they are measured at amortised cost using the effective interest method, less any impairment losses.

Debtors are recognised and carried at invoice or contract value less an allowance for any amounts which may not be collectable. Should such an amount become uncollectable it is written off to the fund account in the period in which it is recognised.

Investment assets are recognised in the Net Assets Statement on the date the Fund becomes party to the contractual acquisition of the asset. Subsequent to initial recognition investment assets and the insurance buy-in are measured at fair value with any gains or losses arising from changes in the fair value of the asset recognised by the Fund.

## Notes to the Accounts

The values of investments and the insurance buy-in as shown in the Net Assets Statement have been determined as follows:

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. In the case of pooled investment vehicles that are accumulation funds, changes in market value are based on the difference between holding value at the beginning of the year or purchase price to the year end. Income that is reinvested in the fund is net of applicable withholding tax, and is treated as a purchase, with changes in the market value of the investment based on any increment or reduction from the date of purchase.

Diversified growth funds invest in a variety of liquid assets. The value of the underlying assets are derived from several sources including the use of quoted market prices and valuation techniques used by external managers based on significantly observable market data.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years.

The value of the buy-in is derived by mapping projected cashflows to a yield curve (based on market returns on UK government gilt stocks and other instruments of varying durations) in order to determine a market consistent gilt yield for the profile and duration of the buy-in beneficiaries, alongside other demographic assumptions consistent with the 2013 valuation of the Fund.

### j) Financial Liabilities

Financial liabilities include amounts due for benefits and management expenses. These creditors are recognised and carried at invoice or contract value. Should an amount become non-payable, it is written back to the fund account in the period in which it is recognised.

### k) Foreign Currency Transactions

The Fund has no financial assets denominated in foreign currencies. Equities held overseas are valued in sterling at source.

### 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 IAS 26, 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 21).

### 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 Assurance Company and Equitable Life as its AVC providers (new AVCs only with Prudential Assurance Company). AVCs collected are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC 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 17).

## 3) Critical Judgements in Applying Accounting Policies

### 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 20. This estimate is subject to significant variances based on changes to the underlying assumptions.

## Notes to the Accounts

### 4) Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

The financial statements contain estimated figures that are based on assumptions made about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Net Assets Statement for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

#### Pension Fund Liability

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. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

The effects on the net pension liability and funding level of changes in individual assumptions have been measured by the Fund's actuaries.

The effect on the pension liability of changes in individual assumptions can be illustrated as follows:

Change in assumptions – year ended 31 March 2016	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	6%	35
One-year increase in member life expectancy	3%	19
0.5% pa increase in salary increase rate	1%	3
0.5% pa increase in CPI inflation	6%	32

#### Bulk annuity insurance buy-in

As detailed in note 14, a bulk annuity insurance buy-in was put in place during 2012/13. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midland Travel Limited pensioners on the pension payroll at 11 August 2011 in return for the payment of a premium.

The value of the buy-in is recalculated at each year end by the consulting actuary. The value as at 31 March 2016 is based on the roll-forward of the actuarial valuation as at 31 March 2013 and adjusted for estimated pension payments and discount rate.

The key underlying inputs for the buy-in valuation are the discount rate and life expectancy. The impact of changes in these is shown below:

Change in assumptions – year ended 31 March 2016	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	5%	12
One-year increase in member life expectancy	4%	9

## Notes to the Accounts

### 5) Contributions Receivable

2014/15 £'000		2015/16 £'000
	<b>Employers</b>	
3,232	Normal contributions	3,057
5,850	Deficit funding	5,850
43	Early retirement costs	624
9,125		9,531
	<b>Members</b>	
996	Normal contributions	947
4	Additional contributions	4
1,000		951
<b>10,125</b>	<b>Total by category</b>	<b>10,482</b>
	<b>Analysed by member body</b>	
10,125	Admitted bodies	10,482
<b>10,125</b>	<b>Total by authority</b>	<b>10,482</b>

Following the 31 March 2013 valuation, employers' contributions for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% (normal contributions) plus £5,500,000 deficit funding for West Midlands Travel Limited and £350,000 deficit funding for Preston Bus Limited (see note 20 for details).

### 6) Transfer In From Other Pension Funds

2014/15 £'000		2015/16 £'000
	<b>Transfers in</b>	
4	Individual transfers	65
<b>4</b>	<b>Total</b>	<b>65</b>

### 7) Other Employer Contributions

Pre-October 1986 pension increase liabilities are the responsibility of the West Midlands Passenger Transport Executive ('PTE'). The PTE makes monthly payments to the West Midlands Pension Fund who then transfers the payments into the Fund. During the year, payments of £2.766m (2015: £2.957m) were made.

In 2014/15, the payments were offset by £966k after a trueing-up exercise conducted by the Fund's actuary following a review of payments made, resulting in net other employer contributions of £1.991m.

## Notes to the Accounts

### 8) Benefits Payable

2014/15 £'000		2015/16 £'000
	<b>Pensions</b>	
22,356	Retirement pensions	22,833
1,709	Widows' pensions	1,865
16	Children's pensions	13
17	Widowers' pensions	18
24,098		24,729
3,917	Commutation and lump-sum retirement benefits	3,922
358	Lump-sum death benefits	213
(9)	Benefits recharged	(35)
<b>28,364</b>	<b>Total by category</b>	<b>28,829</b>
	<b>Analysed by member body</b>	
28,364	Admitted bodies	28,829
<b>28,364</b>	<b>Total by authority</b>	<b>28,829</b>

### 9) Payments To and On Account of Leavers

2014/15 £'000		2015/16 £'000
	<b>Transfers out</b>	
34	Individual transfers out to other schemes and personal pensions	457
<b>34</b>	<b>Total</b>	<b>457</b>

