

Fund Account

2016/17 £m		Note	2017/18 £m
	Contributions & Benefits		
(529.8)	Contributions Receivable	P8	(1,040.0)
(16.6)	Transfers In	P9	(25.6)
(15.1)	Other Income	P10	(14.5)
(561.5)	Total contributions and other income		(1,080.1)
531.3	Benefits Payable	P11	555.9
27.7	Payments to and on account of leavers	P12	41.0
0.4	Other Payments		0.7
559.4	Total benefits and other expenditure		597.6
71.0	Management Expenses	P13	66.8
	Returns on Investments		
(205.8)	Investment Income	P14	(241.0)
(2,115.1)	Changes in Value of Investments	P16	313.5
(381.7)	Profits and Losses on Disposal of Investments		(616.3)
(2,702.6)	Net return on investments		(543.8)
(2,633.7)	Net (Increase) in the Fund During the Year		(959.5)
11,660.7	Net Assets of the Fund at the beginning of the year		14,294.4
14,294.4	Net Assets of the Fund at the end of the year		15,253.9

Net Assets Statement

31 March 2017 £m		Note	31 March 2018 £m
	Investment Assets (at Market Value)	P15	
192.4	Bonds		188.5
1,368.4	UK Equities		1,492.2
5,920.3	Overseas Equities		6,343.5
5,574.4	Pooled Investment Vehicles		5,351.9
756.4	Property		862.8
-	Derivatives - Futures		-
-	Derivatives - Forward Foreign Exchange		44.9
111.8	Foreign Currency Holdings		126.0
304.1	Cash Deposits		830.1
0.2	Other Investment Assets		0.4
24.7	Outstanding Dividend Entitlement and Recoverable With-Holding Tax		45.2
14,252.7	Investment Assets		15,285.5
	Investment Liabilities (at Market Value)	P15	
-	Other Investment Liabilities		-
-	Investment Liabilities		-
14,252.7	Net Investment Assets		15,285.5
0.1	Long Term Investments	P27	2.1
16.2	Other Long-Term Assets	P19	25.1
58.2	Current Assets	P20	252.5
(32.8)	Current Liabilities	P21	(311.3)
14,294.4	Net Assets of the Fund at the end of the year		15,253.9

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position of the Fund, 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 Pension Fund Statements

Note P1 - General

The description in this note is a high-level summary of the Fund's activities, and more detail is available in the Fund's Annual Report 2018, which can be found on its website at: <http://www.wmpfonline.com/article/4764/Annual-Reports>.

West Midlands Pension Fund is part of the Local Government Pension Scheme, and is administered by the City of Wolverhampton Council on behalf of all local authorities in the West Midlands and other employers who have members in the Fund. Membership of the Fund is available to all local government employees including non-teaching staff of schools and further and higher education corporations in the West Midlands region, together with employees of scheduled and admitted bodies. At 31 March 2018, the Fund had 622 participating employers, and 313,399 members, as set out in the following table. A full list of participating employers can be found in the Fund's annual report.

31 March 2017 No.		31 March 2018 No.
117,005	Active Members	118,093
88,496	Pensioner Members	91,741
96,591	Deferred Members	103,565
302,092	Total	313,399

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. A Pensions Board was also in operation during 2017/18. Membership of the Committee and Board can be found on the City of Wolverhampton Council website: <http://wolverhampton.moderngov.co.uk/mgListCommittees.aspx?bcr=1>

The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)
- The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016

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 2018. In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2017/18 contribution rates was conducted at 31 March 2016. Employer contribution rates during 2017/18 ranged from 10.2% to 44.7% of pensionable pay.

Major changes were introduced to the LGPS from 1 April 2014, in particular the move from basing pensions on final salaries to career-average revalued earnings (CARE), with an accrual rate of 1/49th, and pensions uprated annually in line with the Consumer Price Index. Pension entitlements accrued prior to this date continue to be based on final salary.

Note P2 - Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2017/18 financial year and its position as at 31 March 2018. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 which is based upon International Financial Reporting standards (IFRS), as amended for the UK public sector.

The accounts summarise the transactions of the fund and report on the net assets available to pay pension benefits. The accounts do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed at Note P6 of these accounts.

Note P3 - Statement of Accounting Policies

A. Fund Account

In the Fund Account, income and expenditure are accounted for in the year in which they accrue by the creation of payables and receivables at the year end where necessary. However, provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year end (see note P9).

B. Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions (including past service deficit contributions and excluding additional voluntary contributions) as notified by employers for the period have also been included. Past service deficit contributions are accounted for in the year in which they are payable under the schedule of contributions set by the scheme actuary.

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid is classed as a current financial asset, with amounts due after the following year classed as long-term financial assets.

Where employing organisations have not submitted all of the certified returns of contributions payable by the due date for preparation of these accounts, an estimate has been made based on the monthly returns actually received from these bodies.

C. Transfers to and from other schemes

Transfer values represent the amounts received and paid during the year for members who had either transferred benefits in or out of the scheme as at 31 March 2018, calculated in accordance with the Local Government Pension Scheme Regulations (see notes to the accounts). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

Transfers in from members wishing to use the proceeds of their additional voluntary contributions to purchase scheme benefits are accounted for on a receipts basis, and are reported within transfers in.

