



Service Plan 2015 – 2020



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Fund statistics

Goals of the Fund

The Fund's core objectives are:

to be a
top-performing
fund

to achieve
target
investment
returns

to provide
excellent
customer
service

to meet our
funding
strategy

Pension benefits (2013/14)

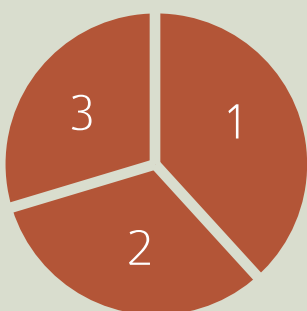
£472m

Customer satisfaction

98.4% of employers were satisfied with the level of customer service received from the Fund

100% of members were satisfied with the level of customer service received from the Fund.

Membership of the Fund (31 December 2014)



275,538

1 Active members 104,165
2 Deferred members 89,989
3 Pensioner members 81,384

Assets of the Fund (31 December 2014)

£11.0bn

Scheme employers (31 December 2014)

451

Staff employed by the Fund as at 31 December 2014

116

Contributions due to the Fund

Authority	Total contributions (2013/14)
Birmingham	£114.5m
Coventry	£32.9m
Dudley	£31.9m
Sandwell	£34.1m
Solihull	£17.0m
Walsall	£30.9m
Wolverhampton	£32.9m
Others	£125.1m
Total	£419.3m

Employer contributions £310.6m
Employee contributions £108.7m

£419.3m

Introduction



This business plan for West Midlands Pension Fund is an update of the 2014-2019 plan and, as before, sets out to explain:

- the context in which the organisation works;
- its current activities;
- the action it proposes to take over both the medium-term (three years) and long-term (five years and beyond).

The plan includes information to provide some context and references other relevant information. It is also produced to evaluate the current position and how the Fund will respond to both current and emerging issues.

The Fund has 275,538 members and 451 Scheme employers with an interest in the Fund as of 31 December 2014. The Fund's main objective is to provide a quality, cost-effective and timely service to its members.

There are three main categories of membership, comprising of actively contributing members employed by scheme employers (104,165), members who have left employment but who have a deferred entitlement (89,989) and members in receipt of a pension (81,384).

The Fund is also responsible for the management of the West Midlands ITA Pension Fund, which has 5,190 members (at 31 December 2014), and for which the Fund makes a charge for administration of £150,000 per year.

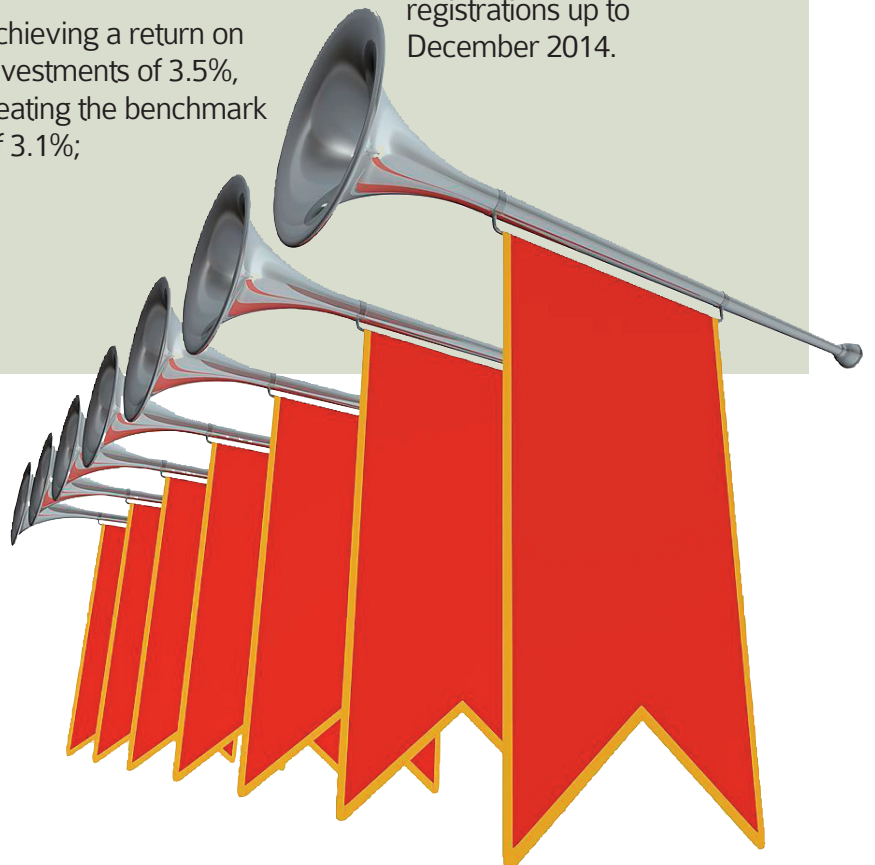
A diversified portfolio of assets amounting to approximately £11 billion (as at 31 December 2014) is managed primarily in-house by a team of investment professionals, having due regard to risk and return with the Fund's objectives and funding requirements.

