

## Appendix A



# SERVICE PLAN 2017 – 2022



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# INTRODUCTION

## 1.1 ABOUT US

### Introduction to the Funds

West Midlands Pension Fund is one of the UK's largest pension funds, managing and administering the pension interests of over 296,000 members and more than 580 scheme employers, and responsible for managing over £11.7 billion of investments on behalf of its members.

The Fund also manages the West Midlands Integrated Transport Authority (ITA) Pension Fund, which has over 5,000 members and assets of approximately £0.5 billion. Financially, the ITA Fund is kept completely separate from the West Midlands Pension Fund and has its own accounts, membership, literature (where relevant) and identity. This fund is formally administered by the West Midlands Combined Authority (WMCA), the body currently responsible for transport strategy and policy in the West Midlands.

Both funds are part of the Local Government Pension Scheme (LGPS).

Our core mission is to ensure that our members receive their pensions when they are due. To achieve this, we collect contributions from members and their employers, and invest them to generate long-term growth and returns. Our in-house team of investment professionals manage a diversified portfolio of assets.

There are three main categories of members:

- Active members, who are currently employed by one of the Fund's employers;
- Deferred members, who worked for a scheme employer in the past, and are entitled to receive a pension from the Fund in the future; and
- Pensioners, who are receiving their pensions.

The ITA Fund is a closed scheme, meaning that no new members are being admitted, but a number of active members continue to build up pension benefits.

The funds are administered by a Pensions Committee, which delegates certain investment matters to the Strategic Director of Pensions and the Investment and Funding Strategy Panel (ITA Fund). The Fund also operates a Pensions Board, whose role is to assist in the good governance of the Fund. Day-to-day management of the Fund is delegated to the Strategic Director for Pensions and her team of officers.

The Fund aims to provide a customer-focused, quality service, delivered cost-effectively, providing pension benefits to members as they fall due.

### KEY STATISTICS

	West Midlands Pension Fund	West Midlands ITA Pension Fund
<b>Members (31 December 2016)</b>		
- Active	113,015	422
- Deferred	95,548	788
- Pensioners	87,979	3,878
<b>Total</b>	<b>296,542</b>	<b>5,088</b>
Number of employers (31 December 2016)	586	2
Total assets (31 December 2016)	£13.7 billion	£490 million
Contributions received 2015/16		
- From employers	£394.2 million	£9.5 million
- From employees	£110.1 million	£1.0 million
Pension benefits paid 2015/16	£514.7 million	£28.8 million

## THE SERVICES WE OFFER

The Fund's Member Services team has extensive knowledge of the LGPS and regularly delivers presentations to members along with support and guidance. This is a service for which the Fund receives significant levels of positive feedback. This support extends to presentations, one-to-one sessions and roadshows. The Fund also tailors its service to provide bespoke events and adapts its approach to meet organisational and stakeholder needs. Some of the presentations we deliver include:

- LGPS & You (in partnership with Prudential)
- Introduction to the LGPS
- Taxation of Pension Savings for Higher Earners
- Pre-retirement
- Redeployment/Redundancy
- High Earners

The Fund's Employer Services team has considerable pensions experience and are well-versed in the issues facing employers across the region. The team maintains a telephone helpline specifically to support participating employers and provide employer coaching sessions on a variety of topics including use of the web portal and submission of data. An employer peer group was set up in 2014 to engage with employers on topical issues and as a forum to gain regular feedback. The team also facilitate the admission of new employers to the scheme and are on hand to provide support and guidance in this area.

The Customer Services team which also benefits from a high level of knowledge, experience and positive feedback, maintains a telephone helpline and email enquiry service for members and stakeholders requiring information in relation to the Fund and the LGPS, as well as the web portal's '*Ask a question*' facility. They also facilitate a reception service, allowing members to visit the Fund and discuss their pensions-related issues with a Fund officer.



## MISSION STATEMENT

**OUR MISSION IS TO PAY OUR MEMBERS' PENSIONS AS THEY BECOME DUE, WHILE PROVIDING THE HIGHEST STANDARDS OF SERVICE TO OUR MEMBERS AND EMPLOYERS**

### OUR FOUR CORE OBJECTIVES

1

To be a leading performer in the LGPS sector

2

To achieve target investment returns

3

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

4

To provide excellent customer service

### OUR PERFORMANCE FRAMEWORK



# OUR OPERATING ENVIRONMENT

2

The Local Government Pension Scheme operates in a complex and dynamic environment. There have been a number of major changes to the scheme over the last few years, and we expect the pace of change to accelerate over the medium-term.

The next few pages set out some of the key opportunities and challenges that we expect will develop in our operating environment over the period to 2022.

## 1) LGPS Pooling

The Government has tasked LGPS funds across the country with pooling their investment assets, with a view to achieving economies of scale and increasing investment in infrastructure assets. The Fund has been working with seven other LGPS funds from across the Midlands to develop LGPS Central, which will be an FCA-regulated operating company responsible for managing investment assets of more than £35 billion on behalf of its member funds. Pools must fulfil four criteria: sufficient scale (greater than £25bn), have strong governance arrangements in place, reduce costs while maintaining investment performance, and enable increased investment in infrastructure.

The company will go live from April 2018, and planning for its implementation, the transition of assets, and the Fund's changing role in the management of its investments is a major priority for the Fund over the next year.



## 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 (SAB) 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 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, early retirement terms and caps on public sector exit payments, all of which could impact on the Fund and its members.

During 2017, the SAB will be reviewing the role of local pensions boards, and the estimated overall costs of the scheme.

## 3) Funding Strategy

The 2016 actuarial valuation determines 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. During 2017/18, the Government Actuary's Department (GAD) will review and report on whether funds achieve the new regulatory requirement, naming funds where remedial action is required.

The 2016 valuation has been carried out in a context of scheme change (the first valuation incorporating the new CARE scheme and 50:50 section), member movement reflecting business efficiency programmes, a lower investment return outlook and pressures on employer finances (many of whom are directly and indirectly impacted by austerity measures). Notwithstanding these significant challenges, the Fund has worked with the scheme actuary and consulted with all employers to establish contribution levels for the next three years.

## 4) The Impact of Changing Cashflow Profile and Declining Market Returns

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 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 returns on investments have been impacted by a slowdown in global economic growth. It will be important 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 and investment opportunities.

## 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.

The Fund is also pursuing the use of technology to achieve efficiencies in the way it performs its routine investment processes.



## 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 engaging with employers, will be key to managing this risk and the impact on the Fund. Furthermore, the Fund continues to experience 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 continues to 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 improving data quality and reporting. Data cleansing is ongoing and, during 2017/18, the Fund will roll out tools to enable a more frequent data exchange. Greater employer and member self-service is planned to enhance quality and the cost efficiency of data handling.

