Annual Report and Accounts 2018

P

PARTNERING for success

R

RESPONSIBLE asset owner, employer and local community partner

I

INVESTING to increase capacity

D

DRIVE efficiencies and cost savings

E

ENGAGE to improve outcomes for customers

West Midlands Pension Fund

INTRODUCTION

Chair of the Pensions Committee and the Director of Pensions Statement

Transformation hits major milestones in a year of progressive change

During 2016/17, the Fund set out plans for investment pooling, enhancing the member portal and improving exchange of membership information with scheme employers. In line with these plans we have worked in partnership to i) deliver the successful launch of the FCA-regulated investment management company, LGPS Central Limited, meeting the government deadline of April 2018; ii) relaunch and grow member portal registrations and iii) transition to a new system of monthly data exchange with our employers. All three initiatives aim to enhance Fund governance and realise, over time, cost savings through increasing economies of scale and adopting more efficient working practices.

Work will continue through 2018/19 to develop these initiatives through phased product development with the LGPS Central pool and further development of Fund administration and information services as part of an ongoing plan for automation and digital transformation.

Working in partnership

The successful delivery of three significant change projects in one year has been driven by the dedication and hard work of Fund officers, who have collaborated with Partner Funds and the Fund's own, suppliers and advisers to ensure these key milestones have been met. The changes and launch of LGPS Central Limited in particular, has brought a number of changes to the Fund employee base.

Having led the LGPS Central pooling programme on behalf of the nine Partner Funds and successfully delivered the business case to Government in July 2017, the former Strategic Director of Pensions, Geik Drever, retired in September 2017, following recruitment and handover to the incoming CEO for LGPS Central Limited, Andrew Warwick-Thompson. It was great to see Fund officers from the investment and finance teams secure through open application, a number of the Investment Director and other key roles within the Company, ahead of the internal investment team and supporting functions transferring employment to LGPS Central Limited on launch at the start of April 2018.

Investing to increase capacity

During the year the Fund has continued to recruit to key and specialist roles, to support the increased focus on data exchange and to ensure the Fund's investment and finance function has sufficient resource and expertise to meet Fund requirements. Whilst the responsibility for selection of investment managers and implementation of investment strategy will transition to LGPS Central Limited over time, in line with the objectives of investment pooling, the Fund retains responsibility for key functions including investment strategy, strategic asset allocation, responsible investment, cashflow management, funding and liability management.

We continue to invest in our employees, Pensions Committee and Local Pensions Board members, not only through recruitment and induction but also through an ongoing training and development programme. Our most recent employee survey noted for the fourth year running, an increase in employee satisfaction, with over 80% noting they were proud to work for the Fund and recognition of an increase in opportunities for employees to access training, utilise skills and contribute to Fund policy.

Feedback from our structured Committee and Board training events continues to be very positive, with events well-attended and topics and speakers well regarded for building knowledge to support and enable discussion and decision on key issues.

Responsible investor and employer

Our investment strategy and responsible investment activity continues to evolve, and preparations are already underway for the next triennial actuarial valuation due 31 March 2019.

The Fund's responsible investment framework and voting policy has been developed to reflect evolving working practice and our engagement themes for the year. We continue to work with a growing number of partners (UK and global) to extend our reach on issues which could have a material impact on the Fund's asset values over the long term, including diversity, climate change and cyber security.

In addition to embedding responsible investment into our due diligence process on selection, we are using our partnerships with the PRI, IIGCC, LAPFF and UK pensions roundtable to increase and leverage engagement activity. We have actively voted our shares on key issues including executive remuneration, Board diversity and independence, disclosure of climate change risk monitoring and management, auditor appointments and corporate restructuring activity with a view to protecting and enhancing Fund asset holdings.

Notable outcomes include voting 100% of eligible shareholdings; developing market standard guidelines for reporting and monitoring private equity managers and driving change towards reducing greenhouse gas (GHG) emissions.

The Fund's charity work continues to support both organisations selected by the City of Wolverhampton Council and those chosen by our Staff Forum.

Having experienced in the previous year (2016/17), a high return (in excess of 20%) on the Fund's invested assets, 2017/18 was more muted at 3.0% and more in line with the return during 2015/16. Market volatility at the start of 2018, provided a reminder that returns can vary significantly over short periods, with asset values impacted by emerging economic and geopolitical risks. The Fund has a diverse investment strategy, focused on the long-term return requirement and cashflow needed to deliver the benefits payable to members. Over the three years to March 2018, the Fund investments have delivered in line with the target to outperform the benchmark by 0.5% pa, generating a return of 8.9% pa.