D. Investment Income

i) Interest Income

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

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any 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.

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 2018. Any amounts due but unpaid are disclosed in the Net Assets Statement as current liabilities.

G. Financial Assets

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

The values of investments as shown in the Net Assets Statement have been determined at fair value in accordance with the requirements of the Code and IFRS 13 (see note to the accounts). For the purposes of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

H. 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 2018. 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.

I. Foreign Currencies

Investments held in foreign currencies have been valued as set out in paragraph g) above and translated at exchange rates ruling at 31 March 2018.

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 2018.

J. Derivatives

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

K. Movement in the net market value of investments

Any gains or losses arising on translation of investments into sterling are accounted for as a change in the market value of investments.

L. Cash and Cash Equivalents

Cash comprises cash in hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

M. Financial Liabilities

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the Fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the Fund.

N. Management Expenses

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

All administrative expenses are accounted for on an accruals basis. The costs of Fund officers are recharged to the Fund, along with all other costs incurred directly on Fund activities, and an apportionment for corporate support services provided by the 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. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in a note to the accounts.

Where a management fee notification has not been received by the time of preparing these accounts, an estimate based upon the market value of 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.

O. Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under 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 (see note P5).

P. Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential 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 2016 but are disclosed as a note only (see note P22).

Note P4 - Critical Judgements in Applying Accounting Policies

Unquoted Private Equity Investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2018 was £1,191.0million (£1,343.6 million at 31 March 2017).

Pension Fund Liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in Note P6. This estimate is subject to significant variances based on changes to the underlying assumptions.

Note P5 - Assumptions Made About the Future and Other Major Sources of Estimation Uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries 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 2018	Approx. % increase in liabilities	Approx. monetary value £m
0.5% p.a. decrease in discount rate	9%	2,053.1
1 year increase in member life expectancy	4%	822.1
0.5% p.a. increase in salary increase rate	1%	210.6
0.5% p.a. increase in CPI inflation	8%	1,836.3

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 £1,191.0 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 +/- £59.6million.

Note P6 - Actuarial Valuation of the Fund

A full actuarial valuation of the Fund was made as at 31 March 2016 by the Fund's Actuary, G Muir of Barnett Waddingham LLP. The Actuary has determined the contribution rates with effect from 1 April 2017 to 31 March 2020.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £11,569.0 million represented 81% of the funding target of £14,219.0 million at the valuation date. The valuation also showed that a primary rate of contribution of 18.6% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

In general, the Fund applies a maximum deficit recovery period of 20 years. The aim is to achieve 100% solvency over the period and to provide stability in employer contribution rates.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2017. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Different approaches adopted in implementing contribution increases and deficit recovery periods are as determined through the FSS consultation process.

As a result of the valuation, a revised Rates and Adjustments certificate was prepared for the three years commencing 1 April 2017. For comparison purposes, the figures for the two preceding years are also shown. The minimum payable by the seven councils were certified as follows:

Future Service Rate (% of pay) plus lump sum (£)					
	2015/16	2016/17	2017/18	2018/19	2019/20
Birmingham City Council	12.9% plus £41,870,400	13.4% plus £43,724,800	15.3% plus £61,800,000	16.8% plus £61,800,000	18.3% plus £61,500,000
Coventry City Council	12.7% plus £12,395,000	13.1% plus £15,518,000	16.8% plus £12,000,000	16.8% plus £12,000,000	16.8% plus £12,000,000
Dudley MBC	12.7% plus £9,174,000	13.2% plus £10,931,000	15.4% plus £9,500,000	17.0% plus £9,700,000	18.6% plus £9,600,000
Sandwell MBC	13.1% plus £15,323,200	13.1% plus £19,227,200	14.7% plus £16,900,000	16.2% plus £17,000,000	17.7% plus £16,900,000
Solihull MBC	12.9%	13.5%	14.7% plus £5,000,000	16.5% plus £5,100,000	18.4% plus £5,100,000
Walsall MBC	13.2% plus £14,835,000	13.2% plus £15,518,000	15.4% plus £14,000,000	16.9% plus £14,800,000	18.3% plus £15,000,000
City of Wolverhampton Council	13.1% plus £9,900,000	13.5% plus £10,900,000	15.5% plus £13,300,000	16.8% plus £14,000,000	18.1% plus £14,600,000

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:

	2016	2013
Rate of return on investments:	4.7% per annum	5.6% per annum
Rate of pay increases:	3.9% 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

The assets were assessed at market value.

The latest triennial actuarial valuation of the Fund was completed at 31 March 2016 and this was conducted by the Fund's Actuary Barnett Waddingham. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017. The Actuarial Valuation 2016 report can be found on the Fund's website by following the link <http://www.wmpfonline.com/CHttpHandler.ashx?id=12682&p=0>

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 2017	31 March 2018
Rate of return on investments (discount rate)	2.7% per annum	2.55% per annum
Rate of pay increases	4.2% per annum*	3.85% per annum*
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.7% per annum	2.35% 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 IAS 26 as at 31 March 2017 was estimated as £22,171.5 million. The effect of the changes in actuarial assumptions between 31 March 2017 and 31 March 2018 as described above is to reduce the liabilities by -£810.4 million. Adding interest over the year increases the liabilities by £592.6 million, and allowing for net benefits accrued/paid over the period increases the liabilities by £110.0 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 2018 is therefore £22,063.7 million.