The introduction of monthly submissions from April 2017 will be a major part of the Fund's approach, and is expected to lead to improved data quality and efficiencies for both the Fund and employers.

May 2018 will see the most significant change to data protection legislation since the Data Protection Act 1998. The changes will bring about a greater level of transparency and accountability on authorities who manage the data of individuals. The Fund will need to review its processes and policies to ensure it is compliant with the changes when they come into force in May 2018 and will need to undertake a program of transition to ensure its on going compliance.

## 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 addition to this, the forthcoming MIFID II will require all funds to provide further breakdown and transparency of costs. 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). Furthermore, it will be critical for the Fund to work with its partners to continue the drive for increased transparency in the reporting of its investment management costs.

# CORPORATE PRIORITIES

3

Our corporate priorities for the period 2017-2022 are set out below.

CORE OBJECTIVES	WHAT WILL WE DO?	WHEN WILL WE DO IT?	HOW WILL WE MEASURE OUR SUCCESS?
3, 4	Ensure that the outcomes of the 2016 actuarial valuation are implemented	2017 - 2018	<ul style="list-style-type: none"> <li>• Obtain updated Rates and Adjustments certificate and accompanying actuary's report before 31 March</li> </ul>
2, 3	Implement and monitor the investment strategy	2017 - 2022	<ul style="list-style-type: none"> <li>• Investment returns</li> <li>• Funding level</li> </ul>
1, 3	Seek opportunities to reduce investment cost whilst retaining value for money	2017 - 2018	<ul style="list-style-type: none"> <li>• Cost of investment management as a percentage of assets</li> </ul>
1, 3	Demonstrate cost efficiency in our dealings with members and employers, including exploring opportunities to generate revenue to reduce net administration costs	2017 - 2022	<ul style="list-style-type: none"> <li>• Cost-per-member</li> <li>• Contributions received percentage</li> <li>• Days taken to prepare quarterly accounts</li> </ul>
3	Continue to develop the existing covenant monitoring framework to support risk monitoring and enable early engagement on affordability issues and employer exit costs	2017 - 2019	<ul style="list-style-type: none"> <li>• Covenant risk reporting</li> <li>• Trigger-based engagement</li> </ul>
4	Provide the highest standards of customer care to our employers and members	2017 - 2022	<ul style="list-style-type: none"> <li>• Customer satisfaction survey (employers and members)</li> <li>• Employer and Member Services calls</li> <li>• Availability of online services</li> <li>• IDRP and complaints monitoring</li> <li>• Implementation of customer engagement plan</li> </ul>
4	Develop customer engagement with both members and employers	2017 - 2020	<ul style="list-style-type: none"> <li>• Customer satisfaction survey</li> <li>• Carry out customer journey mapping</li> </ul>
1, 4	Demonstrate achievement of the highest standards in everything that we do through external audit, accreditation and awards	2017 - 2022	<ul style="list-style-type: none"> <li>• Reaccreditation and shortlisting for awards</li> <li>• Clean audit report</li> </ul>
1, 4	Ensure that our staff, trustees and board members have access to high quality training to ensure that they have the right skills and knowledge, and are highly motivated	2017 - 2022	<ul style="list-style-type: none"> <li>• Training hours</li> <li>• Qualifications</li> <li>• Staff sickness</li> <li>• Staff turnover</li> <li>• Trustee attendance</li> </ul>

CORE OBJECTIVES	WHAT WILL WE DO?	WHEN WILL WE DO IT?	HOW WILL WE MEASURE OUR SUCCESS?
1, 4	Review and develop people and processes to ensure operational flexibility and efficient, high quality service delivery	2017 - 2022	<ul style="list-style-type: none"> <li>Skills matrix</li> <li>Fund-wide briefings</li> <li>Delivery of the process review plan</li> <li>Retain LiP accreditation</li> <li>Increased automation</li> </ul>
1, 4	Continue to develop the Fund's electronic business model to improve data quality and ensure continued cost efficiencies	2017 - 2020	<ul style="list-style-type: none"> <li>Web portal registration numbers</li> <li>Delivery of more frequent bulk data exchange (eg, monthly submissions)</li> <li>Refresh of web portal</li> </ul>
3, 4	Monitor and improve membership data cleanliness, working with employers to improve the timeliness and quality of data received and reduce the number of outstanding data items	2017 - 2019	<ul style="list-style-type: none"> <li>Monitoring against statutory record-keeping requirements</li> <li>Progress against data improvement plans</li> <li>Monitoring and reporting on employer performance</li> <li>Employer coaching and feedback</li> </ul>
3	Complete, as far as possible, the process of reconciling Fund GMP data with HMRC records	2017 - 2018	<ul style="list-style-type: none"> <li>Delivery of phased review in line with project plan before December 2018</li> </ul>
2	Work with our partners to establish LGPS Central and plan for the effective transition of assets into the pool.	2017 - 2022	<ul style="list-style-type: none"> <li>Delivery in line with project plan</li> <li>All key approvals secured</li> </ul>

## KEY PERFORMANCE INDICATORS

### CORE OBJECTIVE 1

#### TO BE A LEADING PERFORMER IN THE LGPS SECTOR

##### Clean Audit Report

Frequency of measurement: **Annually**

Receive an unqualified audit opinion from the main Fund's external auditors

**Target for 2017/18**

Clean report

**Actual 2016/17**

Clean report

Annual audit returns no significant findings

**Target for 2017/18**

0 significant findings

**Actual 2016/17**

0 significant findings

Receive an unqualified audit opinion from the ITA Fund's external auditors

**Target for 2017/18**

Clean report

**Actual 2016/17**

Clean report

Annual audit returns no significant findings

**Target for 2017/18**

0 significant findings

**Actual 2016/17**

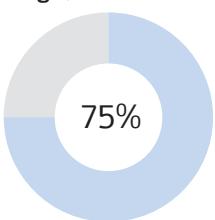
0 significant findings

##### External Accreditation

Frequency of measurement: **Monthly**

Percentage of awards entered for which the Fund is shortlisted.

**Target for 2017/18**

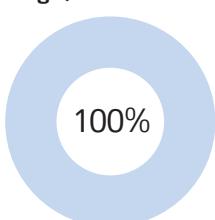


**December 2016**

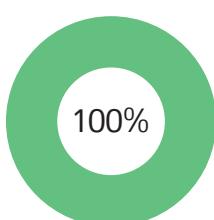


Retain Customer Service Excellence (CSE) and Investors in People (IiP) accreditations.

**Target for 2017/18**



**December 2016**



##### Sickness Absence

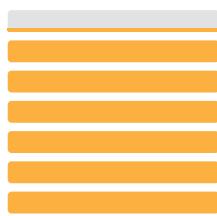
Frequency of measurement: **Monthly**

Average number of days lost to sickness per FTE member of staff.