### 10) Other Payments

2014/15 £'000		2015/16 £'000
4	Interest on late payments	6
<b>4</b>	<b>Total</b>	<b>6</b>

## Notes to the Accounts

### 11) Management Expenses

2014/15 restated £'000		2015/16 £'000
	<b>Administration expenses</b>	
120	Administration - City of Wolverhampton Council	120
120		120
	<b>Investment management expenses</b>	
567	Management fees - external	615
30	Management fees - internal	30
597		645
	<b>Oversight and governance costs</b>	
68	Professional advisors' fees	51
33	Administration and accountancy - ITA	41
19	Audit fees	21
14	Actuarial fees	1
5	Legal fees	12
6	Performance monitoring service	15
8	Subscriptions	9
2	Bank charges and interest	2
610		674
<b>872</b>	<b>Total</b>	<b>917</b>

### 12) Investment Income

2014/15 £'000		2015/16 £'000
-	Interest on cash deposits	4
17,267	Benefits underwritten	17,076
<b>17,267</b>	<b>Total</b>	<b>17,080</b>

## Notes to the Accounts

### 13) Investments

Reconciliation of movements in investments:

Movements during 2015/16						
	Market value 1 April 2015 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
<b>Pooled investment vehicles</b>						
<b>Unquoted:</b>						
UK - unitised insurance policies	56,244	-	(2,071)	-	236	54,409
Overseas - unitised insurance policies	75,789	-	-	-	(1,756)	74,033
<b>Quoted:</b>						
Diversified growth funds	79,385	38,216	(38,216)	(257)	160	79,288
<b>Total investments</b>	<b>211,418</b>	<b>38,216</b>	<b>(40,287)</b>	<b>(257)</b>	<b>(1,360)</b>	<b>207,730</b>

Prior year comparatives:

Movements during 2014/15						
	Market value 1 April 2014 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2015 £'000
<b>Pooled investment vehicles</b>						
<b>Unquoted:</b>						
UK - unitised insurance policies	52,472	7,325	(7,299)	-	3,746	56,244
Overseas - unitised insurance policies	64,567	5,350	(8,869)	-	14,741	75,789
<b>Quoted:</b>						
Diversified growth funds	66,280	43,600	(35,906)	(215)	5,626	79,385
<b>Total investments</b>	<b>183,319</b>	<b>56,275</b>	<b>(52,074)</b>	<b>(215)</b>	<b>24,113</b>	<b>211,418</b>

Purchases include transfers in of investments, corporate actions, increases in cash deposits and increases in net settlements due. Sales proceeds include all receipts from sales of investments, transfers out of investments, corporate actions, reductions in cash deposits and reductions in net settlements due. The change in market value of investments during the year comprises all increases and decreases in the market value of investments held including profits and losses realised on sales of investments during the year.

Investments analysed by fund manager:

31 March 2015			31 March 2016		
Market value £'000	% of total fund		Market value £'000	% of total fund	
132,033	62	Legal & General Investment Management	128,442	62	
39,288	19	Baillie Gifford	38,837	19	
40,097	19	Newton	40,451	19	
211,418	100		207,730	100	

## Notes to the Accounts

Investments analysed by security:

31 March 2015			31 March 2016	
Market value £'000	% of total fund		Market value £'000	% of total fund
		<b>UK equities</b>		
8,153	4	UK Equity Index	7,635	4
8,153	4		7,635	4
		<b>Overseas equities</b>		
21,149	10	Europe (ex UK) Equity Index	20,257	10
25,412	12	North America Equity Index	26,326	13
9,106	4	Japan Equity Index	8,825	4
12,005	6	World Emerging Markets Equity Index	10,943	5
8,117	4	Asia Pacific (ex Japan) Dev Equity Index	7,682	4
75,789	36		74,033	36
		<b>Gilts and bonds</b>		
24,402	12	All Stocks Index-Linked Gilts	23,663	11
23,689	11	Active Corporate Bond - All Stocks	23,111	11
-	0	All Stocks Gilts Index	-	0
48,091	22		46,774	23
		<b>Diversified growth funds*</b>		
39,288	18	Baillie Gifford	38,837	18
40,097	19	Newton	40,451	19
79,385	38		79,288	37
<b>211,418</b>	<b>100</b>	<b>Total market value</b>	<b>207,730</b>	<b>100</b>

\*Diversified growth funds are multi-asset portfolios that are designed to provide equity type returns but with less volatility than an equity fund. All tactical asset allocation decisions are undertaken by the manager to suit the prevailing market conditions.

As part of its risk management arrangements, the Fund uses pooled investment vehicles and has no direct shareholding in companies.

## Notes to the Accounts

### 14) Bulk Annuity Insurance Buy-In

As an integral part of its risk management and reduction strategy, the ITA, in 2011, approved a bulk annuity insurance buy-in and, following a comprehensive procurement process, the policy was put in place on 18 April 2012 with Prudential Retirement Income Limited (Prudential). The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011. Benefits recharged to Prudential during the year have been credited to the Fund account and the buy-in recognised in the net assets statement as follows:

2014/15 £'000		2015/16 £'000
244,820	Opening market value of buy-in contract	263,720
18,900	Increase/(decrease) in value	(12,846)
<b>263,720</b>	<b>Closing market value</b>	<b>250,874</b>

The main reason for the reduction in the valuation of the buy-in asset from 31 March 2015 to 31 March 2016 is the payment of pensions due under the policy. In isolation, this led to a reduction in the value of the buy-in asset of approximately £17m. Otherwise, market conditions used to value the buy-in asset have remained at a similar level to last year.