Over the year, the Fund has increased allocation to property and infrastructure investments, to increase holdings in income generating assets and move closer towards the target asset allocation. Work has also been undertaken, in collaboration with the participating employers, to review and reduce investment and funding risk inherent in the investment strategy for the Transport Fund, which is closed to new members and has a much more mature liability profile.

Driving performance and cost efficiency

Investment and operational cost efficiency continue to be a focus for developing investment strategy and administration support systems. For the second year running the Fund commissioned a Global Benchmarking review, to look at progress to date and inform future decision making.

Chair of the Pensions Committee and the Director of Pensions Statement

The comparison of the Fund with over 400 large pension funds around the world (based on 2016/17 information) concluded that the Fund investments had added value at low cost relative to peers, with investment costs 0.14% below the median. This is driven largely by how the Fund implements its investment strategy, utilising an internal management team and reducing higher cost fund-of-fund investments. Overall, the Fund's management expenses have reduced by almost 30% over the last four years, with significant savings in investment management costs which fell to 0.39% of assets under management for the year to 31 March 2018.

Whilst the creation of the LGPS Central investment pool is expected to generate further cost saving over the long term, it is recognised that significant cost savings have already been made by the Fund and future year-on-year savings may be more limited. The business case for pooling is focused not only on the benefits of scale in reducing cost but also in enhancing governance and increasing capability to increase internal management and direct investment, to generate return more efficiently, where it is appropriate to do so.

We have continued to support development of the National LGPS Framework, which has this year added Frameworks for Investment Management and Consultancy and Transition Management and Implementation Services, ahead of the transfer of assets to investment pools. We have utilised the Frameworks for Legal Services, Investment Management Performance and Cost Monitoring and Reporting Services and Third-Party Administration (for which the Fund is a founder member) to aid procurement and cost management.

Further operational investment in the Fund administration service and systems is planned to increase capacity to manage a high volume of workload as the Fund employer base continues to grow and more members join and approach retirement. System development and digital transformation is ongoing to support work with our members and employers, with a focus on increasing automation and enabling greater self-service. A key development for 2018/19 will be extending the administration service to enable employer worktrays, increasing efficiency and transparency of case management.

Year-on-year the Fund has delivered an improvement in operational key performance indicators, reflecting the increased focus in particular on processing individual benefits quotations for members. Following a programme of engagement with employers on responsibilities under the *Pensions Administration Strategy*, improvements have been noted in the timeliness and quality of member information passed to the Fund. Progress will continue to be monitored during 2018/19 as further review of member records takes place and the monthly return process embeds, as part of a programme of data improvement initiatives and in preparation for the 2019 actuarial valuation.

Engaging to meet our stakeholder requirements

We continue to engage widely with our growing membership and employer base, offering a wide range of opportunities to interact with our membership either in person (face to face or via phone) or online. Development of tailored member presentations and meetings with key employer groups have increased during the year, together with the use of video shorts to introduce services to members and employers, easily accessible on demand.

Following relaunch in August 2017, the member portal has seen a significant increase in member registrations, with numbers increasing by over 50% and total registrations standing at over 62,555 one year on.

Fund officers continue to engage with colleagues across LGPS funds and with national groups (eg, through LGA) to develop and enhance, scheme-wide services. For example, review of benefit statements and development of scheme newsletters.

The Fund has been represented and has presented at a variety of events during the year including Cross-pool Members Forum, PLSA Local Authority Conference, LAPFF Strategic Investment Forum, LGC Investment Symposium.

Geik and Jill Davys (Assistant Director for Investment and Finance who joined in October 2017) were jointly recognised at the LAPF investment awards in September 2017, for their contribution to LGPS investment pooling. The Fund was shortlisted for a number of awards during the year for initiatives including its Responsible Investment Reporting, Pension Communications, Best Pension Strategy and Best Use of Technology. In the Environmental Audit Committee's review of the top 25 UK pensions funds, the Fund was noted as "more engaged" on the risks of climate change.

The Fund's Customer Service Excellence accreditation was independently reviewed in July 2018, with the assessor recognising the performance improvements implemented by the Fund over the last two years.