Note P7 - Taxation

1. Value Added Tax

The Fund (as part of the City of Wolverhampton Council) pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

2. Taxation of Overseas Investment Income

The Fund receives interest on its overseas bonds gross, but a variety of arrangements apply for the taxation of dividends on overseas equities in the various markets.

In some markets, a lower-than-standard tax rate is available, either as a result of a double tax treaty in place between the UK and the investment country (e.g. Poland, Canada, Italy, Sweden) or based on favourable domestic legislation (e.g. Australia, Czech Republic, Singapore). Where this is the case, relief may be granted at source based on documentation already on file (e.g. USA, Belgium, Australia, Finland, France and Norway), or ex post via reclaim forms submitted to the local tax authorities (e.g. Austria, Denmark, Germany, Netherlands, Switzerland and Spain).

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

Note P8 - Contributions Receivable

Contributions Receivable by Type

2016/17 £m		2017/18 £m
	From Employers	
387.1	Contributions	907.6
0.1	Augmented Membership	0.4
31.9	Additional Cost of Early Retirement	34.6
419.1		942.6
	From Members	
110.1	Basic Contributions	96.8
0.6	Additional Contributions	0.6
110.7		97.4
529.8	Total Contributions	1,040.0

Following the 2016 valuation, some employers chose to pay the full three-year past service deficit as a lump sum in 2017/18. The additional contributions above represent the purchase of added membership or additional benefits under the Pension Scheme.

Contributions Receivable by Type of Employer

2016/17 £m		2017/18 £m
33.3	Administering Authority	56.8
470.5	Other Scheduled Employers	947.0
26.0	Admitted Employers	36.2
529.8	Total	1,040.0

Note P9 - Transfers In

2016/17 £m		2017/18 £m
16.6	Individual transfers in from other schemes	25.6

Note P10 - Other Income

2016/17 £m		2017/18 £m
	Benefits Recharged to Employers	
8.2	Compensatory Added Years	7.8
6.9	Pensions Increases	6.7
15.1	Total	14.5

Note P11 - Benefits Payable

Benefits Payable by Type

2016/17 £m		2017/18 £m
	Pensions	
390.6	Retirement Pensions	410.3
28.1	Widows' Pensions	28.5
0.9	Children's' Pensions	1.0
4.6	Widowers' Pensions	5.1
0.1	Ex-Spouse	0.2
0.2	Equivalent Pension Benefits	0.2
0.1	Co-habiting Partners	0.2
424.6	Total Pensions	445.5
	Lump Sum Benefits	
94.1	Retiring Allowances	98.8
12.6	Death Grants	11.6
106.7	Total Lump Sum Benefits	110.4
531.3	Total Benefits Payable	555.9

Benefits Payable by Type of Employer

2016/17 £m		2017/18 £m
45.7	Administering Authority	45.0
448.6	Other Scheduled Employers	469.7
37.0	Admitted Employers	41.2
531.3	Total	555.9

Note P12 - Payments To and On Account of Leavers

2016/17 £m			2017/18 £m	
23.0	Individual Transfers			36.4
-	Group Transfers			-
1.6	Refunds of Contributions			1.7
0.5	State Scheme Premiums			0.1
2.6	Bulk Pension Transfer Increases			2.8
27.7	Total			41.0

Note P13 - Management Expenses

2016/17 £m			2017/18 £m	
3.3	Administrative costs			3.8
65.2	Investment management expenses, comprising:			58.9
48.4	- Management Fees		44.6	
14.5	- Performance-Related Fees		11.4	
1.8	- Transaction Costs		2.3	
0.5	- Custody Fees		0.6	
2.0	Oversight and governance costs			2.8
-	LGPS Central			1.3
71.0	Total Management Costs			66.8

Performance related fees are negotiated with a number of managers. Included in external management of investments are performance related fees of £11.4million in 2017/18 and £14.5 million in 2016/17.

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.

Note P14 - Investment Income

2016/17 £m			2017/18 £m	
	Dividends and Interest			
	Bonds			
8.1	UK Private Sector – Quoted			7.7
	Equities			
45.2	UK			58.0
118.8	Overseas			142.9
	Pooled Investment Vehicles			
9.4	UK			14.9
0.5	Overseas Equities			0.3
3.0	Interest on Cash Deposits			2.9
2.5	Stocklending			2.9
(0.1)	UK Tax, Irrecoverable			(0.1)
(7.0)	Overseas Taxation			(7.6)
1.7	Other Investment Income			0.9
182.1	Total Dividends and Interest			222.8
	Property Management Income			23.7
(12.9)	Property Management Expenses			(5.6)
23.7	Total Property Management			18.1
205.8	Total Investment Income			240.9

Stocklending

The stock lending programme provides for direct equity investments to be lent. At the year end the value of quoted equities on loan was £353.0M (2017: £512.6M) in exchange for which the custodian held collateral worth £394.8M (2017: £547.6M) representing 112% of stock lent. Collateral consists of acceptable securities and government debt.