**Target for 2017/18**



**Forecast 2016/17**



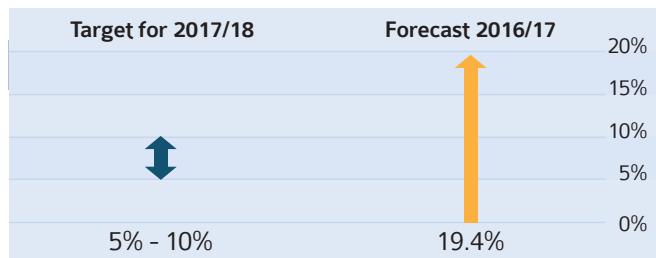
6 days

6.3 days

##### Staff Turnover

Frequency of measurement: **Monthly**

Staff turnover to be between 5-10% in a financial year (calculated as number of leavers/number of posts at start of year). The turnover in 2016/17 was unusually high, reflecting a restructure in the Fund's Administration team to respond to increasing demand and workload.



##### Training Hours

Frequency of measurement: **Quarterly**

Average continuous professional development (CPD) per Fund employee.

**Target for 2017/18**



**Forecast 2016/17**

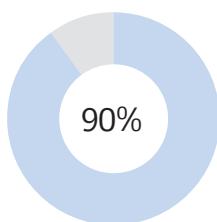


## Trustee Training and Pensions Board

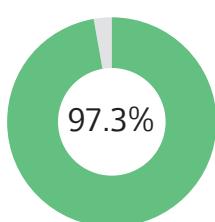
Frequency of measurement: **Monthly**

Satisfaction rate from feedback of trustee training/pensions board events to be 90%.

**Target for 2017/18**

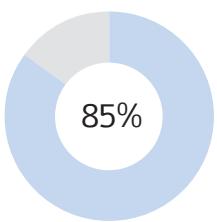


**December 2016**

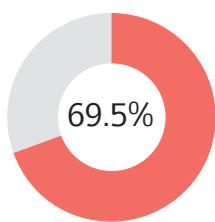


Attendance rate of trustees/board members at Fund-scheduled training events

**Target for 2017/18**



**December 2016**



Amount of training recorded by trustees/board members during the year

**Target for 2017/18**

22.0 hours



**Forecast 2016/17**

48.5 hours

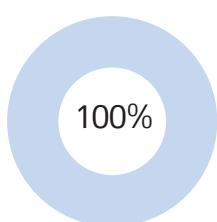


## Complaints Monitoring

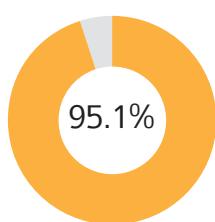
Frequency of measurement: **Monthly**

All complaints to be completed within 20 working days of receipt

**Target for 2017/18**



**December 2016**



\*The forecast performance against this statistic is related to work that the Fund is currently undertaking on outstanding data (late leaver notifications) and is therefore being actively addressed.

## Data Quality

Frequency of measurement: **Bi-annually**

Invalid or temporary national insurance number

**Target for 2017/18**

<1%

**November 2016**

0.34%

Member has no address

**Target for 2017/18**

<5%

**November 2016**

2.04%

Member is active but has not made contributions for 12 months

**Target for 2017/18**

<1%

**November 2016**

n/a

Non-active member with missing date of leaving

**Target for 2017/18**

<1%

**November 2016**

0.01%

Active member has no earnings in last 12 months

**Target for 2017/18**

<1%

**November 2016\***

5.45%

No entries in basic/pensionable/other salary

**Target for 2016/17**

<1%

**November 2016**

1.29%

Member has no contribution history

**Target for 2017/18**

<5%

**November 2016**

5.08%

## Quarterly Accounts

Frequency of measurement: **Quarterly**

Days taken to prepare quarterly accounts

**Target for 2017/18**

20 days

**Forecast 2016/17**

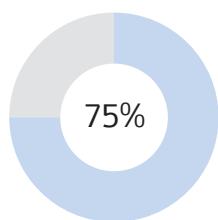
19.5 days

## Qualifications

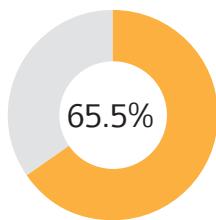
Frequency of measurement: **Quarterly**

At least 75% of staff to hold a relevant qualification

**Target for 2017/18**



**December 2016**

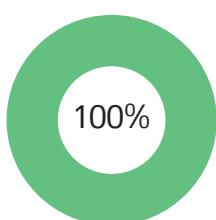


## IDRP Monitoring

Frequency of measurement: **Quarterly**

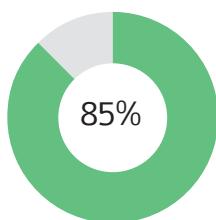
**Stage 1:** IDRP completed within timescales where notified

**Target for 2017/18**



**Stage 2:** IDRP decision is communicated to requestor within two months

**Target for 2017/18**



## CORE OBJECTIVE 2

### TO ACHIEVE TARGET INVESTMENT RETURNS

#### Investment Returns/ Main Fund Performance

Frequency of measurement: **Quarterly**

Returns to be within a target range of the benchmark (three-year rolling) (ITA Fund to match benchmark)



#### ITA Fund Performance



## CORE OBJECTIVE 3

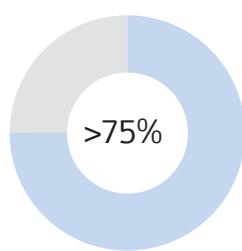
### TO ENSURE THE SOLVENCY OF THE FUND AND ITS ABILITY TO PAY PENSIONS

#### Improve Funding Level – Main Fund

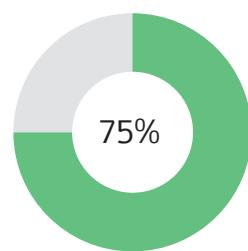
Frequency of measurement: **Triennially**