Overall, whilst there is still work to do to embed and drive the benefits from changes implemented during the year, the Fund has had a very positive year and has made strides towards maintaining and improving performance.

We would like to thank the Pensions Committee and Local Pensions Board, our network of partners, suppliers and advisers, together with our employers and Fund officers for their commitment and engagement during the year.
The advice, support and challenge we have received has been invaluable in assisting us to develop and shape Fund services. We look forward to continuing to work with you to continue to deliver a leading Fund within the Local Government Pension Scheme and wider pensions landscape.

Councillor Ian Brookfield
Chair of the Pensions Committee

Rachel Brothwood
Director of Pensions

Management and Financial Performance

Financial Performance

Financial Report

The primary functions of the Finance team are to make payments to pensioners and suppliers, to collect income due to the Fund and to account for all of the Fund's activities including its investments.

Financial performance

Getting the most from our money is a key focus for the Fund, and it is with this in mind that we are pleased to note a cost of administration, oversight and governance per member of £21.07 for 2017/18 compared to the budget target of £23.20. This represents the successful deployment of strong financial controls and expense management across the Fund.

One of our key focuses again this year has been the cost of investment management arrangements. We have put in place a system for collecting and analysing cost information from our external fund managers and have worked with external partners to develop further tools which have now formed the basis of an industry-wide template. We are acutely conscious of the need to ensure that our Fund managers deliver value-for-money services that are in the best interest of our members and that cost savings can be secured wherever possible. We are pleased to note a fall in the cost of investment management from £65.7 million in 2016/17 to £58.9 million in 2017/18, reflecting the work that the Fund has undertaken during the last few years to streamline its investment portfolio.

Looking to the future, it will be critical for us to continue to demonstrate efficiency and cost-effectiveness to our members and employers. The Finance function will support this by ensuring that planning and forecasting is timely and complete, that management information is accurate and relevant, and that all expenditure decisions are carefully scrutinised.

Outturn 2017/18: operating budgets

The following table sets out the Fund's outturn for 2017/18 compared to budget. The net position was a saving of £12.5 million, the main reasons for this being:

- Savings on investment management fees following portfolio restructuring (£11.3 million);
- Staffing vacancies (£691,000);
- Supplemented by other savings across supplies and services, support services and transport budgets of £278,000.

	2017/18 budget £000	2017/18 actual £000	2017/18 variance £000
Employees	6,270	5,579	(691)
Premises	300	382	82
Transport	83	65	(18)
Other supplies and services	640	430	(210)
Professional fees	1,410	1,801	391
Communications and computing	639	665	26
Support services	558	508	(50)
Miscellaneous income	(5)	(810)	(805)
Sub total	**9,895**	**8,620**	**(1,275)**
External investment management fees	70,200	58,900	(11,300)
Total	**80,095**	**67,520**	**(12,575)**
Funded by:			
West Midlands Pension Fund	79,345	66,770	(12,575)
West Midlands ITA Pension Fund	750	750	-
Net budget	**80,095**	**67,520**	**(12,575)**

Financial Performance

Outturn 2017/18: cost-per-member: West Midlands Pension Fund

Cost-per-member is a critical measure for the Fund of its cost-effectiveness. The table below sets out the cost-per-member in 2017/18 compared to budget and last year using the CIPFA standard categories. The key measure kept under review as part of the Fund's service plan monitoring is the combined cost of administration, oversight and governance which was £21.07 per member in 2017/18.

	2016/17 actual	2017/18 budget	2017/18 actual
Total administration costs (£000)	3,303	4,660	3,826
Administration cost per member (£)	10.93	15.29	12.21
Total oversight and governance costs (£000)	2,027	2,409	2,776
Oversight and governance cost per member (£)	6.71	7.91	8.86
Total administration, oversight and governance cost per member (£)	**17.64**	**23.20**	**21.07**
Total investment management costs (£000)	65,717	72,275	60,168
Investment management cost as a percentage of investment assets	**0.46%**	**0.47%**	**0.39%**

Outturn 2017/18: cost-per-member: West Midlands ITA Pension Fund

	2016/17 actual	2017/18 budget	2017/18 actual
Total administration costs (£000)	90	90	90
Administration cost per member (£)	17.74	17.68	18.01
Total oversight and governance costs (£000)	30	30	30
Oversight and governance cost per member (£)	5.91	5.90	6.00
Total administration, oversight and governance cost per member (£)	**23.65**	**23.58**	**24.01**
Total investment management costs (£000)	645	630	698
Investment management cost as a percentage of investment assets	**0.13%**	**0.12%**	**0.14%**