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

There are no liabilities associated with the loaned assets.

Other Investment Income

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

Note P15 - Net Investment Assets

31 March 2017 £m Restated			31 March 2018 £m	
		Bonds		
192.4		UK Companies – Segregated (external)		188.5
192.4				188.5
		UK Equities		
1,368.4		Quoted		1,492.2
1,368.4				1,492.2
		Overseas Equities		
4,265.7		Quoted		4,627.8
1,654.6		Quoted – Segregated (external)		1,715.7
5,920.3				6,343.5
		Pooled Investment Vehicles		
		Managed Funds		
554.2		UK Fixed Interest		563.1
726.8		Other Fixed Interest		820.1
867.0		UK Quoted, Index Linked		872.3
-		Overseas Equities		-
382.7		Infrastructure		610.0
1,355.1		Private Equity		1,191.0
549.1		UK Absolute Returns		553.2
178.8		Overseas Absolute Returns		48.3
47.2		UK Property		51.4
161.5		Foreign Property		170.6
		Unit Trusts		
154.2		UK Quoted Equities		162.1
591.0		Overseas Equities		302.7
6.8		Overseas Property		7.1
5,574.4				5,351.9
		Property		
703.1		UK Freehold		806.8
53.3		UK Leasehold*		56.0
756.4				862.8
		Derivative contracts		
-		Futures		-
-		Forward currency contracts		44.9
				44.9
		Foreign Currency Holdings		
1.0		Australian Dollars		2.2
0.6		Canadian Dollars		0.5
0.6		Czech Koruna		0.5
0.8		Danish Kroner		0.7
3.4		Euro		11.5
0.7		Hong Kong Dollars		0.6
0.4		Hungarian Forints		0.6
1.1		Japanese Yen		1.1
0.6		New Zealand Dollars		0.6
-		Norwegian Kroner		0.6
0.6		Polish Zloty		0.5
1.0		Singapore Dollars		0.6
0.5		Swedish Kroner		3.5
0.7		Swiss Francs		4.1
0.5		Turkish Lira		0.6
99.3		United States Dollars		97.8
111.8				126.0
		Cash Deposits		
304.1		UK		830.1
		Other Investments		
0.2		Broker Balances		0.4
24.7		Outstanding Dividend Entitlement and Recoverable With-holding Tax		45.2
14,252.7		Total Net Investment Assets		15,285.5

* All leasehold properties are held on long leases

The restatement of 2016/17 is to reflect an improved analysis of unquoted equities into private equity and infrastructure. 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 2017			31 March 2018	
Market Value	% of total Market Value		Market Value	% of total Market Value
£m	%		£m	%
		Security		
769.3	5.4	Legal & General - All Stocks Index-Linked Gilts Fund	773.9	5.1

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

31 March 2017			31 March 2018		
Market Value	% of total Market Value		Market Value	% of total Market Value	
£m	%		£m	%	
6,810.2	47.9	In-house	7,984.2	52.4	
42.9	0.3	Managers: UK Quoted	162.1	1.1	
1,168.6	8.2	Managers: Emerging Markets	1,232.0	8.1	
1,077.0	7.6	Managers: Global Equities	786.4	5.2	
2,340.4	16.4	Managers: Fixed Interest	2,444.0	16.0	
323.1	2.3	Managers: Indirect Property	229.1	1.5	
394.3	2.8	Managers: Infrastructure Funds	610.0	4.0	
727.9	5.1	Managers: Absolute Return	601.5	3.9	
1,343.6	9.4	Managers: Private Equity	1,191.0	7.8	
14,228.0	100.0		15,240.3	100.0	
24.7		Outstanding Dividend Entitlement and Recoverable With-holding Tax	45.2		
14,252.7		Total Investment Assets	15,285.5		

ANALYSIS OF DERIVATIVES

Objectives and policies for holding derivatives

During the year the Fund approved the use of both forward foreign currency hedging and exchange traded futures contracts for the purpose of hedging exposures to reduce risk in the fund and to gain exposure to an assets more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreements in place between the fund and the various investment managers.

a) Futures

Following the actuarial valuation in 2016 and changes to the Strategic Investment Allocation Benchmarks (SIAB), the Fund received significant levels of employer contributions during April 2017 of £800m and whilst looking to deploy the cash in to income generating assets, it was recognised that this would take time to implement. The pension fund committee did not want this cash to be 'out of the market' and so bought index-based futures contracts which had an underlying economic value broadly equivalent to the cash held in anticipation of being able to find suitable income generating assets over the following months. The use of futures enables the Fund to invest cash in higher returning assets at low cost with the flexibility to switch the money cheaply into the income assets that the Fund is targeting in the medium term strategic asset allocation. The Fund will continue to use futures to manage transitions, ensuring efficient portfolio management and potentially manage active currency risk not covered by the passive hedging strategy below. The economic exposure represents the notional value of stock purchased under futures contracts and is therefore subject to market movements.

b) Forward foreign currency

To maintain appropriate diversification and to take advantage of overseas investment returns, a significant proportion of the fund's quoted equity portfolio is in overseas stock. To reduce the volatility associated with fluctuating currency rates, the fund has put a passive currency programme in place. The Fund commenced its currency hedging programme in September following approval by this Committee to amend the Strategic Investment Allocation Benchmark to reflect the passive currency management programme. The passive currency hedging programme was put in place to protect returns in sterling terms and reduce currency risk following positive gains from sterling weakness during the prior financial year. The objective of the currency hedge is to put in place a 50% hedge based on the strategic weight of each region, with a rebalancing taking place on a monthly basis to reflect changing market values.