Funding level to be higher than position as at 2013 valuation

Target for 2016

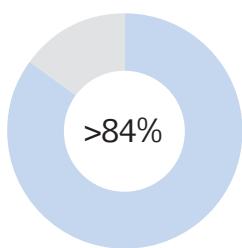


Actual 2013

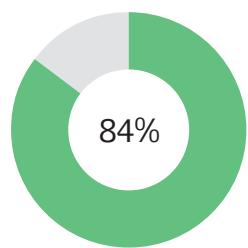


#### ITA Fund

Target for 2016



Actual 2013



#### Cost Per Member – Main Fund

Frequency of measurement: **Quarterly**

Cost of administration, oversight and governance per member

Target for 2017/18

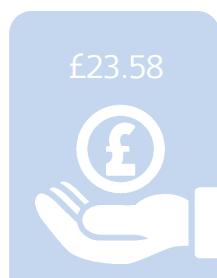


Forecast 2016/17



#### ITA Fund

Target for 2017/18



Forecast 2016/17

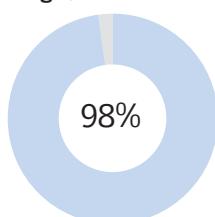


## Contributions Received

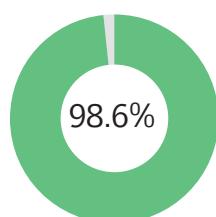
Frequency of measurement: **Monthly**

**Main Fund:** Contributions received by the due date (by value)

Target for 2017/18

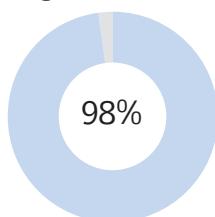


December 2016

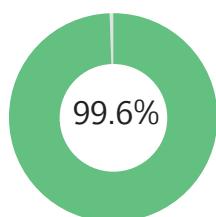


**ITA Fund:** Contributions received by the due date (by value).

Target for 2017/18



December 2016



## CORE OBJECTIVE 4

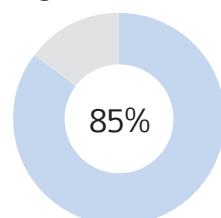
### TO PROVIDE EXCELLENT CUSTOMER SERVICE

#### Employer and Member Service Calls

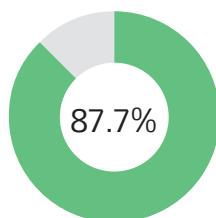
Frequency of measurement: **Monthly**

Calls to the customer helpline answered

Target for 2017/18

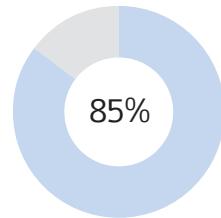


December 2016

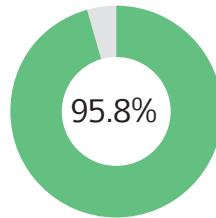


Calls to the employer helpline answered

Target for 2017/18



December 2016

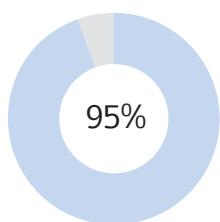


## Availability of Online Services

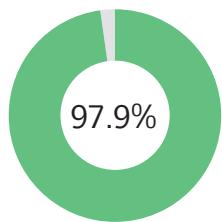
Frequency of measurement: **Monthly**

Time that website and web portal are available

**Target for 2017/18**



**December 2016**



Number of occurrences web portal is unavailable (per month)

**Target for 2017/18**

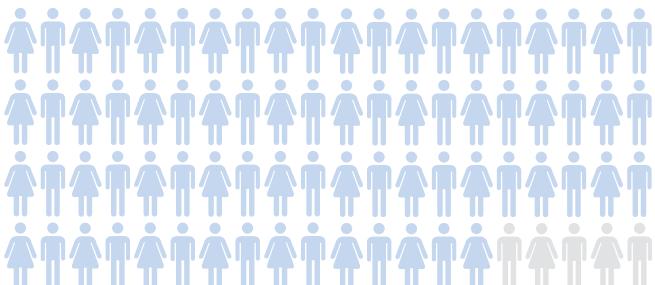


**December 2016**



Number of members to be registered on web portal by 31 March 2018

**Target for 2017/18**



75,000

**Forecast 2016/17**



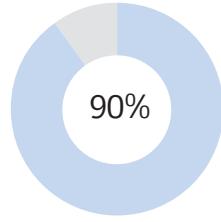
50,000

## Transfers In

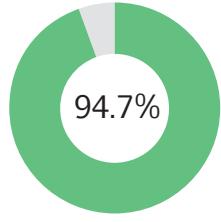
Frequency of measurement: **Monthly**

Transfer in quotations processed within ten days of receiving all the required information

**Target for 2017/18**

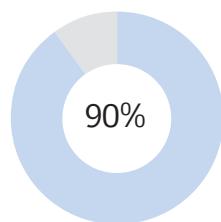


**December 2016**

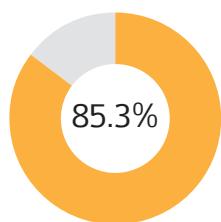


Transfer notification of transferred in membership to be notified to the scheme member within ten days of receiving payment

**Target for 2017/18**



**December 2016**

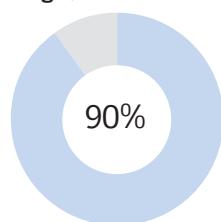


## Transfers Out

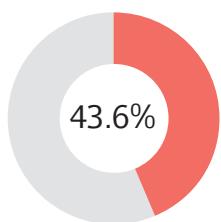
Frequency of measurement: **Monthly**

Transfer out quotations processed within 20 days

**Target for 2017/18**

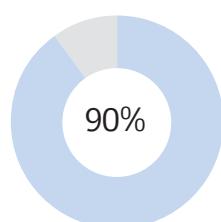


**December 2016\***

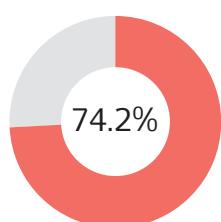


Transfer out payments processed within ten days

**Target for 2017/18**



**December 2016**



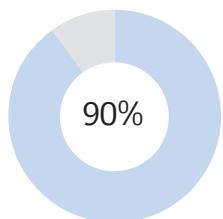
\* Performance against this KPI was impacted by changes to transfer value calculations and factors introduced by the Government Actuary's Department during 2016/17

## Retirements

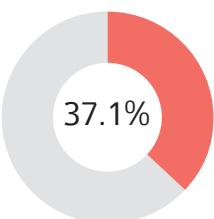
Frequency of measurement: **Monthly**

Retirement options to members within 15 days

**Target for 2017/18**

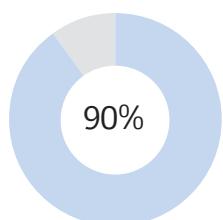


**December 2016\*\***

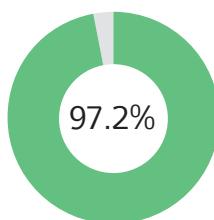


Notification of the actual retirement benefits issued to the scheme member within five days following receipt of the required information

**Target for 2017/18**

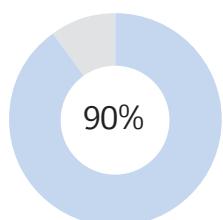


**December 2016**

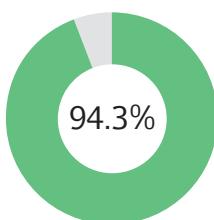


New retirement benefits processed for payment following receipt of election within five days