### 15) Current Assets

2014/15 restated £'000		2015/16 £'000
	<b>Debtors</b>	
151	Contributions due - employers	232
47	Contributions due - members	73
50	Sundry debtors	93
248		398
779	Cash balances	2,348
<b>1,027</b>	<b>Total</b>	<b>2,746</b>
	<b>Analysis of debtors</b>	
19	Other local authorities and pension funds	63
229	Other entities and individuals	335
<b>248</b>	<b>Total</b>	<b>398</b>

Included within cash balances is £2.07m (2015: £nil) placed in West Midlands Pension Fund's Corporate Cash Manager account.

## Notes to the Accounts

### 16) Current Liabilities

2014/15 £'000			2015/16 £'000
10	Benefits payable		65
1,269	Sundry creditors		421
<b>1,279</b>	<b>Total</b>		<b>486</b>
<b>Analysis of creditors</b>			
238	Central government bodies		246
859	Other local authorities and pension funds		64
182	Other entities and individuals		176
<b>1,279</b>	<b>Total</b>		<b>486</b>

Within sundry creditors is an amount of £nil (2015: £966k) due to West Midlands Pension Fund following the pre-86 recharge true-up exercise carried out (see note 7).

### 17) 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 and the investments 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.

2014/15			2015/16	
Equitable Life £'000	Prudential £'000		Equitable Life £'000	Prudential £'000
159	670	<b>Opening value of the Fund</b>	165	719
1	125	Income	1	109
(4)	(145)	Expenditure	(11)	(135)
9	69	Change in market value	2	3
<b>165</b>	<b>719</b>	<b>Closing value of the Fund</b>	<b>157</b>	<b>696</b>

## Notes to the Accounts

### 18) Financial Instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and Net Assets Statement heading, together with a comparison to their fair value. No financial assets were reclassified during the accounting period.

31 March 2015					31 March 2016			
Carrying amount £'000	Amortised cost £'000	Fair value £'000	Gains and losses/ interest income £'000		Carrying amount £'000	Amortised cost £'000	Fair value £'000	Gains and losses/ interest income £'000
				<b>Financial assets</b>				
				Designated at fair value through profit and loss				
211,418	-	211,418	24,113	- Investment assets	207,730	-	207,730	(1,360)
263,720	-	263,720	18,900	- Bulk annuity insurance - buy in	250,874	-	250,874	(12,846)
475,138	-	475,138	43,013		458,604	-	458,604	(14,206)
				<b>Loans and receivables:</b>				
248	248	-	-	- Debtors	398	398	-	-
779	779	-	-	- Cash balances	2,348	2,348	-	-
1,027	1,027	-	-		2,746	2,746	-	-
<b>476,165</b>	<b>1,027</b>	<b>475,138</b>	<b>43,013</b>	<b>Total financial assets</b>	<b>461,350</b>	<b>2,746</b>	<b>458,604</b>	<b>(14,206)</b>
				<b>Financial liabilities</b>				
(1,279)	(1,279)	-	-	- Creditors	486)	(486)	-	-
<b>(1,279)</b>	<b>(1,279)</b>	<b>-</b>	<b>-</b>	<b>Total financial liabilities</b>	<b>(486)</b>	<b>(486)</b>	<b>-</b>	<b>-</b>

The following methods and assumptions were used to estimate fair values:

Debtors, cash balances and creditors approximate to their carrying amounts due to the short-term nature of these instruments. Investment assets are carried in the Net Assets Statement at fair value. These all consist of pooled investment vehicles valued by the respective fund managers based on the bid market quotation of the relevant stock exchange of the individual investments making up the fund portfolio.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years. The next valuation will take place as at 31 March 2016.

#### 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.

##### 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.

## Notes to the Accounts

### 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 following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable.

Values at 31 March 2016	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	128,442	79,288	250,874	458,604
<b>Total financial assets</b>	<b>128,442</b>	<b>79,288</b>	<b>250,874</b>	<b>458,604</b>

Values at 31 March 2015	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	132,033	79,385	263,720	475,138
<b>Total financial assets</b>	<b>132,033</b>	<b>79,385</b>	<b>263,720</b>	<b>475,138</b>

### 19) Pension Fund Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (ie, promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall pension fund risk management programme which focuses on the unpredictability of financial markets, and seeks to minimise potential adverse effects on the resources available to fund services.

Responsibility for the Fund's risk management strategy rests with the Finance, Delivery and Performance Monitoring Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's activities. Policies are reviewed regularly to reflect changes in activity and in market conditions. Policies covering specific areas relating to the ITA Pension Fund are as follows:

## Notes to the Accounts

### 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 matching assets to liabilities through the triennial actuarial valuation and an appropriate asset allocation.

During the year, excluding the bulk annuity buy-in, the Fund targeted a 73-79% exposure to equities as 'growth' assets and 21-27% to 'matching' assets, such as UK bonds or gilts which provide the best match for liabilities, ie, payments of benefits to members in future years. Risks in growth assets include market risk (the greatest risk), issuer risk and volatility, which are mitigated by diversification across asset classes, markets and sectors. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of 'growth' assets may increase the costs of funding. 'Matching assets' backed by the UK Government are considered low risk, with corporate bonds carrying 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 1 April 2015 or the 31 March 2016 are disclosed in note 15. 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.

### Liquidity Risk

The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. When additional deposits are required to meet future pension payrolls, cash is provided by one of the investment managers (in accordance with the asset allocation) who will liquidate a small proportion of assets under management as instructed by the Fund. Due to the cash flow management procedures and the liquidity of the assets held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities.