Open forward currency contracts

Settlement	Currency Bought	Local value m	Currency Sold	Local value m	Asset value £m	Liability value £m
One to six months	GBP		715.9 EUR	800.9	12	0
One to six months	GBP		359.7 JPY	52636.5	6.2	0
One to six months	GBP		1993.4 USD	2767.7	26.7	0
Open forward currency contracts at 31 March 2018					44.9	
Net forward currency contracts at 31 March 2018					44.9	
Prior year comparative						
Open forward currency contracts at 31 March 2016					0	0
Net forward currency contracts at 31 March 2016					0	0

Note P16 - Investment Market Value Movements Analysis

	Value at 31 March 2017	Purchases at Cost	Sales at Book Value	Change in Market Value	Value at 31 March 2018
	£m	£m	£m	£m	£m
Bonds	192.4	-	(0.2)	(3.7)	188.5
UK Equities	1,368.4	327.2	(134.2)	(69.2)	1,492.2
Overseas Equities	5,920.3	983.1	(516.5)	(43.4)	6,343.5
Pooled Investment Vehicles	5,574.4	1,797.5	(1,698.0)	(322.0)	5,351.9
Property	756.4	75.6	(27.1)	57.9	862.8
	13,811.9	3,183.4	(2,376.0)	(380.4)	14,238.9
Derivative Contracts					
Futures	-	1,394.5	(1,413.0)	18.5	-
Forward Foreign Exchange	-	15,453.6	(15,457.1)	48.4	44.9
	-	16,848.1	(16,870.1)	66.9	44.9
Broker Balances	0.2				0.4
Outstanding dividend entitlement and recoverable With-holding tax	24.7				45.2
Foreign Currency	111.8				126.0
Cash Deposits	304.1				830.1
Total Investments	14,252.7	20,031.5	(19,246.1)	(313.5)	15,285.5

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 £616.3 million which represents profit realised on sale of the Fund's assets.

Purchases also include transfers in of investments, take-over of shares etc. and invested income. Sales proceeds include all receipts from sales of investments, transfers out of investments, take-over proceeds etc. and reductions in cash deposits including profits or losses realised on the sale.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, stamp duty and other fees. Transaction costs during the year amounted to £2.3 million (2016/17: £1.8 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 2017		31 March 2018	
£m		£m	
1.8	Equities - Overseas Quoted		2.3
1.8			2.3

The volatility of investment markets is an ever-present and longstanding feature of pension fund management and valuations may vary, either up or down, throughout each day when exchanges are open.

The change in the value of investments during 2016/17 is set out below:

	Value at 30 March 2016 £m	Purchases at Cost £m	Sales at Book Value £m	Change in Market Value £m	Value at 31 March 2017 £m
Bonds	180.1	-	(0.2)	12.5	192.4
UK Equities	1,036.2	227.7	(30.1)	134.6	1,368.4
Overseas Equities	4,137.2	717.8	(170.9)	1,236.2	5,920.3
Pooled Investment Vehicles	4,921.5	496.6	(566.8)	723.1	5,574.4
Property	694.5	68.7	(15.6)	8.8	756.4
	10,969.5	1,510.8	(783.6)	2,115.2	13,811.9
Broker Balances	(2.6)				0.2
Outstanding dividend entitlement and recoverable With-holding tax	35.7				24.7
Foreign Currency	171.1				111.8
Cash Deposits	459.8				304.1
Total Investments	11,633.5				14,252.7

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 £381.7 million which represents profit realised on sale of the Fund's assets.

Note P17 - Fair Value - Basis Of Valuation

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

Asset Type	Valuation level	Basis of valuation	Observable and Unobservable inputs	Key sensitivity
Market quoted investments	1	Published bid market price ruling on 31 March 2018.	N/A	N/A
Quoted bonds	1	Market bid price based on current yields	N/A	N/A
Futures	1	Published exchange prices at 31 March 18	N/A	N/A
Unquoted bonds	2	Average of broker prices	N/A	N/A
Pooled Investments- overseas unit trusts and property funds	2	PIV are stated at the bid price quoted or the closing single market prices.	NAV based pricing set on a forward pricing basis	N/A
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 18	Exchange rate risk	N/A
Freehold and leasehold properties	3	Valued at fair value at the year-end using the investment valuation reports of Knight Frank LLP. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties are valued by Savills PLC at the year end.	Existing lease terms and rentals, independent market research, tenant covenant strength, estimated vacancy levels, estimated rental growth, discount rate.	Significant changes in rental growth, vacancy levels or discount rate could affect valuations
Unquoted equity (includes Private Equity, Infrastructure and Absolute Return/Diversified Growth Funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	EBITDA multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of the financial statements provided and the Fund's own reporting date, by changes to expected cashflows, and by any differences between audited and unaudited accounts.