**Target for 2017/18**



**December 2016**

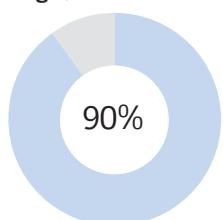


## Deferred Retirements

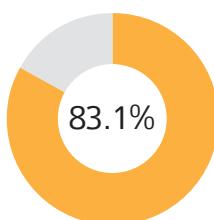
Frequency of measurement: **Monthly**

Retirement options to members within 15 days

**Target for 2017/18**



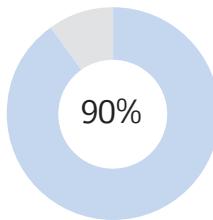
**December 2016**



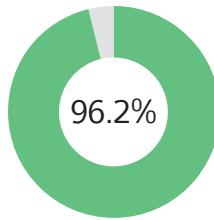
\*\* Performance against this KPI was impacted by a delay in the confirmation of the pension increase that would apply from April 2016. Performance against this KPI has improved during 2016/17; in December 2016 it stood at 83.2%

Notification of the actual retirement benefits issued to the scheme member within five days following receipt of the required information

**Target for 2017/18**

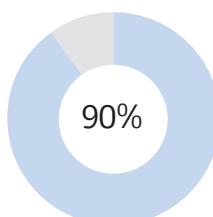


**December 2016**

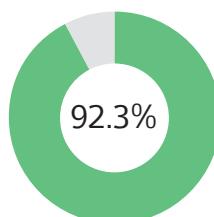


New retirement benefits processed for payment following receipt of election within five days

**Target for 2017/18**



**December 2016**

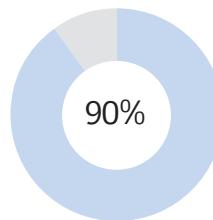


## Deaths

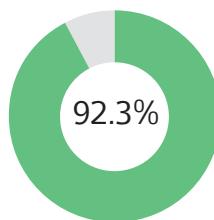
Frequency of measurement: **Monthly**

Acknowledgement of a death within five days of receiving the notification

**Target for 2017/18**

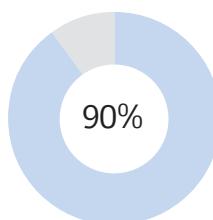


**December 2016**

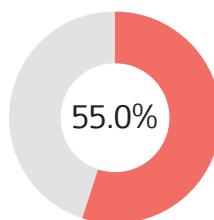


Notification of benefits payable to dependents issued within five days of receiving the required information

**Target for 2017/18**

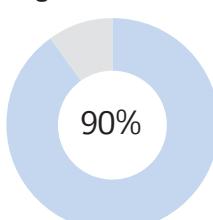


**December 2016\***

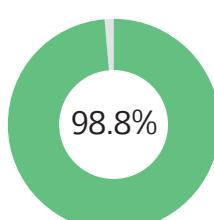


Payment of death lump-sum made within ten days of receipt of all the required information

**Target for 2017/18**



**December 2016**

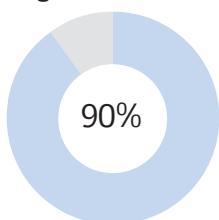


## Customer Satisfaction Survey

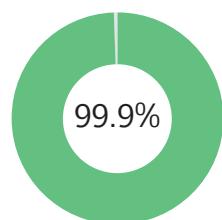
Frequency of measurement: **Quarterly**

Overall member satisfaction score

Target for 2017/18

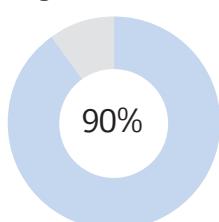


December 2016

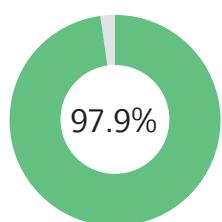


Overall employer satisfaction score

Target for 2017/18



December 2016

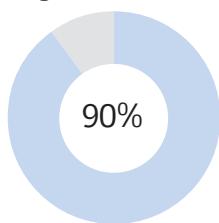


## Benefit Statements

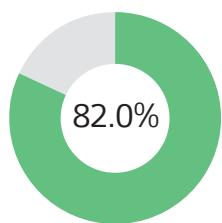
Frequency of measurement: **Annually**

Percentage of annual benefit statements made available to eligible active members by 31 August 2017

Target for 2017/18

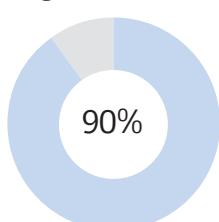


December 2016

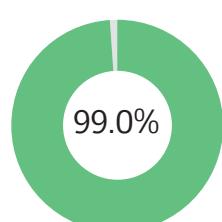


Percentage of deferred benefit statements made available to eligible deferred members by 31 August 2017

Target for 2017/18



December 2016



\* Performance against this KPI has improved during 2016/17 following a review of the process; in December 2016 it stood at 90.3%

## 4

# RESOURCES

## 4.1 FINANCES

The Fund aims to hold or reduce costs in the face of increasing demands on its services, whilst continuing to ensure cost efficiency and value for money. All items of expenditure are comprehensively reviewed on an annual basis, and close monitoring of the forecast outturn position with reference to the budget takes place regularly throughout the year. The Fund also forecasts its costs and income over the medium-term, reflecting the plans set out in this service plan.

The Fund's operating budget for 2017/18 is £80.1 million. Of this, £79.3 million is met by the Fund, and £750,000 by the ITA Fund. Fees paid to external investment managers are estimated at £69.6 million for the main Fund and £600,000 for the ITA Fund.

### OPERATING BUDGET 2017/18 AND MEDIUM-TERM FORECASTS

	2016/17 Budget £000	2017/18 Budget £000	2018/19 Forecast £000	2019/20 Forecast £000	2020/21 Forecast £000	2021/22 Forecast £000
Employees	5,405	6,270	6,313	6,500	6,654	6,688
Premises	294	300	305	310	315	320
Transport	48	83	85	87	89	91
Other supplies and services	610	640	647	654	661	673
Professional fees	1,823	1,410	1,438	1,466	1,496	1,52
Communications and computing	591	639	652	666	680	694
Support services	515	558	569	580	591	602
Miscellaneous income	(5)	(5)	(5)	(5)	(5)	(5)
<b>Sub total</b>	<b>9,281</b>	<b>9,895</b>	<b>10,004</b>	<b>10,258</b>	<b>10,481</b>	<b>10,589</b>
External investment management costs	72,800	70,200	74,412	78,877	83,610	88,627
<b>Total</b>	<b>82,081</b>	<b>80,095</b>	<b>84,416</b>	<b>89,135</b>	<b>94,091</b>	<b>99,216</b>
Funded by:						
- West Midlands Pension Fund	81,331	79,345	83,666	88,385	93,341	98,466
- West Midlands ITA Pension Fund	750	750	750	750	750	750
<b>Net budget</b>	<b>82,081</b>	<b>80,095</b>	<b>84,416</b>	<b>89,135</b>	<b>94,091</b>	<b>99,216</b>

One of the key measures for the Fund when considering the cost of administration (including oversight and governance) is the annual cost per scheme member. For 2017/18, this is estimated to stand at £23.20, lower than the 2016/17 budgeted figure of £23.56.