### 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. Even though the Fund has no financial assets denominated in foreign currencies, it is exposed to currency risk on its overseas equity portfolio as the movement in value takes account of changes in exchange rates of the underlying investments. The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

## Notes to the Accounts

### Price Risk Sensitivity Analysis

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.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund's asset allocations. In consultation with the Fund's performance advisors, the Fund has determined that the following future movements in market price risk are reasonably possible based on 2015/16 closing values:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	7,635	17.10	8,941	6,329
Overseas equities	74,033	19.60	88,543	59,523
Total bonds	23,111	8.00	24,960	21,262
Index linked	23,663	8.00	25,556	21,770
Diversified growth funds	79,288	12.00	88,803	69,773
Cash	2,349	0.00	2,349	2,349
<b>Total assets</b>	<b>210,079</b>		<b>239,152</b>	<b>181,006</b>

The potential price changes on the 2014/2015 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	8,153	17.2%	9,555	6,751
Overseas equities	75,789	17.2%	88,825	62,753
Total bonds	23,689	3.6%	24,542	22,836
Index linked	24,402	8.4%	26,452	22,352
Diversified growth funds	79,385	11.6%	88,594	70,176
Cash	779	4.5%	814	744
<b>Total assets</b>	<b>212,197</b>		<b>238,782</b>	<b>185,612</b>

## Notes to the Accounts

### Interest Rate Risk and Sensitivity Analysis

The Fund's investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows 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 2016 and 31 March 2015 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Carrying amount as at 31 March 2015 £'000	Change in year in the net assets available to pay benefits		Asset type	Carrying amount as at 31 March 2016 £'000	Change in year in the net assets available to pay benefits	
	£'000	£'000			£'000	£'000
	+100BPS*	-100BPS*			+100BPS*	-100BPS*
779	8	(8)	Cash and cash equivalents	2,348	23	(23)
48,091	481	(481)	Fixed interest securities	46,774	468	(468)
<b>48,870</b>	<b>489</b>	<b>(489)</b>	<b>Total change in assets</b>	<b>49,122</b>	<b>491</b>	<b>(491)</b>

\*BPS – basis points

### Regulatory Risk

These include any changes to pension regulations, eg, more favourable benefits packages and/or HMRC rules. In order to manage this risk, changes to regulations are continuously monitored.

### 20) Funding Arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary (Mercer Human Resource Consulting) undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2013. As a result, employers' contributions have been adjusted from 1 April 2014.

The key elements of the funding policy are:

- to ensure the long-term solvency of the fund, ie, that sufficient funds are available to meet all pension liabilities as they fall due for payment
- to ensure that employer contribution rates are as stable as possible
- to minimise the long-term cost of the scheme by recognising the link between assets and liabilities and adopting an investment strategy that balances risk and return
- to reflect the different characteristics of employing bodies in determining contribution rates where the administering authority considers it reasonable to do so
- to use reasonable measures to reduce the risk to other employers and, ultimately, to the council tax payer from an employer defaulting on its pension obligations.

The results of the valuation as at 31 March 2010 and 31 March 2013 and the actuarial assumptions used are shown below.

## Notes to the Accounts

<b>Valuation results</b>	<b>31 March 2013 Valuation</b>	<b>31 March 2010 Valuation</b>
Funding target as % of existing and prospective liabilities	100%	100%
Common rate of employer's contributions (calculated using the attained age method)	21.5%	18.4%
Market value of the Fund	£449m	£382m
Actuarial value of the Fund	£563m	£453m
Funding level in relation to past service liabilities	84%	84%
Offset to allow for market changes after the valuation date*	(£28m)	n/a
Deficit in relation to past service	(£86m)	(£71m)

\*Allows for impact on assets and liabilities

<b>Valuation assumptions</b>	<b>2013 valuation Funding target</b>	<b>2010 valuation Funding target</b>
Investment return pre-retirement	5.5% p.a.	7.0% p.a.
Investment return post-retirement (non-retired members)	3.5% p.a.	5.0% p.a.
Investment return (retired members - non buy-in)	3.5% p.a.	4.5% p.a.
Investment return (retired members - buy-in)	3.0% p.a.	n/a
Salary increases	2.6% p.a.	4.5% p.a.
Pension increases in payment	2.6% p.a.	3.0% p.a.
Retired members' mortality - base tables	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality - future improvements	CMI 2013 model methodology with 1.25% p.a. long-term trend	CMI 2009 model methodology with 1.0% p.a. long-term trend
Commutation assumption	50% of retiring members will take the maximum tax-free lump-sum available and 50% will take the standard 3/80ths cash sum	

Following the 31 March 2013 valuation, employers' contribution rates for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% plus £5,500,000 per annum for West Midlands Travel Limited. This is conditional on the provision of suitable guarantee arrangements being put in place relating to its participation in the fund. These arrangements were approved by the Pension Fund Committee in May 2011 and continue to apply.

A rate of 0% plus £350,000 per annum was determined as the appropriate rate for Preston Bus Limited following the 31 March 2013 valuation. This followed the decision by Preston Bus Limited to opt out of the scheme in February 2006. The annual lump-sum only payment will continue to be paid in order to cover the past service default that has accrued.

If non-ill-health retirements exceed those provided for in the valuation, it may be necessary to review the employers' contribution rate. The funding method adopted is known as the 'attained age method' which is consistent with the funding objective and appropriate as the fund is closed to new members and has an ageing membership profile.

The Fund's assets at 31 March 2016 valuation was £461m, of this £251m was in respect of the buy-in asset value with the remaining representing the Fund's invested assets.

## Notes to the Accounts

### 21) Actuarial Present Value of Promised Retirement Benefits

In addition to the triennial funding valuation, the Fund's actuary also undertakes a valuation of the Fund liabilities, on an IAS 19 basis, every year using the same base data as the funding valuation rolled forward to the current financial year, taking account of changes in membership numbers and updating assumptions to the current year.