Comments on issues relating to this plan can be made to: pensionfundenquiries@wolverhampton.gov.uk

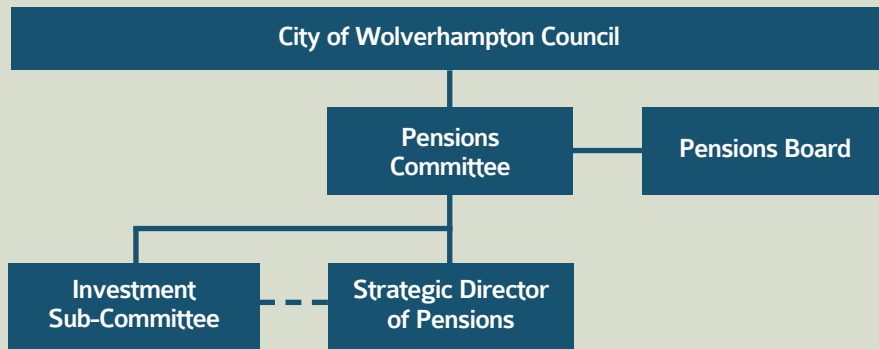
Recent Key Achievements 2014/15

Within the last year, the Fund has achieved key performance targets and maintained important priority themes, including:

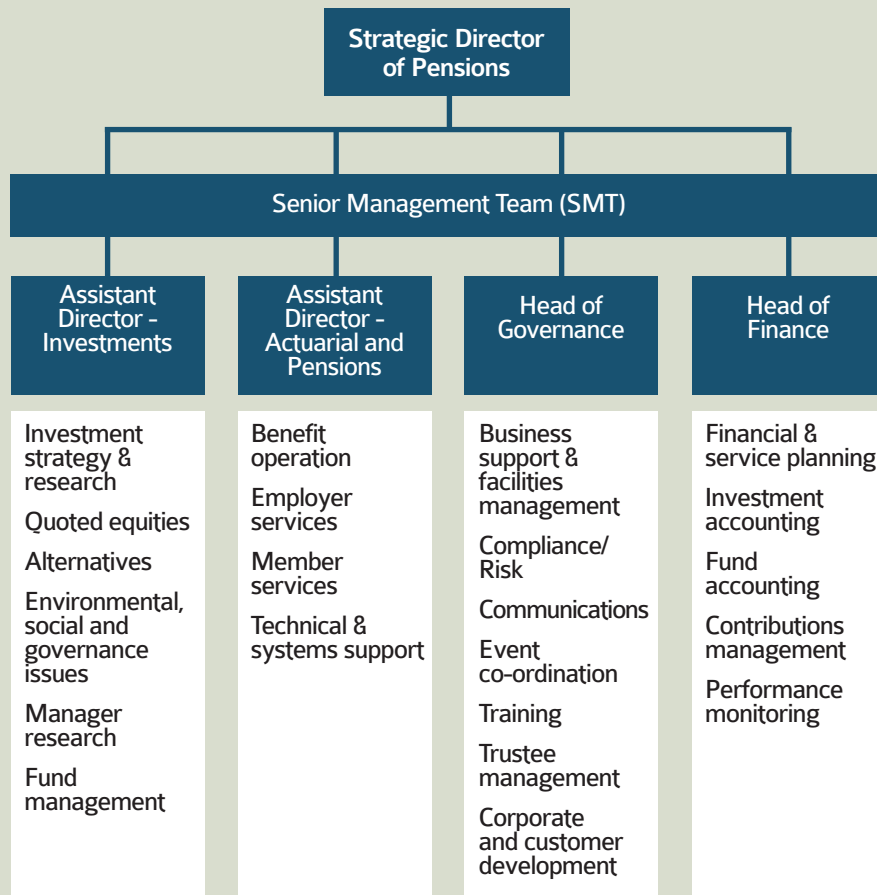
- maintaining high levels of customer satisfaction;
- successfully implementing the outcome of the triennial valuation 2013;
- effectively managing the introduction of the new LGPS 2014 scheme and regulations;
- unit costs of administration reduced from £20.48 to £19.21;
- achieving Investors in People Silver and Customer Service Excellence accreditations;
- implementing a new finance system in conjunction with City of Wolverhampton Council;
- winning the Local Government Chronicle Investment Award, Skills and Knowledge in recognition of our trustee training programme and shortlisted for Best Public Sector Communications and Best Innovation in the Pension Age Awards;
- preparing for the forthcoming reforms to the governance of LGPS funds;
- achieving a return on investments of 3.5%, beating the benchmark of 3.1%;
- simplifying the investment portfolio, improving portfolio management arrangements and achieving cost savings;
- continuing to develop and promote the Fund's self-service web platform ('the web portal') for member and employer access to pension records, with more than 20,000 registrations up to December 2014.



Operational Organisation



The pensions service is structured as follows:



Drivers of Change

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

1) LGPS Reforms

Significant changes to the governance of the Fund and of the LGPS generally take effect from April 2015. These include the establishment of a Pensions Board at the Fund, whose role will be to assist in the good governance of the scheme. In addition, there will be a national Scheme Advisory Board, and two cost control mechanisms which will seek to monitor and contain the overall cost of the LGPS at a national level. Further LGPS reforms are awaited in terms of greater LGPS collaboration and investment management.

2) Actuarial Valuation 2016

The next regular valuation of the Fund's projected pension liabilities, which will determine employer contributions from April 2017 onwards, is due to be reported in 2016/17. Due to the increasing number of employers and the financial constraints faced by the public sector generally, the valuation process is expected to increase in challenge and complexity.

3) The Impact of Declining Cash Flow on Investment Strategy

At present, the Fund receives more in contributions and investment income than it pays out in benefits; however, as it continues to mature, the ratio of pensioners to actively-contributing members will increase, meaning that the cash surplus will decrease and

eventually reverse. This will have profound implications for the Fund's investment strategy, which will need to adapt to reflect and accommodate the changing liquidity requirements.