### COST OF ADMINISTRATION, OVERSIGHT AND GOVERNANCE PER SCHEME MEMBER

Main Fund	2016/17 Budget	2017/18 Budget	2018/19 Forecast	2019/20 Forecast	2020/21 Forecast	2021/22 Forecast
Total administration, oversight and governance costs (£000)	6,766	7,069	7,096	7,275	7,432	7,479
<b>Cost of administration, oversight and governance per member (£)</b>	<b>23.56</b>	<b>23.20</b>	<b>22.65</b>	<b>22.60</b>	<b>22.49</b>	<b>22.06</b>
ITA Fund						
Total administration, oversight and governance costs (£000)	120	120	120	120	120	120
<b>Cost of administration, oversight and governance per member (£)</b>	<b>23.34</b>	<b>23.58</b>	<b>23.58</b>	<b>23.58</b>	<b>23.58</b>	<b>23.58</b>

## MEDIUM-TERM FORECASTS: MAIN FUND

The following table provides forecasts for the whole Fund over the medium-term, including projections for pension payments, contributions and investments in addition to the operating budgets.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
<b>Contributions and benefits</b>						
Contributions receivable	(514.8)	(1,089.2)	(334.5)	(349.9)	(659.7)	(674.2)
Other income	(15.5)	(15.7)	(16.0)	(16.3)	(16.6)	(16.9)
<b>Total contributions and other income</b>	<b>(530.3)</b>	<b>(1,104.9)</b>	<b>(350.5)</b>	<b>(366.2)</b>	<b>(676.3)</b>	<b>(691.1)</b>
Benefits payable	534.1	555.2	582.3	610.3	639.2	669.0
Other payments	0.3	0.3	0.3	0.3	0.3	0.3
<b>Total benefits and other expenditure</b>	<b>534.4</b>	<b>555.5</b>	<b>582.6</b>	<b>610.6</b>	<b>639.5</b>	<b>669.3</b>
<b>Net cost of pensions</b>	<b>4.1</b>	<b>(549.4)</b>	<b>232.1</b>	<b>244.4</b>	<b>(36.8)</b>	<b>(21.8)</b>
<b>Returns on investments</b>						
Investment income	(162.7)	(198.0)	(211.0)	(219.1)	(229.5)	(242.3)
(Gains)/losses in value of investments	(2,161.9)	(650.6)	(693.2)	(719.9)	(754.1)	(796.3)
<b>Net return on investments</b>	<b>(2,324.6)</b>	<b>(848.6)</b>	<b>(904.2)</b>	<b>(939.0)</b>	<b>(983.6)</b>	<b>(1,038.6)</b>
<b>Management expenses</b>	<b>74.0</b>	<b>79.3</b>	<b>83.7</b>	<b>88.4</b>	<b>93.3</b>	<b>98.5</b>
<b>Net increase in the Fund during the year</b>	<b>(2,246.5)</b>	<b>(1,318.7)</b>	<b>(588.4)</b>	<b>(606.2)</b>	<b>(927.1)</b>	<b>(961.9)</b>
Net assets of the Fund at the beginning of the year	11,662.0	13,908.5	15,227.2	15,815.6	16,421.8	17,348.9
<b>Net assets of the Fund at the end of the year</b>	<b>13,908.5</b>	<b>15,227.2</b>	<b>15,815.6</b>	<b>16,421.8</b>	<b>17,348.9</b>	<b>18,310.8</b>

Note 1: the figures for returns on investments assume growth in the value of investment assets of 6% per year.

Note 2: The contributions receivable for 2017/18 to 2019/20 reflect agreements with some individual employers to pay elements of their contributions in advance.

## MEDIUM-TERM FORECASTS: ITA FUND

The following table provides forecasts for the ITA Fund over the medium-term, including projections for pension payments, contributions and investments in addition to the operating budgets.

	2016/17 £m	2017/18 £m	2018/19 £m	2019/20 £m	2020/21 £m	2021/22 £m
<b>Contributions and benefits</b>						
Contributions	(10.6)	(11.8)	(11.8)	(11.9)	(11.9)	(11.9)
Other employer contributions	(2.8)	(2.8)	(2.9)	(2.9)	(3.0)	(3.1)
<b>Total contributions and other income</b>	<b>(13.4)</b>	<b>(14.6)</b>	<b>(14.7)</b>	<b>(14.8)</b>	<b>(14.9)</b>	<b>(15.0)</b>
Benefits payable	29.1	29.7	30.6	31.5	32.5	33.5
<b>Total benefits and other expenditure</b>	<b>29.1</b>	<b>29.7</b>	<b>30.6</b>	<b>31.5</b>	<b>32.5</b>	<b>33.5</b>
<b>Net cost of pensions</b>	<b>15.7</b>	<b>15.1</b>	<b>15.9</b>	<b>16.7</b>	<b>17.6</b>	<b>18.5</b>
<b>Returns on investments</b>						
Investment income	(17.6)	(18.8)	(19.3)	(19.8)	(20.3)	(20.8)
(Gains)/losses in value of investments	(28.5)	(10.7)	(11.0)	(11.3)	(11.6)	(11.9)
<b>Net return on investments</b>	<b>(46.1)</b>	<b>(29.5)</b>	<b>(30.3)</b>	<b>(31.1)</b>	<b>(31.9)</b>	<b>(32.7)</b>
<b>Management expenses</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>	<b>0.8</b>
<b>Net (increase) in the Fund during the year</b>	<b>(29.6)</b>	<b>(13.6)</b>	<b>(13.6)</b>	<b>(13.6)</b>	<b>(13.5)</b>	<b>(13.4)</b>
Opening Fund balance	460.9	490.5	504.1	517.7	531.3	544.8
<b>Closing Fund balance</b>	<b>490.5</b>	<b>504.1</b>	<b>517.7</b>	<b>531.3</b>	<b>544.8</b>	<b>558.2</b>

## 4.2 PEOPLE AND SKILLS

Having the right people, with the right skills, is fundamental to our work. This applies equally to our employees and our trustees, and we have put in place a rigorous system to develop and maintain their skills and knowledge. This includes regular, structured training and briefing sessions, providing support for formal professional qualifications, and encouraging people to undertake self-directed learning and development wherever possible. In addition, we actively support our employees in complying with their relevant professional institute's continuous professional development requirements.

The skills and knowledge framework in place at the Fund is based upon the CIPFA Knowledge and Skills Framework, which identifies six core technical requirements, as set out below. We will report on the amount of training undertaken throughout the year through our key performance indicators.