Sensitivity of level 3 assets

The table below details the Fund's review of financial information as provided by independent advisors. The valuation methods detailed above are likely to be accurate to within the ranges, and has set out below the consequent potential impact on the closing value of investments at 31 March 2018.

Level 3 assets	Valuation range	Valuation at 31 March 2018 £m	Valuation Increase £m	Valuation Decrease £m
Freehold and Leasehold Property	14.3	862.8	986.2	739.4
Private Equity	28.3	1191	1528.1	853.9
Infrastructure	20.1	610	732.6	487.4
Absolute Return/Diversified Growth	12.6	601.5	677.3	525.7
Total		3265.3	3924.2	2,606.5

17 i) Fair Value Hierarchy

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values. Criteria utilised in the instrument classifications are detailed below:

Level 1
Financial instruments at Level 1 are those where the fair values are derived from unadjusted quoted prices in active markets for identical assets or liabilities. Products classified as level 1 comprise quoted equities, quoted fixed securities, quoted index linked securities and unit trusts. Listed investments are shown at bid prices. The bid value of the investment is based on the bid market quotation of the relevant stock exchange.

Level 2
Financial instruments at Level 2 are those where quoted market prices are not available; for example, where an instrument is traded in a market that is not considered to be active, or where valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data.

Level 3
Financial instruments at Level 3 are those where at least one input that could have a significant effect on the instrument's valuation is not based on observable market data. Such instruments would include unquoted equity investments and hedge fund of funds, which are valued using various valuation techniques that require significant judgement in the determining appropriate assumptions.

The values of the 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 fair value is observable.

Value at 31 March 2018	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	9,172.8	1,800.8	2,402.5	13,376.1
Non- Financial Assets at Fair Value Through Profit and Loss			862.8	862.8
Net Financial Assets	9,172.8	1,800.8	3,265.3	14,238.9

Value at 31 March 2017	Quoted Market Price Level 1 £m	Using Observable Inputs Level 2 £m	With Significant Unobservable Inputs Level 3 £m	Total £m (Re-stated)
Financial Assets				
Financial Assets at Fair Value Through Profit and Loss	8,901.0	1,688.7	2,465.8	13,055.5
Non- Financial Assets at Fair Value Through Profit and Loss			756.4	756.4
Net Financial Assets	8,901.0	1,688.7	3,222.2	13,811.9

Note 17 ii) - Reconciliation of Fair Value Measurements Within Level 3

Period 2017/18	Market Value 01 April 2017 £'000	Transfers into Level 3	Transfers out of Level 3 £'000	Purchases during the year £'000	Sales during the year £'000	Unrealised gains / losses £'000	Realised gains/losses £'000	Market Value 31 March 2018 £'000
Freehold and Leasehold Property	756.4	-	-	75.6	-18.3	56.6	-7.5	862.8
Private Equity	1,343.6	-	-	129.7	-333.8	-71.3	122.8	1191.0
Infrastructure	394.3	-	-	263.3	-62.3	1.4	13.3	610.0
Absolute Return/Diversified Growth	727.9	-	-	463.0	-487.7	-127.5	25.8	601.5
Total	3,222.2	0.0	0.0	931.6	-902.1	-140.8	154.4	3265.3

Note P18 - Investment Capital Commitments

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

31 March 2017 £m			31 March 2018 £m	
	831.7	Non-publicly quoted equities and infrastructure		907.6
	122.1	Property		107.1
	953.8			1,014.7

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

Note P19 - 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 2017 £m			31 March 2018 £m	
	-	Administering Authority		-
	16.2	Other Local Authorities		25.1
	16.2	Total		25.1

Note P20 - Current Assets

31 March 2017 £m			31 March 2018 £m	
		Receivables and prepayments		
		Contributions Receivable		
		- Employers		210.1
	18.3			
	5.8	- Members		20.9
	25.1	Other Receivables		24.8
	49.2	Total Receivables and Prepayments		255.8
	9.0	Cash		(3.3)
	58.2	Total Current Assets		252.5

Note: Following the bulk transfer of Magistrates Courts Committee staff to the Civil Service Pension Scheme on 31 March 2005, it was calculated by Mercer Limited that the Fund is due to receive a total of £27.7 million. This is to be paid in 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 2018 is £9.6 million (31 March 2017: £9.6 million).

31 March 2017 £m			31 March 2018 £m	
		Analysis of Receivables		
	3.1	Administering Authority		16.7
	15.7	Other Local Authorities		185.7
	30.4	Other Entities and Individuals		53.4
	49.2	Total		255.8

Note P21 - Current Liabilities

31 March 2017 £m			31 March 2018 £m	
		Payables and Receipts In Advance		
	-	Pensions and Lump Sum Benefits		-
	(32.8)	Other Payables		(311.3)
	(32.8)	Total		(311.3)

31 March 2017 £m			31 March 2018 £m	
		Analysis of Payables		
	(3.6)	Central Government Bodies		(2.8)
	(4.6)	Administering Authority		(3.6)
	(5.7)	Other Local Authorities		(263.3)
	(18.9)	Other Entities and Individuals		(41.6)
	(32.8)	Total		(311.3)

Note P22 - Additional Voluntary Contributions

As well as joining the Fund, scheme members can pay into an additional voluntary contribution (AVC) scheme run by two AVC providers. Contributions are paid directly from scheme members to the AVC

The contributions are not included within the fund accounts, in line with regulation 4 (2) (b) of the Pension Scheme (Management and Investment of Funds) Regulations 2016. The table below shows the activity for each AVC provider in the year.