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 20). The actuary has also used valued ill health and death benefits in line with IAS 19. Demographic assumptions are the same as those used for funding purposes.

The actuarial present value of promised retirement benefits at 31 March 2016 was £561m (2015: £562m). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2013 triennial funding valuation (see note 20) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2014	Assumptions used	31 March 2015
3.2%	Rate of return on investments (discount rate)	3.1%
2.0%	Rate of pay increases	2.0%
2.0%	Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.0%

### 22) Related Party Transactions

West Midlands Passenger Transport Executive recharges administrative costs incurred to the pension Fund. The recharges for the year ended 31 March 2016 are £47,000 (2015: £33,000), as detailed in note 11. There are no other related party disclosures, as none of the members of the Finance, Delivery and Performance Monitoring Committee (formerly the Pension Fund and Bus Shelter Appeals Sub-Committee) or the employees of the Fund's advisors and officers who hold key positions are members of the Fund.

### 23) Events After the Reporting Date

On 1 June 2016, the administration of the Fund was transferred from the ITA to the West Midlands Combined Authority.

## The Compliance Statement

### **1) Tax Status of the Scheme**

The scheme is a registered scheme and, to the trustee's knowledge, there is no reason why such registration should be prejudiced or withdrawn.

### **2) Pension Increases**

There was a 1.2% increase in pensions during the year in line with legislative requirements and no further discretionary increases were applied.

### **3) Calculation of Transfers**

Transfer values quoted and subsequently paid by the Fund includes monetary amounts where relevant, to represent any discretionary benefits awarded by an employer or otherwise.

Where awarded, discretionary benefits are in the form of service which is included within the total service used to calculate a cash equivalent transfer value which represent the monetary value of the member's pension rights.

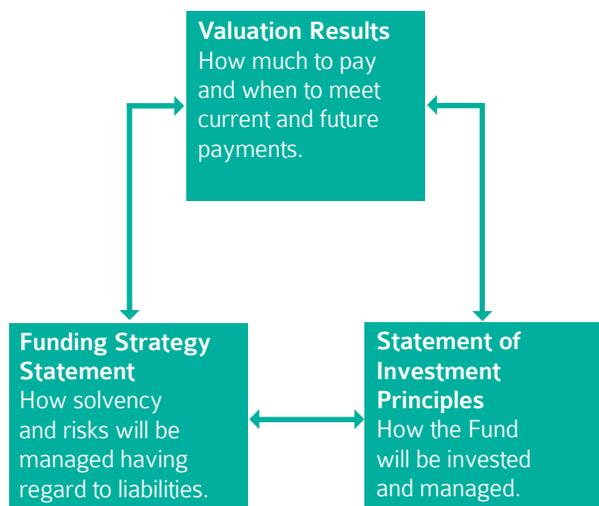
West Midlands ITA Pension Fund

Policy Statements

Funding Strategy Statement  
2014

**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 the West Midlands ITA Pension Fund in accordance with the regulations and following consultation.
- 1.2 The FSS complements and adds to the Statement of Investment Principles (SIP) which is a supporting document, alongside the actuarial valuation.
- 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 scheme is a defined benefit arrangement with principally final salary-related benefits from contributing members up to 1 April 2014 and career-averaged revalued earnings (CARE) benefits earned thereafter. There is also the introduction of a '50/50 scheme option', where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

The benefits provided by the WMITAPF are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) ('the BMC regulations') and the administration regulations. New legislation contained in the Local Government Pension Scheme Regulations 2013 ('the 2013 regulations') governs the WMITAPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 regulations.

- 1.7 Against this background, the key considerations in determining the funding strategy, taking advice from the actuary, are:
  - a) the appropriate time period for targeting funding recovery taking into account the closed nature of the scheme, but also the ongoing nature of the sponsoring organisations;
  - b) the strength of covenant of the sponsoring organisations, their funding sources, and any guarantee arrangements in place.
- 1.8 A number of factors have contributed to the funding gap and contribution rates for employers:
  - a) investment returns relative to movement in liabilities;
  - b) increases in longevity of pensioners;
  - c) falling long-term interest rates;
- 1.9 Since the fund was established in 1991, 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, maintaining the trend of matching the investment strategy to the growing scheme maturity.
 

The critical element is securing investment market returns from the 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 the overall investment target.

## 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; and
- to take a prudent longer term view of funding those liabilities.

2.2 Following the insurance buy-in, the Fund currently has a 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 LGPS regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the West Midlands ITA acting on expert advice and following consultation.

2.3 The FSS is a comprehensive strategy for the 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.

## 3) Background

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 principles of this FSS, and consideration has been given to their views accordingly. The FSS represents a strategy for the Fund allowing 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. Currently, the strategy is being reviewed in relation to the underlying portfolio structure for the PBL notional asset share and the SIP will be updated.

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 at reasonable cost to the 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; and
- maximise the returns from investments within reasonable risk parameters.

4.2 The purpose of the Fund is to:

- receive and invest monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the 2013 regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

## 5) Responsibilities Of The Key Parties

5.1 The LGPS regulations set out the responsibilities of the key parties which are summarised below.

5.2 The administering authority (West Midlands ITA):

- 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 and an SIP; and
- monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate.

The administering authority discharges its responsibilities in consultation with the two employers and working through a pension fund committee.

#### 5.3 The individual employers:

- deduct contributions from employees' pay correctly.
- 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;
- discharge their responsibility for compensatory added years.
- we will make significant progress in the transition to electronic data exchange with the submission of member data via bulk data imports (BDI).