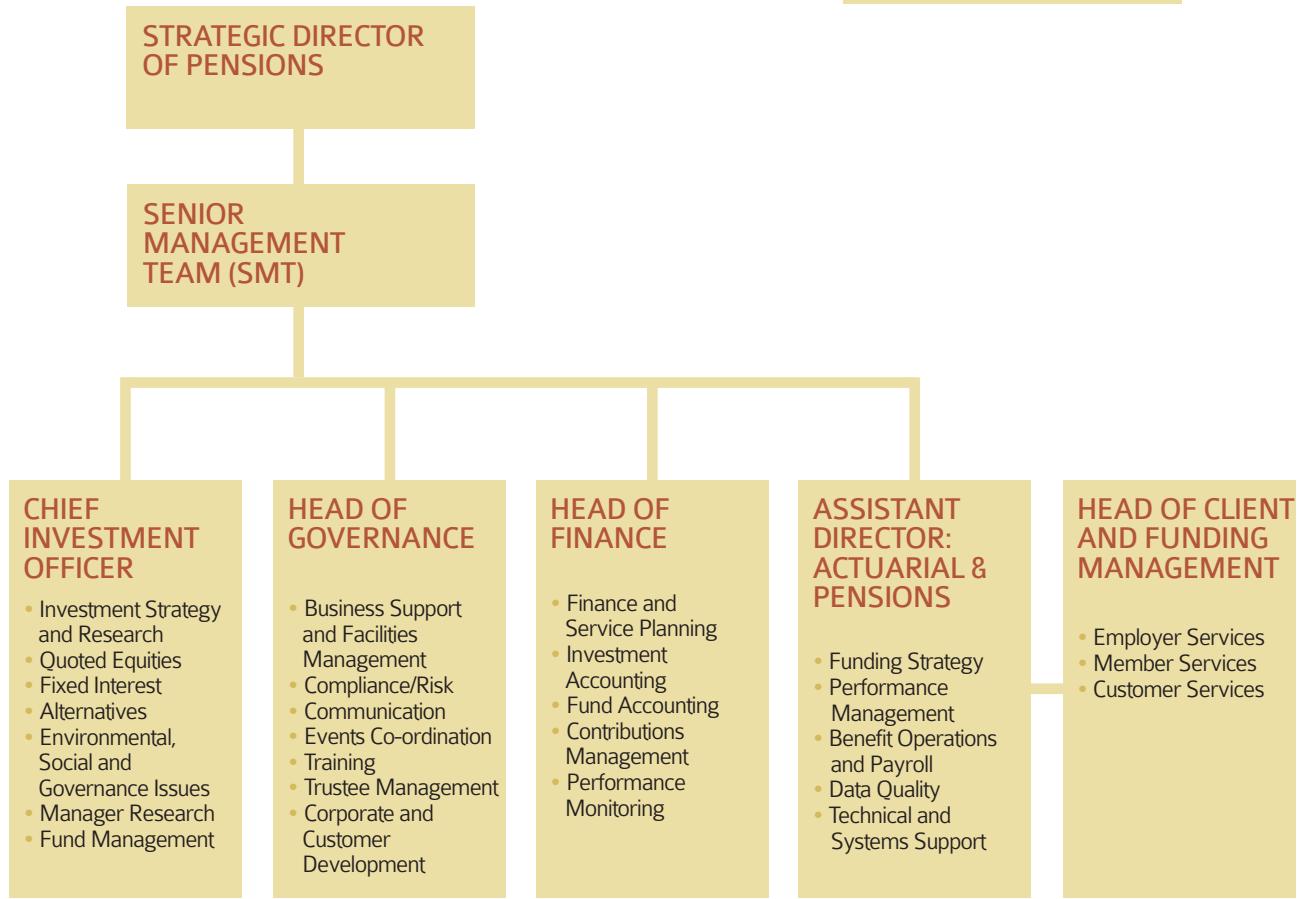
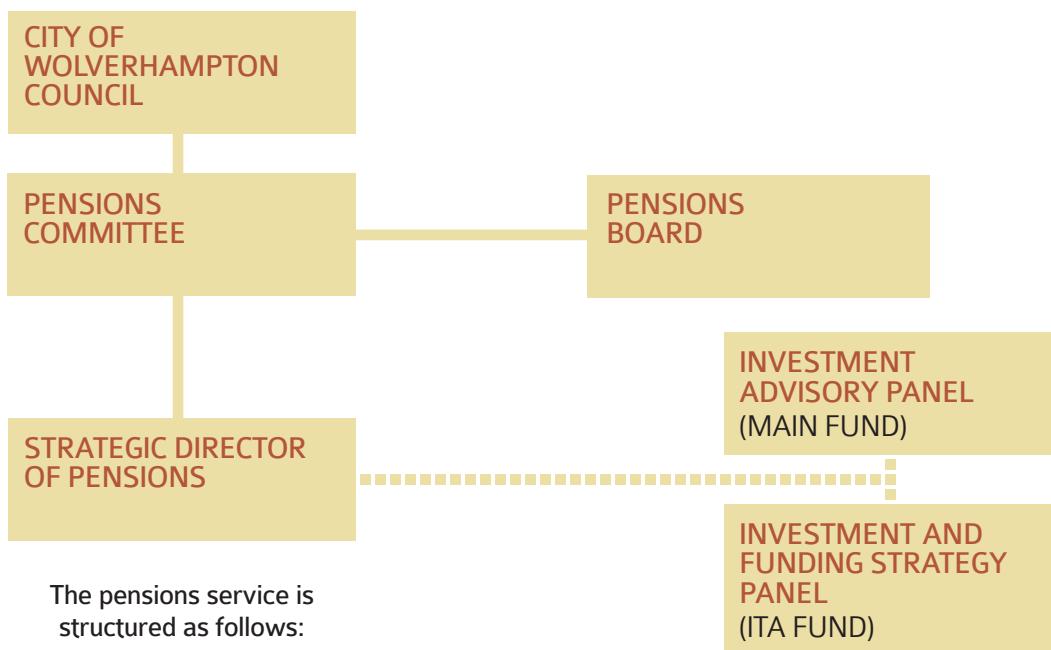
- Pensions legislation and governance context
- Pension accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance risk management
- Financial markets and products knowledge
- Actuarial methods, standards and practices

We have an approved establishment of 134.0 full-time equivalent (FTE) employees, located across four departments, as follows:

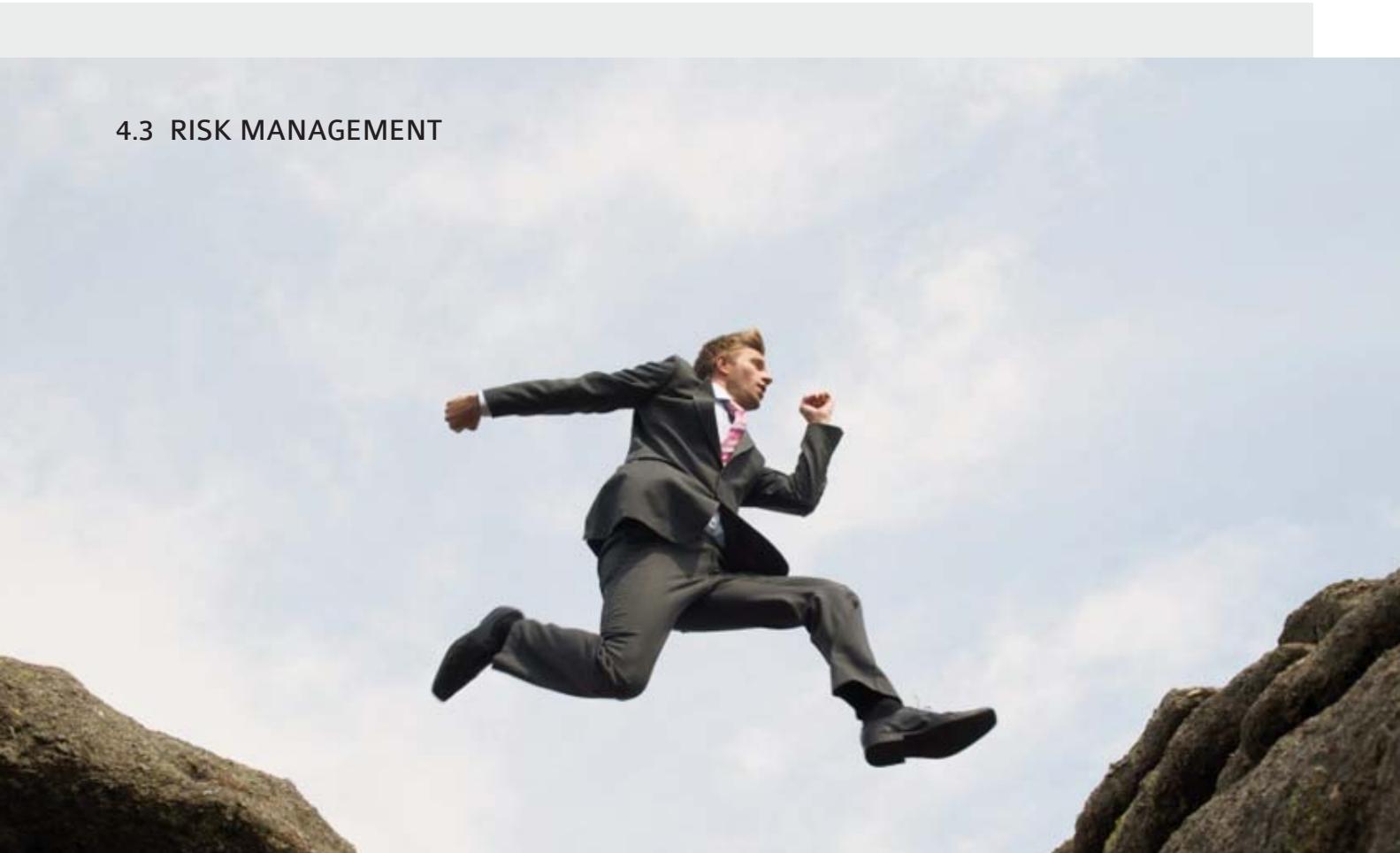
	FTE
Executive	2.0
Administration	91.0
Governance	12.5
Finance	11.5
Investments	17.0
	<b>134.0</b>



## OPERATIONAL ORGANISATION



#### 4.3 RISK MANAGEMENT



Risk management is a critical part of the Fund's work. We have a comprehensive risk register, which is reviewed on an annual basis, with detailed monitoring being carried out quarterly. It is also made available to both our internal and external auditors.

There are clear structures and accountabilities at the Fund, which feed into and support those of our administering authority. A full programme of internal audit work is agreed ahead of each financial year, and carried out throughout the year. We also have an internal compliance team, who put in place and monitor risk management and compliance procedures.

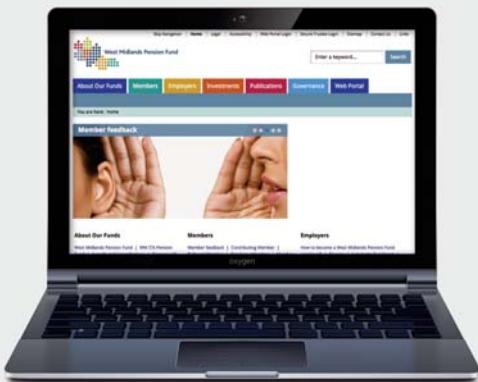
The Fund also works closely with its employers to ensure that a range of risks are appropriately identified and managed, including:

- regular monitoring of contributions received;
- review of adherence to Pensions Administration Strategy, including data quality checks;
- employer coaching; and
- a framework to assess and monitor employer covenant risk.

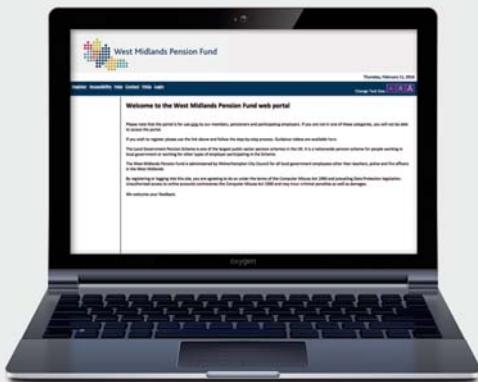
Investment risk is a particular area of focus for us, and this is managed in a number of ways, including ensuring appropriate diversification, monitoring of asset performance and risk, due diligence and monitoring of investment managers, and segregation of duties. To assist with this, the Fund operates an Investment Advisory Panel, whose role is to provide independent scrutiny and advice by qualified professionals.

For the ITA fund, a smaller role is performed by the Investment Strategy Panel, which also includes employer representatives.

## 5 OTHER INFORMATION



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



[wmpfonline.com/webportal](http://wmpfonline.com/webportal)

### LINKS TO KEY DOCUMENTS

- [Annual Report](#)
- [Pensions Administration Strategy](#)
- [Funding Strategy Statement](#)
- [Statement of Investment Principles](#)
- [Responsible Investment Framework](#)
- [2016 Valuation Report](#)
- [Governance Compliance Statement](#)
- [Risk Register](#)
- [Communications Policy Statement](#)
- [Customer Engagement Strategy](#)

### KEY CONTACT DETAILS

#### West Midlands Pension Fund

PO Box 3948  
Wolverhampton  
WV1 1XP

t: 0300 111 1665

e: [pensionfundenquiries@wolverhampton.gov.uk](mailto:pensionfundenquiries@wolverhampton.gov.uk)

w:[wmpfonline.com](http://wmpfonline.com)

@[wmpfonline](http://wmpfonline)