31 March 2017			31 March 2018		
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m	
1.9	37.4	Opening value of the fund	1.9	38.7	
-	6.8	Income	0.1	6.4	
(0.2)	(8.1)	Expenditure	(0.3)	(8.5)	
0.2	2.6	Change in market value	0.1	1.2	
1.9	38.7	Closing value of the fund	1.8	37.8	

Note P23 Post Year End Transactions

There were no post year end transactions that require disclosure in the accounts.

Note P24 Financial Instruments

Net Gains and Losses on Financial Instruments

31 March 2017 £m		31 March 2018 £m	
	Financial Assets		
(2,106.4)	Fair value through profit and loss		419.8
(2,106.4)	Total		419.8

Classification of Financial Instruments

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

	2016/17	2017/18
Financial Assets		
Financial Assets at Fair Value Through Profit and Loss	13,055.5	13,376.1
Loans and Receivables	515.3	355.9
Financial Liabilities at Amortised Cost	(32.8)	(311.3)
Net Financial Assets	13,538.0	13,420.7

Note P25 - 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 86% 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 14% 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.

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2018 totalled £832.9 million in respect of temporary loans and treasury management instruments (31 March 2017: £287.6 million). The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by Fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Proposed counterparties are assessed using an amalgamation of credit ratings and market research with the resulting 'score' determining the suitability and individual limit in each case. Due diligence is conducted on potential money market funds with criteria such as AAA rating, same day access and minimum assets under management being prerequisite. A credit rating sensitivity analysis as at 31 March 2018 is shown overleaf:

Credit Rating Sensitivity Analysis

Summary	Long Term Fitch Rating*	Value at 31 March 2017 £m	Value at 31 March 2018 £m
Money Market Funds			
HSBC Sterling Liquidity Fund	Aaa-mf	-	100.0
LGIM Liquidity Fund	Aaa-mf	115.0	230.0
Insight Liquidity Fund	AAAmf	-	250.0
Aberdeen Liquidity Fund (Lux)	Aaa-mf	-	153.2
Short-Term Deposits			
Principality Building Society	BBB+	25.0	25.0
Nottingham Building Society	Baa1	15.0	10.0
Leeds Building Society	A-	20.0	-
Barclays	A	35.0	-
Skipton Building Society	A-	25.0	-
Coventry Building Society	A	10.0	15.0
Northamptonshire County Council		10.0	-
Mid Suffolk County Council		5.0	-
Swindon City Council		8.0	-
The City of Liverpool Council		-	10.0
London Borough of Barking & Dagenham		-	10.0
Reading Borough Council		-	10.0
London Borough of Haringey		-	10.0
Bank Deposit Accounts			
NatWest Corporate Cash Manager Account			
GBP Current Accounts	AA-	9.1	2.9
HSBC Global Active	AA-	10.5	4.0
Total		287.6	830.1

* Moody's rating used if no Fitch rating available

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 cashflow management procedures and the liquidity of certain asset types held, there is no significant risk that the Fund will be unable to raise cash in order to meet its liabilities. The Fund actually uses this liquidity risk to its benefit, taking advantage of the illiquidity premium found in investments such as private equity.

Foreign Exchange Risk

The Fund's exposure to foreign exchange risk is managed through the diversification of portfolios across sectors, countries and geographic regions, along with continuous monitoring and management of holdings. In addition, the Fund's currency exposure is managed in line with the daily cash management policy.

Securities Lending

As at 31 March 2018, £353.0 million of stock was on loan to an agreed list of approved borrowers through the Fund's custodian in its capacity as agent lender (31 March 2017: £512.6 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £394.8 million, giving a margin of 11.8% (2016/17, £547.6 million, margin of 6.8%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stocklending amounted to £2.9 million during the year (2016/17: £2.5 million) and is detailed in note 12 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 2017/18 reporting period (overleaf):

Market Risk - Other Price Risk

Asset Type	Value at 31 March 2018 £m	% Change	Value on Increase £m	Value on Decrease £m
UK equities	1,654.3	16.8%	1,932.2	1,376.4
Global equities (ex UK)	6,646.2	17.9%	7,835.9	5,456.5
Property	1,091.9	14.3%	1,248.0	935.8
Fixed Interest*	2,444.0	8.3%	2,646.9	2,241.1
Private Equity	1,191.0	28.3%	1,528.1	853.9
Alternatives**	1,211.5	16.2%	1,407.8	1,015.2
Total Fund (See Note Below)	14,238.9		16,598.9	11,878.9

*includes exposure to Forestry (£68.6m)

**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 (£601.5m) and infrastructure (£610.0m)

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 11.5%. On this basis, the total value on increase is £15,876.4 million, and the total value on decrease is £12,601.4 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.