#### 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; and
- prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

## 6) Solvency Issues and Target Funding Levels

- 6.1 The Fund currently is mature and has a post-buy-in cash inflow and funding gap. It takes an appropriate cautious view on determining employing body contribution rates to meet future liabilities through operating a fund with individual employer investment strategies that reflect this view. It aims to allow short-term investment market volatility to be managed, so as not to cause volatility in employing body contribution rates.
- 6.2 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to meet 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 2013 valuation report is the main consultation document; this FSS reflects this consultation.

### Determination of the Funding Target and Recovery Period

- 6.3 The principal method and assumptions to be used in the calculation of the funding target are set out in the Appendix.
- 6.4 Underlying these assumptions are the following three tenets:
- that the scheme is expected to continue for the foreseeable future over the run-off of the liabilities for current and former members; and
  - favourable investment performance can play a valuable role in achieving adequate funding over the longer term; and
  - the contributions reflect the employers' current financial strength including any separate guarantees in place.
- 6.5 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer. These rates are assessed, taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the employers in the scheme. In attributing the investment performance to each employer, consideration will be given to the underlying investment strategy adopted for that employer and the associated investment performance (notional or actual).

Currently, the two employers have different underlying investment strategies, and this is expected to continue going forward.

- 6.6 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.
- Allowance for actual returns on investments post-31 March 2013, where applicable.
- Consideration of pre-existing agreements with individual employers relating to contributions, where applicable.

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.

- The deficit recovery plan for Preston Bus will be based on an overall recovery period of just over nine years.
- The deficit recovery plan for WMTL over 2014/17 will be based on the existing agreement with WMTL which was implemented following the setup of the buy-in policy in terms of maintaining deficit contribution levels to 31 March 2017. Deficit contributions from 1 April 2017 will therefore be considered further as part of the 2016 actuarial valuation in order to arrive at contribution levels acceptable to the Authority and WMTL if a suitable financial guarantee remains in place to the satisfaction of the administering authority.
- All early retirements (including those on the grounds of ill health) from the Fund will give rise to an additional charge to the employer, calculated on a case-by-case basis for each retirement.
- Employer contributions payable to the Fund include an element to cover the expected administrative costs involved, incurred by the administering authority. This expenses allowance will be expressed as annual £s amounts, allocated to each employer by reference to total membership.

- Deficit contributions will continue to be assessed and expressed as annual £s amounts.
- In addition to any deficit 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.

In determining the above objectives, the administering authority has had regard to:

- the responses made to the consultation with employers on the valuation;
- relevant guidance issued by the CIPFA Pensions Panel; and
- the administering authority's views on the strength of the participating employers' covenants in achieving the objective.

## 7) Links to Investment Policy Set Out in the Statement of Investment Principles (SIP)

- 7.1 The Fund has, for many years after each actuarial valuation, taken professional advice in order to assist the process of formulating a strategic asset allocation. The outcome from the last exercise is reflected in the SIP. It will continue to be monitored by the Investment Sub-Committee which includes representatives from the Authority, employers and advisors.

## 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.

- 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 the employers' business outlook; and
- Failure of Prudential to fulfil obligations under the buy-in policy.

The Fund undertakes a three yearly 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 higher degree of certainty that the investment objectives will be achieved. Short-term investment management decision 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; and
- 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 annual contribution rates and/or as special additional contributions.

#### Regulatory

- Changes to regulations, eg, more favourable benefits package, potential new entrants to scheme; and
- Changes to national pension requirements, ie, via the national cost model and/or HMRC 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.

Employers will make contributions to the Fund as cases are approved for early retirement and other employing body discretions that, when exercised, alter future liabilities.

#### Governance

- Administering authority is unaware of structural changes in an employer's membership (for example, large fall in employee members, large number of retirements);
- An employer ceasing to exist with insufficient funding or adequacy of a bond/guarantee; and
- Changes in the level of covenant or guarantee arrangements provided by the employers to the Fund.

The Fund has established inter-valuation monitoring and working relations with its two employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, and the assessment of the financial standing of employers and any guarantee arrangements in place.

The Fund's approach to the outcome of the 2013 valuation has had regard to balancing the needs of funding the liabilities and the cost to the employers, taking into account the following:

- Provision of any financial guarantees;
- Financial standing of the body;
- Known activities and working activities;
- Maturity of workforce;
- De-risking of liabilities through the bulk annuity policy; and
- Risk management through changes to the investment strategy.

This analysis indicates the risk to the Fund's solvency and ability to meet prior liabilities to be within acceptable bounds. It will, however, continue to be monitored.

## Appendix

### Actuarial Valuation as at 31 March 2013

#### Method and Assumptions Used in Calculating the Funding Target Method

The funding method adopted is known as the attained age method. The attained age method is consistent with the funding objective and is appropriate for the Fund given the fact that it is closed to new members and has an ageing membership profile. The salary increases assumed for each member are projected until the member is assumed to leave active service.

#### 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 out-performance assumption ('AOA') of 2.5% pa for the period pre-retirement and 0.5% pa post-retirement for non-retired members, and also retired members not involved in the buy-in. For retired members involved in the buy-in, the AOA is 0% pa. In relation to the liabilities for Preston Bus Ltd, the AOA is reduced to 2.0% pa and 0.0% pa respectively.

When valuing the buy-in asset, consideration is given to the different shape of the buy-in cashflows and duration when determining the discount rate (with a 0% pa AOA) to apply.

The asset out-performance assumption represents 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. The allowance for this out-performance is based on the liability profile of the scheme, with a higher assumption in respect of the 'pre-retirement' (ie, active and deferred pensioner) liabilities than for the 'post-retirement' (ie, pensioner) liabilities. This approach, thereby, allows for a gradual shift in the overall growth/matching weighting of the Fund as the liability profile of the membership matures over time. The discount rate, in respect of buy-in pensioner members, reflects the buy-in policy backing these liabilities.