4) Implementing an Electronic Business Model

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

5) The Effect of Declining Returns on the Fund's Pensions Liability

The prospects for market returns on investments are generally low, and this will impact on the maturing profile of our pension liabilities. It will be critical for the Fund to configure its investment assets in such a way as to monitor and respond to the risks associated with this.

6) Risk Management

Given the financial constraints currently faced by the public sector as a whole, and the local government sector in particular, the risk of employers facing critical financial hardship is inevitably heightened. Monitoring, and providing support to employers, will be key to managing this. In essence, we look to provide investment solutions for the Fund's liability profile, based on employers' risk appetite and covenant strength.

7) Data Quality

With the increasing complexity of LGPS regulations, the importance of the Fund holding accurate, up-to-date information about its members is greater than ever. The Fund will be working with employers to ensure that appropriate systems are in place to provide the requisite assurances around data quality.

8) Employer Base Expansion

The Fund is currently experiencing a major increase in the number of employers, primarily due to local schools converting to academy status. This has resulted in additional administration requirements and complexity for the Fund, and managing these without adversely impacting on the efficiency of its activities will be a key challenge over the medium term.

Key Objectives 2015 - 2020

To deliver the key priorities set out in the following pages, we will need to work towards key objectives. We have categorised these into short-term, medium-term and long-term objectives. They are:

Short-term objectives

- Continue to develop and implement revised investment strategy.
- Implement new LGPS governance structure and prepare for future LGPS reforms.
- Develop the Fund's operational flexibility to enable staff and the Fund to meet the changing needs of our industry.
- Begin the process of GMP reconciliation.
- Implement risk-based investment strategy.
- Embed LEAN ways of working across the Fund.
- Work with employers to improve data cleanliness.

Medium-term objectives

- Prepare for actuarial valuation 2016.
- Explore opportunities to generate revenue to reduce net administrative costs.
- Segregate employers based on covenant strength for the purposes of investment strategy.
- Continue to develop the Fund's electronic business model to continually improve data quality and ensure continued cost efficiencies.
- Reduce the cost of investment management.

Long-term objectives

- Continue to develop Fund strategies that are affordable for employers, and continue to work with employers to ensure that they understand their liabilities.
- Develop the investment strategy and returns expectations of the Fund to reflect the maturity of the Fund's membership.



Priorities and Implementation Targets

Activity	Benchmark measurement	Target	Frequency
Quality procedures and practices			
a) Maintain quality accreditations	Investors in People (IIP), Investors in Excellence (IIE), Customer Service Excellence (CSE) and shortlisting in industry awards	Reaccreditation/shortlisting for awards	Annual, as available
b) Respond to best practice	Through updates to SMT	Improvements to be identified and reported on regularly	Quarterly
c) Respond to legislative changes	Legislative requirement	Compliance with legislation	Quarterly
d) Data quality	Performance against key performance indicators	Data is accurate and updated on a timely basis	Continuous, with quarterly reports
Drive progress through performance improvement			
a) Improve data quality standards to meet regulatory requirements	Review of performance against specific targets set by the regulator in respect of completeness and accuracy of data	Achieve targets set by the regulator	Ongoing/annual
	Outcome of reviews by the regulator and internal audit	Positive reports by review bodies	Ongoing/annual
b) Develop cross-cutting key performance indicators focused on service priorities	Performance against new key performance indicators (KPIs)	The aim is for the pension administration service to operate at 85% (or better) in accordance with the standards set	Annual and quarterly reporting

Activity	Benchmark measurement	Target	Frequency
Develop and implement customer engagement strategies			
a) Develop, review and consult upon and implement engagement strategies	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and quarterly reporting
b) Hold AGM and mid-year reviews annually for employers	Events held in summer and winter each year and are favourably received	Two events per year with 90% of respondents to feedback stating event was either good or excellent	Report to SMT following event
c) Develop communications with stakeholders' needs in mind	Availability of Fund websites, SharePoint and other documentation, and regular review of feedback through SurveyMonkey	To meet communication strategy requirements	Annual and quarterly reporting
d) Implement and review customer journey mapping (CJM) programme	CJM programme to be implemented with project plan targeting customer segmentation	Processes reviewed by customers on a quarterly basis	Quarterly
Management of risk strategies			
a) Regular risk management reviews	Annual risk review	To have an action plan for the most significant risks	Annual/quarterly monitoring
b) Review of major changes and new activities of business	Review/approval from Pensions Committee	All Fund risks are adequately managed	Ongoing/quarterly reviews of risk register
c) Develop and maintain risk management approach in order to give annual assurance statement	Review/approval from Pensions Committee	All Fund risks are adequately managed	Annual review
d) Develop and implement business continuity planning	Review/approval from SMT	Full test of business continuity plan to be completed by Q2 2015	Annual review
Review and implement investment strategy			
a) Review of investment strategy	Annual asset allocation review/Statement of Investment Principles	Ensure investment strategy has regard to Fund's funding position and liabilities	Annual, with quarterly monitoring
b) Implementation of investment strategy	Review/approval by Investment Advisory Sub-Committee	Ensure changes carried out within agreed timescales and cost-effectively	Quarterly
c) Monitoring of performance and portfolio changes	Reporting to Investment Advisory Sub-Committee	Ensure performance at least matches agreed benchmarks	Quarterly
d) Voting and implementation of ESG policies	Reporting to Pensions Committee and Investment Advisory Sub-Committee/SRI Statement	Comprehensive voting programme and membership of LAPFF and other ESG initiatives	Quarterly