Currency Risk - Sensitivity Analysis

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 (EUK). The Fund holds both monetary and non-monetary assets denominated in currencies other than EUK. The following tables summarise the Fund's currency exposure as at 31 March 2018:

Currency Risk (by asset class)

Asset Type	Value at 31 March 2018 £	% Change	Increase £	Decrease £
Global Equities (ex UK)	6,646.2	10.0%	7,310.8	5,981.6
Private Equity	1,191.0	10.0%	1,310.1	1,071.9
Fixed Interest	2,444.0	10.0%	2,688.4	2,199.6
Alternatives	1,211.5	10.0%	1,332.7	1,090.4
Property Funds	229.1	10.0%	252.0	206.2
Liquid Assets	126.0	10.0%	138.6	113.4
Total	11,847.8		13,032.6	10,663.1

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 2018 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 (BPS) 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 2018 £m	Change in year in the net assets available to pay benefits	
		+100BPS £m	-100BPS £m
Index-linked Gilts	872.3	(183.2)	183.2
Gilts	166.6	(17.3)	17.3
Corporate Bonds	585.1	(50.1)	50.1
Total	1,624.0	(250.6)	250.6

*BPS - basis points

Note P26 - 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:

Individual Value	Additions Analysis	
	Number	Total £
Less than £100	21	626.07
£100 - £500	2	210.27
Over £500	0	0.00
TOTAL	23	836.34

Write off Analysis

Individual Value	Write off Analysis	
	Number	Total £
Less than £100	20	1,012.66
£100 - £500	72	17,121.04
Over £500	20	28,873.56
TOTAL	112	47,007.26

Note P27 - Related Parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council, and the costs shown in Note P13 above are recharged to the Fund. Contributions of £57.3 million were receivable from the City of Wolverhampton Council for 2017/18 (2016/17: £33.3 million). Balances owed by and to the council at the year end are shown in Notes P19, P20 and P21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund (including one substitute member), as set out below:

Pensioner: Councillors Inston, Page, Thompson, Chambers and Mutton

Active: Councillors Bagri, Brookfield, Hevican 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 2017/18. Contributions from each of these are set out below.

Contributions Receivable £000	2016/17		Contributions £000	Receivable
	3,331	West Midlands Fire and Rescue Service		5,730
	4,211	Wolverhampton Homes		4,497
	20	Kingswood Trust		18
	161	Wolverhampton Girls High School		174

LGPS Central

LGPS Central Ltd has been established to manage investment assets on behalf of nine Local Government Pension Scheme (LGPS) funds across the Midlands. It is jointly owned in equal shares by eight administering authorities participating in the Pool. Each authority has one Class A voting share in LGPS Central.

No services were provided by LGPS Central Ltd during 17-18 as operation only commenced in April 2018.

£1,315,000 has been invested in Class B shares by each administering authority, and £685,000 in a loan to LGPS Central by seven of the authorities during the year. WMPF has invested in £685,000 of Class C shares. These are the balances at year end.

£777,876 has been spent by WMPF on setting up LGPS Central during the year. These costs were borne by West Midlands Pension Fund and then £ 680,642 recharged equally to the administering authorities. A balance of £97,234 remains with WMPF reflecting the cost of setting up the enterprise to the end of March 18.

LGPS

Central is an admitted body, and employs staff that are active members of the WMPF. As a result LGPS central made contributions to the fund on behalf of staff totalling £8,582 in 2017/18.

Key Management Personnel

The Fund's current senior management comprises six individuals: the Director of Pensions, Assistant Director (Finance & Investments), the Head of Operations, the Head of Pensions, the Head of Governance and Corporate Services and the Head of Finance. The full costs for the year include transitional costs from the previous senior management team to the current for the posts: Strategic Director of Pensions, Chief Investments Officer and Assistant Director (Actuarial & Pensions). The total salary paid to the senior management team in 2017/18 was £481,000 (2014/15: £536,000). In addition to this, employer's pension contributions of £130,000 (2015/16: £125,000) were met from the Fund in respect of these individuals.

Note P28 - Events after the Reporting Date

LGPS Central

Following guidance from government, local authority investment pools have been created to bring together the investment assets of local authority pension funds into 8 Investment Pools. WMPF is a shareholder in LGPS Central. The LGPS Central Pool went live on 1st April 2018 in line with government regulations following FCA authorisation earlier in the year. The first 3 sub-funds were launched covering passive internal assets and on 3rd April 2018 assets to the value of £4.886bn and cash of £247m were transitioned from the West Midlands Pension Fund to LGPS Central sub-funds, following approval from the Pensions Committee at its meeting on 21 March 2018. WMPF investment staff were transferred under TUPE, with some secondment arrangements put in place to cover an initial period to continue to support WMPF on a temporary basis. In addition, WMPF has agreed contracts with LGPS Central Ltd to provide a number of advisory, advisory and execution and execution only mandates covering WMPF assets.

Work is underway to develop further LGPS Central Ltd sub-funds in collaboration with Partner Funds and LGPS Central to transition further assets, subject to approval of the Pensions Committee and the suitability of the LGPS Central Ltd sub-funds to meet the strategic asset allocation requirements of WMPF.