- **Inflation (Consumer Prices Index - CPI)**

The inflation assumption will be taken to be the investment market's expectation for RPI inflation 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, but subject to the following two adjustments.

- An allowance for supply/demand distortions in the bond market is incorporated; and
- Due to retirement pensions being increased annually by the change in the consumer prices index rather than the retail prices index.

The overall reduction to market implied RPI inflation at the valuation date is 1.0% per annum.

- **Salary Increases**

The assumption for salary increases including allowance for promotional increases, will be set as the CPI inflation assumption described, based on supporting evidence provided by WMTL reflecting pay growth expectations of the employer.

- **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).

Full details of the assumptions adopted are set out in the actuary's formal valuation report.

**Summary of Key Whole Fund Assumptions Used for Calculating Funding Target and Cost of Future Accrual (the 'Normal Cost') for the 2013 Actuarial Valuation**

<b>Long-term gilt yields</b>	
Fixed interest	3.0% pa
Index-linked	-0.6% pa
Adjustment for inflation risk premium and CPI	(1.0%) pa
Implied CPI price inflation	2.6% pa
<b>Financial assumptions - West Midlands Travel Ltd</b>	
Investment return pre-retirement*	5.5% pa
Investment return post-retirement*	3.5% pa
Salary and pension increases	2.6% pa

\*5.0% pa and 3.0% pa respectively for Preston Bus Ltd

The discount rate used to assess the value of the buy-in policy was 2.5% at 31 March 2013.

**Post-Valuation Changes in Market Conditions/ Assumptions Used in Calculating Contributions Payable**

In determining the contributions payable under the recovery plan and the cost of future benefit accrual, the actuary will adopt the same assumptions as those used to calculate the funding target, with the exception that adjustments will be made for post-valuation date market changes. In terms of assumptions, the principal change is that the discount rates have increased by 0.6% pa when assessing the value of the funding target and 0.7% pa when assessing the updated value of the buy-in policy.

The actuary will also make advance allowance for these post-valuation date market changes when determining the overall shortfall declared at the valuation date.

**Principal Demographic Assumptions**

<b>In retirement mortality assumptions</b>	<b>Table</b>	<b>Adjustment</b>
Male normal health pensioners	S1PMA CMI 2013 M (1.25%)	111%
Female normal health pensioners	S1PFA CMI 2013 F (1.25%)	103%
Male ill-health pensioners	As for male normal health pensioners + 3 years	
Female ill-health pensioners	As for female normal health pensioners + 3 years	
Male dependants	S1PMA CMI 2013 M (1.25%)	207%
Female dependants	S1DFA CMI 2013 F (1.25%)	126%
Male future dependants	S1PMA CMI 2013 M (1.25%)	113%
Female future dependants	S1DFA CMI 2013 F (1.25%)	106%

\*An age rating applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

For example, a "+1 year" rating would mean beneficiaries are assumed to have the mortality of someone one year their senior, which has the effect of reducing their life expectancy and, hence, reducing the assessed value of the corresponding liabilities.

A weighting applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy.

For example, a '111%' weighting would mean beneficiaries have mortality rates 11% higher than the unadjusted table which reduces the assessed value of the corresponding liabilities.

Commutation – one half of members take maximum lump-sum; others take 3/80ths.

No members are assumed to opt for the 50/50 scheme from 1 April 2014.

West Midlands ITA Pension Fund

Policy Statements

Statement of Investment  
Principles 2015

## 1) Introduction

- 1.1 The West Midlands Integrated Transport Authority (ITA) Pension Fund has drawn up this Statement of Investment Principles ('the statement') to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. This statement is available to anyone with an interest in the Fund and the public generally.
- 1.2 Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Pension Fund Committee established by the ITA (the administering authority) which has open representation from the admitted bodies. 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 2 opposite. The remaining elements of policy are part of the day-to-day management of the assets which is delegated to the external managers and the director responsible for the West Midlands Pension Fund at the City of Wolverhampton Council and described in Section 3.
- 1.3 The roles of the members and Committee are:

### Role of Pensions Committee

- 1) To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands ITA.
- 2) To put in place and monitor 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.

### Key Duties

#### a) Pensions Committee

- 1) Monitor compliance with legislation and best practice.
- 2) Determine and recommend investment policy:
  - a) benchmark (medium-term)
  - b) monitor policy
- 3) Appoint Committee advisers.

#### b) Investment Strategy Panel

- 1) Monitor investment management arrangements.
- 2) Review strategic investment opportunities.
- 3) Monitor implementation of investment policy.
- 4) Monitor investment activity and performance of the Fund.
- 5) Oversee the administration of investment management functions of the Fund.

## 2) Investment Objectives and Risk

### 2.1 Investment Objectives

The Authority has set the following objectives:

- i) Have resources available to meet the Fund's liabilities for pensions and other benefits provided when they fall due.
- ii) Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.
- iii) Emphasise markets that over time are likely to give better returns having regard to the risks relative to the maturity of the Fund's liabilities.
- iv) Acknowledge the risk of investing and have regard to best practice in managing that risk.

### 2.2 Risk

There are various risks to which any pension scheme is exposed. The Authority has considered the following risks and believes that they do not exceed an acceptable level:

- i) The risk of a deterioration in the funding level of the Fund due to investment markets not responding as forecast. The diversification of the investments balances this risk against the objective of seeking the better performing markets in which there is relatively good liquidity.
- ii) The risk that the investment managers, in their day-to-day management of the assets, will not achieve the rate of investment return expected by the Authority. The Authority recognises that the use of active investment managers involves such a risk and does not use active equity managers. To limit their exposure to the risk of significantly underperforming, the Authority invests the Fund's investments in highly diversified core

holdings, a mixture of equities, bonds and diversified growth funds producing a high level of probability of achieving near market rates of return at a relatively low cost. The Fund is also invested in actively managed non-government fixed interest arrangements.