Management and Financial Performance

Financial Performance

Outturn 2017/18: West Midlands Pension Fund

Across the Fund, the year-end position was £216.5 million below that forecast. The main reasons for this were:

- Investment returns (including income) being lower than the returns assumed in the forecast (£328.0 million);
- Contributions income being higher (£116.7m) than forecast due to a number of employers choosing to pay their full three year future service and past service deficit contributions as a lump sum payment in 2017/18.
- Net transfers out of £15.4 million. These are the amounts of cash transferred from (to) the Fund when members transfer their membership to another pension fund.

	2017/18 forecast £m	2017/18 actual £m	2017/18 variance £m
Contributions and benefits			
Contributions receivable	(1,089.2)	(1,205.9)	(116.7)
Other income	(15.7)	(14.5)	1.2
Benefits payable	555.2	555.9	0.7
Other payments	0.3	0.7	0.4
Net transfers (in)/out	-	15.4	15.4
Net cost of pensions	**(549.4)**	**(648.4)**	**(99.0)**
Returns on investments			
Investment income	(203.4)	(241.0)	(37.6)
Changes in value of investments	(668.4)	(302.8)	365.6
Net return on investments	**(871.8)**	**(543.8)**	**328.0**
Management expenses	**79.3**	**66.8**	**(12.5)**
Net (increase)/decrease in the Fund during the year	**(1,341.9)**	**(1,125.4)**	**216.5**
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	**15,636.3**	**15,419.8**	**(216.5)**

Outturn 2017/18: West Midlands ITA Pension Fund

Across the Fund, the year-end position was £24.5 million lower than forecast. This was due mainly to investment income and returns, with income being £1 million lower than forecast, and returns £22.6 million lower.

	2017/18 forecast £m	2017/18 actual £m	2017/18 variance £m
Contributions and benefits			
Contributions	(11.8)	(11.4)	0.4
Other employer contributions	(2.8)	(2.8)	-
Benefits payable	29.7	29.1	(0.6)
Net transfers (in)/out	-	0.9	0.9
Net cost of pensions	**15.1**	**15.8**	**0.7**
Investment income	(18.8)	(17.8)	1.0
Changes in value of investments	(10.7)	11.9	22.6
Net return on investments	**(29.5)**	**(5.9)**	**23.6**
Management expenses	**0.8**	**1.0**	**0.2**
Net (increase)/decrease in the Fund	**(13.6)**	**10.9**	**24.5**
Opening Fund balance	502.9	502.9	-
Closing Fund balance	**516.5**	**492.0**	**(24.5)**

Financial Performance

Medium-term forecasts – operating budgets

The following tables set out the Fund's medium-term forecasts for its operating budgets and express these in terms of cost-per member. Over the medium term, the costs of administration, oversight and governance per member are forecast to remain broadly stable. The cost of investment management per member is forecast to grow; however, this solely reflects anticipated growth in the value of the Funds' assets.

	2018/19 budget £'000	2019/20 forecast £'000	2020/21 forecast £'000	2021/22 forecast £'000	2022/23 forecast £'000
Employees	5,527	5,310	5,454	5,565	5,673
Premises	221	201	205	209	213
Transport	65	67	68	69	71
Other supplies and services	1,177	887	904	920	937
Professional fees	1,171	1,097	1,119	1,142	1,164
Communications and computing	534	545	556	567	578
Support services	544	554	566	577	588
Income	(180)	(184)	(187)	(191)	(195)
Sub total	**9,059**	**8,478**	**8,684**	**8,857**	**9,030**
External investment management costs	65,201	69,109	73,252	77,643	82,297
LGPS Central Limited charges	4,425	4,691	4,972	5,270	5,586
Total	**78,685**	**82,278**	**86,907**	**91,770**	**96,913**
Funded by:					
West Midlands Pension Fund	77,935	81,528	86,157	91,020	96,163
West Midlands ITA Pension Fund	750	750	750	750	750
Net budget	**78,685**	**82,278**	**86,907**	**91,770**	**96,913**