Activity	Benchmark measurement	Target	Frequency
Triennial actuarial valuation			
a) Engage with employing bodies and discuss issues	Consultation programme extended to all participating employers	Meet agreed timetable	Next actuarial valuation 2016
b) Collect data for valuation	Formal valuation project plan	Meet agreed timetable	Annually
c) Communicate individual results	Actuarial contributions certified as per regulatory requirements	Meet agreed timetable	Next actuarial valuation 2016
d) FSS to be updated accordingly to include the Fund's strategy for deficit repair	Regulatory requirements	Comprehensive and up-to-date	Next actuarial valuation 2016
e) Ongoing review of investment strategy to maintain SIP	Regulatory requirements	Comprehensive and up-to-date	Annual
f) Regular employer covenant review	All employer covenants reviewed and necessary actions taken	Risk-based employer covenants	Annual
Trustee and Pensions Board training			
a) Maintain and expand the opportunities to build trustee and Pensions Board knowledge and understanding	CIPFA Skills and Knowledge Framework and the legislative requirements concerning the knowledge of Pensions Board members. Wide range of knowledge-building opportunities provided. Intensive off-site training when required	Minimum of three days' provision to Committee members	Ongoing, with annual report
b) Monitoring of approved training policy	Wide range of knowledge-building opportunities provided	100% target achieved	Ongoing
c) Identification of training needs and development of training plan	Wide range of knowledge-building opportunities provided	Training needs identified and addressed	Ongoing
d) To ensure trustees and Pensions Board meet TPR competency requirements	TPR framework and standards and training needs analysis	Compliance with CIPFA Knowledge and Skills requirements	Ongoing
Developing people			
a) Ensure a skilled, flexible and professional workforce	Staff induction, training plan and appraisal	22 hours' training per annum and appraisals for all staff	Ongoing
b) Measure and improve competency levels through performance appraisals	Annual appraisal	All staff to have up-to-date appraisals	Annual appraisal, with six-month review
c) Learning and development guide developed and reviewed with due attention to training needs analysis and performance appraisals	Training needs addressed with development plan created	Training needs analysis to be reviewed annually	Annual
d) Cultivate a working environment where knowledge is shared	Knowledge library of all courses available on SharePoint	100% of internal courses made available via SharePoint	Ongoing
e) Maintain accreditations including Investors in People (IIP) and Customer Service Excellence (CSE)	Investors in People, Customer Service Excellence	Reaccreditation	Annual

Key Performance Indicators (KPIs)

1	Improve funding level	Funding level to increase from current levels of 70% (taken from IAS26 report)	>70%	
	2	Transfers-in	Transfer-in quotations processed within ten days of receiving all the required information	90%
			Transfer notification of transferred-in membership to be notified to the scheme member within ten days of receiving payment	90%
		Transfers-out	Transfer-out quotations processed within 20 days	90%
		Transfer out payments processed within ten days	90%	
		Retirements	Retirement options to members within 15 days	90%
			Notification of the actual retirement benefits will be issued to the scheme member within five days following receipt of the required information	90%
		New retirement benefits processed for payment following receipt of election within five days	90%	
	Deaths	Acknowledgement of a death to due within five days of receiving the notification.	90%	
		Notification of benefits payable to dependents will be issued within five days of receiving the required information	90%	
		Payment of death lump sum will be made within ten days of receipt of all the required information	90%	
	3	Employer service: employer satisfaction	Overall satisfaction score for employers to be 85%	85%
		Employer and member service: calls	85% of calls received to the customer and employer helpline to be answered	85%
	4	Member service: customer satisfaction survey	Overall satisfaction score for members to be 85%	85%
		Investment returns/overall Fund performance	Returns to be within 2% of the benchmark (three-year rolling) - West Midlands Pension Fund	Variance +/- 2%

6	Returns to be within 2% of the benchmark (three-year rolling) - WMITA	Variance +/- 2%	10	Sickness absence	6 days per person per year	6 days
	Benefit statements		11	Cost per member	Administration cost per member to be less than £20	<£20
7	ABS issued to 90% of eligible active members by 30 September	90%	12	Training hours	Average CPD per Fund employee to be 22 hours or more	22 hours
	DBS issued to 85% of eligible deferred members by 30 October	85%		13	Data quality	
8	Contributions received		13		Common data	
	Main Fund 98% (total value) of contributions to be received by the due date	98%		Missing forename(s)		
9	ITA Fund 98% (total value) of contributions to be received by the due date.	98%	Missing surname			
	Clean audit report		Incorrect gender for member's title			
9	Receive an unqualified audit opinion from the main Fund's external auditors	Clean report	Gender is not male or female			
	Annual audit returns no significant findings	No significant findings	Invalid or temporary NI number			
9	Receive an unqualified audit opinion from the ITA Fund's external auditors	Clean report	Missing date of birth			
	Annual audit returns no significant findings	No significant findings	Invalid date of birth (this includes members over 75 and who are still active or members under 16 and not a beneficiary)			
9	External accreditation		Date of birth is after date joined scheme			
	a) The Fund to be shortlisted for 75% of the awards in which it is entered	75%	Member has no address			
9	b) Retain CSE and IIP accreditations	100%	Missing postcode			
			Missing scheme retirement date			
			Missing date joined pensionable service			
			No entry in status history does not match current status			
			Last entry in status history does not match current status			
			Category of membership status not on member record			
					0% occurrence	

14 Trustee training

Satisfaction rate from feedback of trustee training events to be 90% **90%**

Attendance rate of trustees at training events **85%**

Amount of training provided to trustees during the year **22**
hours

15 Information to be published quarterly

Expenditure exceeding £500

Transactions on a Government Procurement Card

Procurement information

Invitations to tender for goods and/or services with a value that exceeds £5,000

Procurement information Contracts, commissioned activity, purchase orders, framework agreements and any other legally enforceable agreement with a value that exceeds £5,000