- iii) Any investment decision carries with it risks of different types (for example risk of underperformance, risk from mismatching, risk from underfunding etc). The Authority recognises these different types of risk and seeks to minimise them as far as possible by regular monitoring of the performance of the fund managers, seeking advice from the actuary on the suitability of the assets with regard to the Fund's liabilities, regularly receiving advice from a range of professional advisors and ensuring that the Fund's portfolio is suitably diversified.
- iv) During 2012, the Fund arranged an insurance 'buy-in' of part of the current liabilities for pensions in payment to more effectively manage the investment, interest and longevity risks.

### 2.3 Investment Strategy

The Authority sets a long term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and the investment objectives set out above. This is reviewed at least every three years, after each actuarial valuation. The Authority believed that the investment strategy needed further action to lower the risks for employers, and sought to move to an insurance 'buy-in' of part of the liabilities for pensions in payment, this being implemented in 2012. It will not make tactical asset allocation decisions unless market movements or related issues suggest otherwise.

## 3) Day-to-Day Management of the Assets

### 3.1 Main Assets

The Authority invests the main assets of the Fund in portfolios operated by three external investment managers. The Authority is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments.

Asset class		Manager
<b>Equities</b>		
Global	} Passive	Legal and General
Emerging markets		
<b>Fixed interest</b>		
UK gilts and index-linked	Passive	Legal and General
Non-government bonds	Active	Legal and General
Diversified growth funds		Barings Baillie Gifford
Cash		

### 3.1.1 Investment Performance Benchmark

The balance of the Fund, following the buy-in, has benchmarks as set out below, with risk bands applied either side of the benchmarks that, if breached, will trigger rebalancing.

#### Post-Buy-In Strategy

Asset class	%
Global equities	34.0
Emerging market equities	6.0
<b>Total equities</b>	<b>40.0</b>
<b>Diversified growth funds</b>	<b>40.0</b>
Index-linked	10.0
Corporate bonds	10.0
<b>Total bonds</b>	<b>20.0</b>
	<b>100.0</b>

#### Non-Buy-In Strategy

Asset class	%
Global equities	42.5
Emerging market equities	2.5
<b>Total equities</b>	<b>45.0</b>
Index-linked	15.0
Gilts	20.0
Corporate bonds	20.0
<b>Total bonds</b>	<b>55.0</b>
	<b>100.0</b>

### 3.1.2 Expected Return on the Investments

Over the long-term, it is expected that the investment returns will be at least in line with the assumptions underlying the 2010 actuarial valuation, identified as up to a maximum of 6.75% pa over the recovery period. The individual portfolios should match or exceed the specific market benchmarks set for each portfolio over time. The target beta is 4.4% with an additional alpha target of 1.8%, for the post-buy-in strategy and 4.6% beta with 0.1% additional alpha for the non-buy-in strategy.

### 3.1.3 Investment Restrictions

The investment managers are prohibited from holding investments not defined as 'investments' in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

### 3.2 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 Authority monitors from time to time the suitability and performance of these vehicles. No new business is being placed with Equitable Life.

### 3.3 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. The Fund is mature in terms of benefit liabilities and has a strong cash outflow on a regular basis. However, following implementation of the insurance buy-in, there is no set policy on realising investments to meet benefits outgoings as the Fund is currently cashflow positive, rather, the position is regularly reviewed by the Investment Strategy Panel.

### 3.4 Monitoring the Investment Manager

The performance of the internally managed assets and of the external investment managers is independently measured. In addition, officers of the Fund meet the investment managers regularly to review their management of the portfolio together with the reasons for the background behind the investment performance. The Investment Strategy Panel meets at least quarterly to review markets and managers.

### 3.5 Advisers

The Fund uses a range of advisors in addition to its own specialist officers as follows:

<b>Mercer</b>	Actuarial matters, selection of investment managers, policy and investment matters relative to liabilities
<b>City of Wolverhampton Council</b> Officers of the West Midlands Pension Fund	General investment advice, management of cashflows, and pension administration

Fees paid to advisors are agreed on an individual basis for a fixed sum or scale reviewed annually or as work is commissioned.

## 4) Corporate Governance and Socially Responsible Investment (SRI)

- i) The Authority recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Authority considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society.
- ii) The Fund supports good corporate governance in the companies in which it invests and the challenging of companies who do not meet the standards or reasonable expectations set by their peers.
- iii) Socially responsible investment is taken as giving consideration to issues that give risk to social concerns – for example, employment practices, human rights, use of natural resources, environmental issues and external business standards. This links to, and covers, the issues around sustainability that have a rapidly growing significance for companies from a legislative, reputational and practical operational standpoint.
- iv) Lack of good governance interferes with a company's ability to function effectively and is a threat to the Fund's financial interest in that company.

v) The Fund is also a member of the Local Authority Pension Fund Forum. This Forum exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance among the companies in which they invest.

**5) Compliance with this Statement**

The Authority will monitor compliance with this statement. In particular it will obtain confirmation from the investment managers that they exercised their powers of investment with a view to giving effect to the principles contained in the statement so far as is reasonably practicable. The Authority undertakes to advise the investment managers promptly and in writing of any material change to this statement.

**6) Compliance with Myners**

Following from the Myners' Report into Institutional Investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations and identified ten 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 consolidated into six. The Fund supports the principles and complies with the principles. Full details of compliance are set out in the Fund's Myners' Compliance Statement which can be found on the Fund's website.

**7) Review of this Statement**

The Authority 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.