Medium-term forecasts: cost-per-member: West Midlands Pension Fund

	2018/19 budget	2019/20 forecast	2020/21 forecast	2021/22 forecast	2022/23 forecast
Total administration, oversight and governance costs (£000)	8,071	7,574	7,742	7,901	8,059
Cost of administration, oversight and governance per member (£)	**25.76**	**23.53**	**23.43**	**23.30**	**23.19**
Total investment management costs (£000)	69,864	73,954	78,415	83,119	88,104
As percentage of forecast net assets	**0.44%**	**0.44%**	**0.45%**	**0.45%**	**0.45%**

Medium-term forecasts: cost-per-member: West Midlands ITA Pension Fund

	2018/19 budget	2019/20 forecast	2020/21 forecast	2021/22 forecast	2022/23 forecast
Total administration, oversight and governance costs (£000)	120	120	120	120	120
Cost of administration, oversight and governance per member (£)	**23.58**	**23.58**	**23.58**	**23.58**	**23.58**
Total investment management costs (£000)	630	630	630	630	630
As percentage of forecast net assets	**0.13%**	**0.12%**	**0.12%**	**0.12%**	**0.12%**

Management and Financial Performance

Financial Performance

Medium-term forecasts: West Midlands Pension Fund

This table sets out forecasts for the main Fund over the period to 2022/23.

	2017/18 actual £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m	2021/22 forecast £m	2022/23 forecast £m
Contributions and benefits						
Contributions receivable	(1,205.9)	(334.5)	(349.9)	(659.7)	(674.2)	(694.4)
Other income	(14.5)	(16.0)	(16.3)	(16.6)	(16.9)	(17.1)
Benefits payable	555.9	582.3	610.3	639.2	669.0	697.8
Other payments	0.7	0.3	0.3	0.3	0.3	0.3
Net transfers (in)/out	15.4	-	-	-	-	-
Net cost of pensions	**(648.4)**	**232.1**	**244.4**	**(36.8)**	**(21.8)**	**(13.4)**
Returns on investments						
Investment income	(241.0)	(211.0)	(219.1)	(229.5)	(242.3)	(256.8)
Changes in value of investments	(302.8)	(693.2)	(719.9)	(754.1)	(796.3)	(844.1)
Net return on investments	**(543.8)**	**(904.2)**	**(939.0)**	**(983.6)**	**(1,038.6)**	**(1,100.9)**
Management expenses	**66.8**	**77.9**	**81.5**	**86.2**	**91.0**	**96.2**
Net (increase)/decrease in the Fund during the year	**(1,125.4)**	**(594.2)**	**(613.1)**	**(934.2)**	**(969.4)**	**(1,018.1)**
Net assets of the Fund at the beginning of the year	14,294.4	15,419.8	16,014.0	16,627.1	17,561.3	18,530.7
Net assets of the Fund at the end of the year	**15,419.8**	**16,014.0**	**16,627.1**	**17,561.3**	**18,530.7**	**19,548.8**

Medium-term forecasts: West Midlands ITA Pension Fund

	2017/18 actual £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m	2021/22 forecast £m	2022/23 forecast £m
Contributions and benefits						
Contributions	(11.4)	(11.8)	(11.9)	(11.9)	(11.9)	(11.9)
Other employer contributions	(2.8)	(2.9)	(2.9)	(3.0)	(3.1)	(3.2)
Benefits payable	29.1	30.6	31.5	32.5	33.5	34.6
Net cost of pensions	**15.8**	**15.9**	**16.7**	**17.6**	**18.5**	**19.5**
Return on investments						
Investment income	(17.8)	(19.3)	(19.8)	(20.3)	(20.8)	(21.3)
Changes in value of investments	11.9	(11.0)	(11.3)	(11.6)	(11.9)	(12.2)
Net return on investments	**(5.9)**	**(30.3)**	**(31.1)**	**(31.9)**	**(32.7)**	**(33.5)**
Management expenses	**1.0**	**0.8**	**0.8**	**0.8**	**0.8**	**0.8**
Net (increase)/decrease in the Fund during the year	**10.9**	**(13.6)**	**(13.6)**	**(13.5)**	**(13.4)**	**(13.2)**
Opening Fund balance	502.9	492.0	505.6	519.2	532.7	546.1
Closing Fund balance	**492.0**	**505.6**	**519.2**	**532.7**	**546.1**	**559.3**