Annual specified date

16 Staff turnover

Staff turnover to be in the range 5 - 10% over the course of the financial year **5%-10%**

17 Availability of online services

Website and web portal to be available 95% of the time **95%**

Number of members predicted to be registered on web portal by 31 March 2016

50,000 members

18 Quarterly accounts

Days taken to prepare quarterly accounts **20**
days

19 Qualifications

At least 75% of staff to hold a relevant qualification **75%**

Skills and Knowledge

A major factor in the governance arrangements of the Fund is ensuring Committee members and officers have the relevant skills and knowledge. The Fund's Trustee Training Policy was approved by Pensions Committee in March 2015 and is based on the CIPFA Knowledge and Skills Framework and the legislative duties of the Pensions Board to achieve this objective. As part of the policy, training information is recorded and logged on a trustee training database and the details are reported to Committee annually.

In April 2015, new legislation will require the Fund to introduce a Pensions Board. The Fund worked proactively with employers and trade unions to ensure full compliance with the governance reforms and is one of the first pension funds to establish the Pensions Board. The Fund has prepared for and put in place arrangements to ensure that the Pensions Board is constituted of individual with the requisite skills and knowledge

CIPFA

Six areas of knowledge and skills have been identified as core technical requirements for those members associated with LGPS pension funds:

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

It is not the intention that members should individually become technical experts, but that collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.

Officers advising members and implementing decisions should have a more detailed knowledge.

Following the approval of the Fund's trustee training policy, a summary of training activity undertaken during 2013/14 was reported to Committee together with the outcome of the training needs analysis, which has since been incorporated into the training programme.

Reporting

The Fund ensures compliance with all regulatory requirements for the skills and knowledge of its trustees and Pensions Board in accordance with the statutory guidance issued by the Scheme Advisory Board. This is measured against the Scheme Advisory Board's benchmarking and performance matrix which the Fund reports on each year. Details will be made available in the Fund's annual report.

It is being proposed that it will become a regulatory requirement for funds to explain their compliance with the CIPFA framework and, in particular, cover:

- how the framework has been applied;
- what assessment of training needs has been undertaken; and
- what training has been delivered against the identified training needs

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements. The Pensions Regulator has issued a code of practice and a strategy for regulating public service pension schemes and the Fund will comply with the requirements.

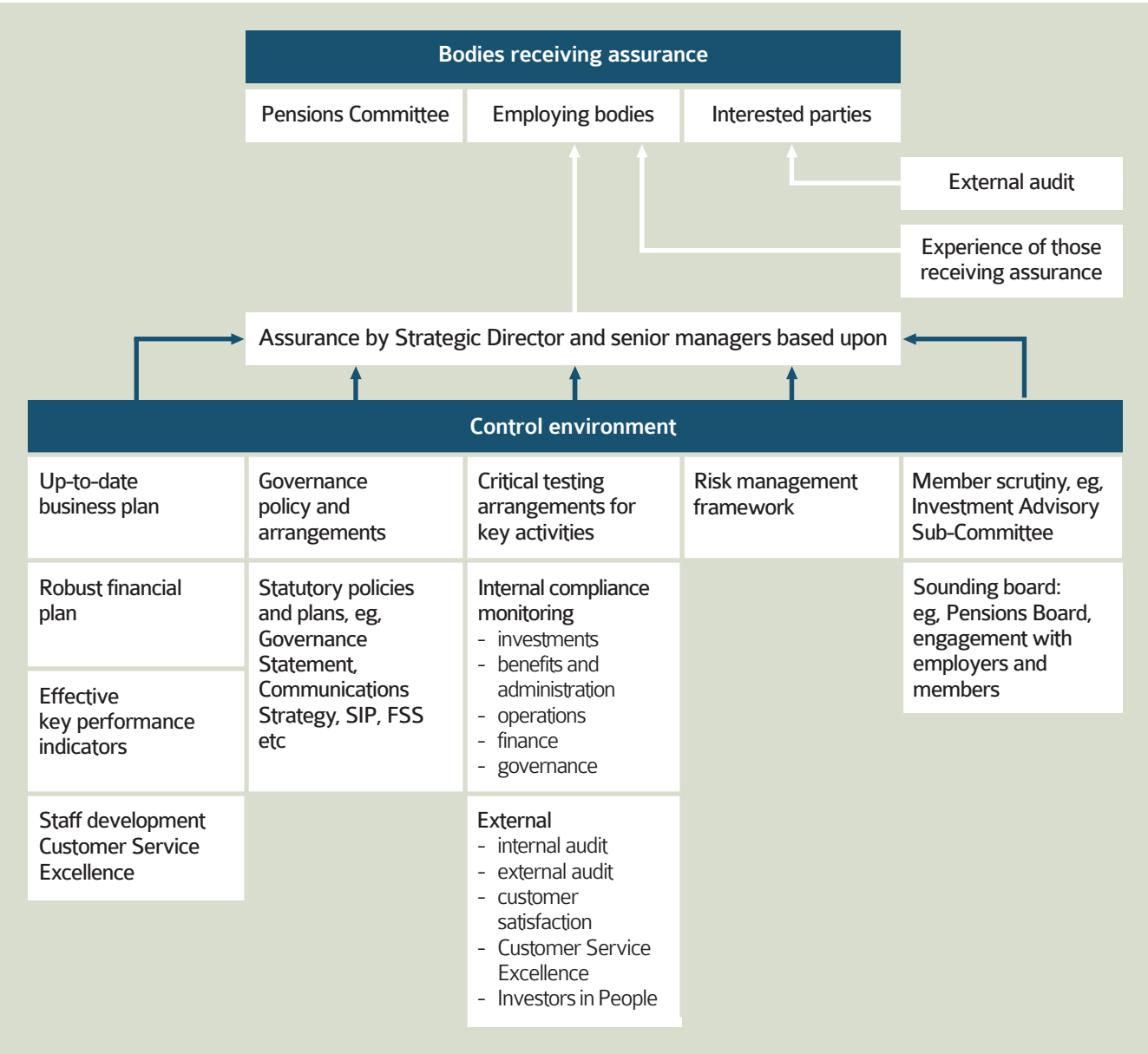
Risk Management and Assurance

1) Background

The Strategic Director and senior staff operate a bespoke assurance framework that has been developed by the Fund, and includes a comprehensive risk management strategy.

2) Assurance Framework

The assurance framework is designed to ensure the Fund meets its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices where appropriate and has high customer service satisfaction. The framework is shown below:



3) Risk Management

An extensive risk register is maintained covering a wide range of issues across investments and benefit operations. The register is subject to annual review and quarterly monitoring. It is available to internal and external audit.

The Fund's core objectives, of which risks will be managed against, are outlined on page 3 of this service plan.

Priority of Risk Management

The Fund evaluates and manages a wide range of risks. This is done through regular review, analysis and action plans. The Fund's objectives can only be achieved through effective risk management.

Overall Risk Management

This is reviewed against the following:

- i) Separate audit fee negotiated with external auditor that reflects use of well-qualified and experienced staff supported by pensions partners and actuarial expertise;
- ii) Structured delegation of powers and reporting of activity;
- iii) Regular internal audit of the Fund's activities with two major audits each year covering investments and administration;
- iv) Council-wide risk management approach involving members and senior officers.
- v) Extensive internal compliance procedures which are regularly tested against written procedures and practices.

Benefits and Payroll Risk Management

Specific analysis of administration risk is taken against:

- i) Regular yearly external audit testing of benefit calculation by external auditor;
- ii) Regular internal audit;
- iii) Separation of key activities, eg. bank accounts, accounting;
- iv) Regular benefit statements, pensioner existence checking, etc.

Investment Risk Management

Investment management risk is managed through a range of methods and is primarily split across three key areas;

- i) **Investment strategy and asset allocation**
 - a) annual asset allocation reviewing analysing investment risk and return
 - b) Ensuring that the portfolio is suitably diversified
 - c) Quarterly performance measurement, monitoring and reporting of asset allocation to benchmark
- ii) **Manager risks**
 - a) detailed manager selection and due diligence
 - b) manager performance monitoring
 - c) reporting of transactions and changes in management arrangements to Investment Advisory Sub-Committee
- iii) **Operational risks**
 - a) separation of accounting responsibilities
 - b) separation of duties within investments
 - c) comprehensive internal compliance monitoring programme based upon best practice and annually reviewed

4) Strategic Director's Annual Governance Statement

The Strategic Director has made the following statement in support of governance arrangements of the Fund.

With regard to the West Midlands Pension Fund, day-to-day management of the Fund is carried out by four separate teams of staff who are dedicated solely to the functions of pension administration, finance, governance and investments, with appropriate support and advice from external investment managers. All teams report to the Strategic Director of Pensions. The key elements of the Fund's internal control environment include:

- procedures for establishing and monitoring the achievement of the Fund objectives;
- the facilitation of policy making and decision making;
- ensuring compliance with established policies, procedures, laws and regulations;
- ensuring the economical, effective and efficient use of resources and for securing continuous improvement in the way in which the functions of the Fund are exercised;
- the financial management of the Fund and the reporting of financial management;
- the performance management of the Fund and the reporting of performance management.

Key Risks

The key risks identified by the Fund through its risk management procedures are as follows:

Administration

- **The Pension Administration Strategy (PAS) is not complied with by employers**

The risk is that employers are not aware of their responsibilities under the PAS. In order to mitigate these risks, the Fund communicates with employers to ensure they understand the PAS and the requirements within. Each employer is asked to sign an undertaking of their understanding and acceptance.

- **Lack of employer covenant strength and/or suitable guarantors**

All new employers are required to have a suitable guarantee in place prior to being admitted into the scheme. Monitoring is carried out on existing employers and the covenant strength is assessed and each employer risk rated. Higher-risk employers are monitored closely.

Governance

- **The Fund breaches information governance and data protection law/regulations**

The Fund is due to be registered as a Data Controller from 1 April. Breaches could lead to reputational damage and possible enforcement action from regulators, such as penalty notices.

The Fund provides staff training and all breaches are reported and any systemic issues are identified and corrected.

- **The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario**

No experience of service failure; however, the Fund's business continuity plan is largely dependent on the IT infrastructure of the City of Wolverhampton Council. To mitigate any risk, the Fund is currently in discussion with the City of Wolverhampton Council to ensure it is adequately covered within the Council's own recovery plan.

Investments

- **The Fund invests in an inappropriate asset allocation**

The risk that trustees and officers do not receive appropriate advice or do not have suitable skills to make decisions is mitigated by the Fund providing training and formal qualifications for trustees and officers. Annual reviews are also undertaken by the Fund's investment advisor and investments are diversified by asset classes to spread risk.

- **Poor performance of investment managers**

Due diligence is carried out on all managers prior to agreeing to invest. Any investment is approved by the Strategic Director of Pensions and Assistant Director – Investments. Manager performance is reviewed at monthly investment meetings and annually by the Fund's Investment Advisor.

Investment Management

The approach to investment of the Fund's assets is built around the policies and practices set out in the Statement of Investment Principles (SIP), Funding Strategy Statement (FSS), Statement of Investment Beliefs and Socially Responsible Investment (SRI) Statement which can be found at the Fund's website, wmpfonline.com.

This approach in summary is as follows:

- a) An investment strategy that aims to determine the balance of assets that has regard to the Fund's liability structure.
- b) The need for stable employer pension costs is of major importance for the employing bodies because of the impact on their budgets and forward plans.
- c) The aim to match or exceed the Fund's target return, investment returns of comparable funds and the markets in which the Fund invests over the medium- to long-term.
- d) The need to manage risk through diversification, detailed manager selection and monitoring, and comprehensive monitoring of operational risks.
- e) The best practice principles set out relevant codes of practice (listed below) are accepted as the investment standard to achieve.

Investment strategy is undertaken annually; it pays due consideration to the Fund's structure and investment objectives. The investment strategy has been revised a number of times in recent years to reflect major economic and market changes in the world following the 2008 banking crisis and 'credit crunch'.

The majority of the Fund's expected returns come from the markets in which it invests with the balance from added value delivered by investment managers. The emphasis of the investment strategy is also to ensure an appropriate level of portfolio diversification for the Fund.

Best practice has regard to the following:

- i) Myners' principles;
- ii) Financial Conduct Authority (FCA) requirements;
- iii) Professional and industry standards;
- iv) CIPFA, the Audit Commission and other professional bodies' views, codes and recommendations;
- v) Investment management regulation;
- vi) Accounting standards;
- vii) LGPS regulations;
- viii) Pensions legislation.

The Fund has a clearly defined governance structure with the Pensions Committee and Investment Advisory Sub-Committee supported by the in-house investment division and a range of external advisers.



Communications and Customer Care

The Fund recognises that it has a large and diverse customer base split across those customers with a direct interest (employers and scheme members) and those who have an interest because of the nature of the Fund's activities (trade unions and the pensions industry, for example). The Fund has developed an approach to ensure it is able to meet the needs of its direct and indirect customers.

The Fund aims to:

- deal with customers promptly and fairly, with due regard for cost while still providing a comparable level of service with similarly sized pension funds;
- consult customers wherever possible when considering changes to the service we provide and to take account of their views; and
- report on the quality of the service we provide and seek feedback from customers on a continual basis.

The Fund recognises the following groups as stakeholders of the Fund:

- Pensions Committee
- Pensions Board
- Investment Advisory Sub-Committee
- Scheme members
- Representatives of scheme members
- Prospective scheme members
- Scheme employers
- Fund staff
- Other bodies

A customer journey mapping programme is in place to enable the Fund to effectively manage the expectation, experience and satisfaction levels of its customers with due regard to cost, efficiency and ease of completion. The programme allows the Fund to identify service improvements, to enhance customer experience, at the same time as delivering the business needs and our long-term partner.

The objectives in communicating with stakeholders are:

- to keep everyone informed about the management and administration of the Fund;
- to provide relevant information which enables stakeholders to make decisions regarding pension provision;
- to consult employers on changes to legislative regulations, policies and procedures that affect the Fund; and
- to promote the LGPS as an important benefit of recruitment and retention.

The Fund aims to meet all special communications requirements by ensuring that communications are available in large print, braille, audio format and where English is not the individual's first language, an alternative will be offered. The Fund aims to achieve clarity of message, using plain English, to deliver consistent communication through different media channels.

The Fund will deliver prepared communications in a timely manner which support our partnership arrangements with employers, members and third-parties (eg, Club Together and Prudential). It is vital that information is accurate, factual and relevant so that stakeholders and customers are fully engaged with current matters and future changes to the LGPS.

Any communication will be targeted at appropriate groups, eg, Club Together to pensioner members, with regards to verbal and visual style, content, communication medium and the method of delivery.

The Fund aims to encourage feedback and comment regarding different communications channels in order to identify improvements and changes. Any feedback will have due regard to cost/value for money, with the Fund's preferred solution for web-powered feedback being SurveyMonkey.com's secure online surveys.

Medium-Term Financial Plan 2015 - 2020

1) The purpose of the medium-term financial plan

This plan expresses the Fund's service plan in financial terms, and is therefore an integral part of the plan.

2) Background

The Local Government Pension Scheme regulations provide for the costs relating to general administration and investment functions to be an allowable charge to the Fund: the costs are not a direct charge on employing bodies. The Fund's actuary makes provision in his triennial valuation process for administration and investment expenses.

The Fund continues to demonstrate good value for money in its operating costs. The Department for Communities and Local Government collect information from all LGPS funds on their administration and fund management costs on a yearly basis. The table below details the Fund's position for 2013/14 as compared to other LGPS bodies:

	2013/14 administration costs £ (psm*)	2013/14 Fund management costs £ (psm*)
West Midlands Pension Fund	19.21	39.91
Average for LGPS:		
- Metropolitan funds	22.38	47.74
- All English authorities	34.52	123.94

*per scheme member

The Fund's operating costs remain below the average for LGPS operating costs. However, the Fund continues to seek to drive improvements in efficiencies and to reduce the average costs, while maintaining a quality service.

3) Medium-term workload

The Fund has addressed a number of significant developments in recent years:

- a) The detailed actuarial valuation exercise 2013 which informs the Fund's financial position and contribution arrangements for the medium-term period through to 2016/17.
 - b) The review of the Fund's investment strategy to strengthen the overall funding position through the generation of additional returns from investment allocation.
 - c) The introduction of academy schools has resulted in a significant increase in the number of participating employers in the Fund.
 - d) The introduction of the new LGPS 2014 from 1 April 2014. This saw the scheme move to a career average-related earnings basis, while maintaining the key feature of it being a defined benefit scheme.
 - e) Auto-enrolment commenced in 2012 with some employers postponing their staging dates.
 - f) Developing a new accounting system for 1 April 2014.
- 4) In reviewing the developments in the medium term from 2015/16 onwards, a number of service developments are anticipated:
- a) An ongoing assessment of the effectiveness of the IT arrangements for the pensions administration system, to ensure that it provides a reliable platform for complying with LGPS 2014 requirements. Also, the transfer to a new platform for the Fund's website and the transition to electronic bulk data input.
 - b) The challenge of responding to the new regulatory environment including the maintenance of accurate membership records and data quality standards to meet the requirements of The Pensions Regulator and HMRC (GMP reconciliation).
 - c) Continuing monitoring, review and implementation of the investment strategy including the future introduction of multiple investment strategies.
 - d) The need for effective management of future costs of administration and investment management expenses to ensure that the service continues to function at a high level, while operating within a tighter financial framework.
 - e) Responding to the challenges faced by employers as a result of the requirements of the actuarial valuation 2013 and their continuing financial pressures.
 - f) The challenges faced from the increased pensioner numbers (see table overleaf) resulting from headcount reduction at participating employers.
 - g) Developing a model to internally monitor funding levels between actuarial valuations.

Provision of £350,000 per year has been made in the medium-term financial plan to enable the Fund to respond to these developments. This amount will be reviewed annually as part of the service planning process.

Year ended	Active	Deferred	Preserved refunds	Pensioners	Beneficiary	Totals
31 March 2010	104,612	69,605	8,181	56,433	10,438	249,269
31 March 2011	102,608	72,775	8,131	59,322	10,666	253,502
31 March 2012	95,478	76,422	8,045	64,280	10,948	255,173
31 March 2013	97,330	78,679	7,830	66,491	11,024	261,324
31 March 2014	99,771	82,287	7,721	69,170	11,381	270,330
31 December 2014	104,165	82,382	7,607	70,101	11,283	275,538

5) Detailed operating budgets

The operating service estimates for pensions administration and investment charged to the Fund for 2015/16 through to 2019/20 are detailed below.

	2014/15 budget	2015/16 budget	2016/17 forecast	2017/18 forecast	2018/19 forecast	2019/20 forecast
Employees	4,513	4,797	5,067	5,196	5,314	5,420
Premises	344	328	325	331	337	343
Transport	69	60	61	62	63	64
Other	1,967	1,923	2,211	2,000	2,039	2,339
Investment management and advice	11,133	9,559	10,133	10,741	11,385	12,068
Service development	350	350	350	350	350	350
Communications and computing	719	702	716	730	744	758
Support services	523	454	463	472	481	490
Miscellaneous income	(150)	(155)	(155)	(155)	(155)	(155)
Net budget	19,468	18,018	19,171	19,727	20,558	21,677

6) Cost per scheme member

The forecast costs per scheme member, for administration and investment management, are as follows:

	2014/15 budget	2015/16 budget	2016/17 forecast	2017/18 forecast	2018/19 forecast	2019/20 forecast
Total administration costs (£000)	5,031	5,393	5,866	5,744	5,864	6,121
Administration cost per member (£)	18.15	19.11	20.33	19.49	19.48	19.90
Total investment management costs (£000)	14,437	12,625	13,305	13,983	14,694	15,556
Investment management cost per member (£)	52.07	44.73	46.12	47.44	48.82	50.56

7) Medium-term financial plan

The following table provides forecasts for the whole Fund over the period covered by the service plan.

	2014/15 forecast £m	2015/16 forecast £m	2016/17 forecast £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m
Contributions receivable	(450.3)	(447.1)	(467.0)	(477.2)	(485.8)	(494.5)
Other income	(16.6)	(16.8)	(17.1)	(17.4)	(17.7)	(18.1)
Benefits payable	496.6	520.0	548.1	577.1	607.1	638.1
Other payments	0.3	0.3	0.3	0.3	0.3	0.3
Net cost of pensions	30.0	56.4	64.3	82.8	103.9	125.8
Investment income	(141.2)	(148.9)	(156.6)	(164.6)	(172.8)	(181.1)
Gains in value of investments	(464.0)	(489.4)	(514.5)	(540.9)	(567.7)	(595.0)
Net return on investments	(605.2)	(638.3)	(671.1)	(705.5)	(740.5)	(776.1)
Management expenses (operating budget)	19.4	18.0	19.2	19.7	20.6	21.7
Net increase in the Fund	(555.8)	(563.9)	(587.6)	(603.0)	(616.0)	(628.6)
Opening Fund balance	10,144.4	10,700.2	11,264.1	11,851.7	12,454.7	13,070.7
Closing Fund balance	10,700.2	11,264.1	11,851.7	12,454.7	13,070.7	13,699.3

Notes

- 1) The Fund continues to review its operational arrangements. The aim is to process an increasing workload while managing the cost base to ensure that effective and economical arrangements are in place.
- 2) The cost of investment management and advice will vary with the performance of managers, as a number of arrangements have an element of a performance management fee.

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