Management and Financial Performance

Financial Performance

Pension overpayments

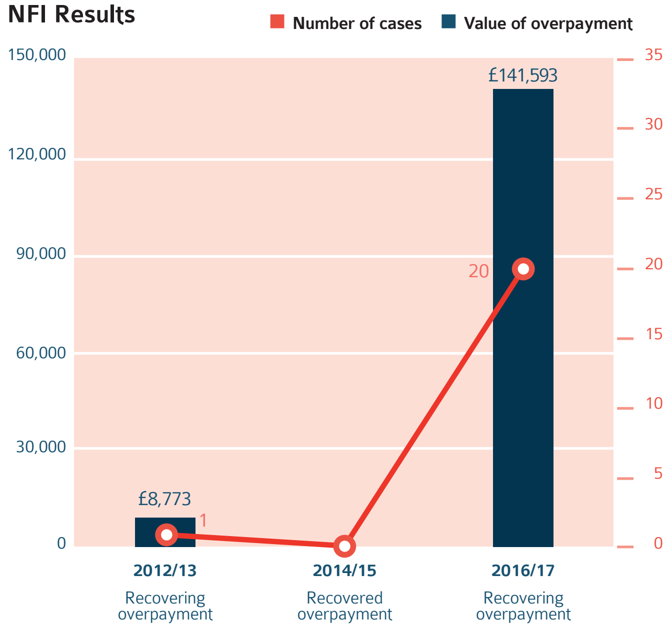
The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The following table sets out overpayments for the last three years.

Year	Pension overpayment (£)	% of gross pension
2015/16	246,063.26	0.06
2016/17	506,441.35	0.12
2017/18	**353,352.29**	**0.08**

Minimising fraud

The Fund participates in the National Fraud Initiative (NFI), which is a biennial process undertaken in conjunction with the Audit Commission. The last initiative was undertaken in 2016/17 and the necessary recoveries arising from identified overpayments are being pursued. The results from previous years are shown in the following chart.

NFI Results



There has been a 33% reduction in outstanding recoveries since reported last year.

Timeliness of contributions

The receipt of contributions is monitored and reported to the Senior Management Team on a monthly basis in the form of a key performance indicator (KPI). The table below details the KPI during 2017/18; this shows the percentage of contributions received by the 19th of the following month in which contributions have been deducted from the employers' payroll (calculated on a cumulative basis). The Fund has set itself the target of collecting 98% of contributions by value on time; as can be seen, performance was above target throughout the year.

Month	KPI % West Midlands Pension Fund	KPI % ITA Fund
April 2017	99.6	100.0
May	99.6	100.0
June	99.5	100.0
July	99.5	100.0
August	99.5	100.0
September	99.4	100.0
October	99.4	100.0
November	99.3	100.0
December	99.2	100.0
January 2018	99.2	100.0
February	99.2	100.0
March	98.4	100.0

Charges and recharges

Under the Fund's Pensions Administration Strategy, charges and recharges can be levied on employers who do not fully comply with their obligations as set out in the strategy. During 2017/18, charges and recharges totalling £71,366 were issued to employers.

Darshan Singh
Head of Finance
West Midlands Pension Fund
Date: August 2018

Management and Financial Performance

Risk Management

The Fund is exposed to a wide range of risks and has a framework in place to evaluate and manage exposures. It is done through regular review, analysis, effective controls and management action, both proactive and reactive.

The key elements of the framework are:

- Regular risk management review involving senior officers and use of a detailed template designed to cover all significant Fund activities. This is supported by the work of internal audit and specialist expertise engaged regularly in respect of operational investment risks supported by the use of the compliance-testing programme.
- The external audit of the Fund's accounts and activities supported by experienced pension partners combined with an actuarial expertise.
- Analysis of key processes enabling appropriate internal control procedures to be developed and maintained.
- A robust process for developing, monitoring and managing the funding and investment strategy, and associated risk budget.

A key element of risk management is the structured delegation of powers from the administering authority to the Pensions Committee and then to the Director of Pensions, supported by senior officers. To complement the delegation, there is extensive and detailed accountability back to Committee on how these delegations have been exercised on a regular basis. The Fund's *Governance Compliance Statement* has provided the City of Wolverhampton Council with information to support their annual assurance statement. The purpose of the annual report is to demonstrate that the Fund is meeting its objectives, is adequately resourced, managed to high professional standards, meets legislative requirements and best practices (when appropriate) and has high customer service functions satisfaction. In particular, risk management arrangements are robust and the reports to Pensions Committee have given that assurance.

Investment risk is significant and recognised as falling into distinct areas: market risk (beta) and manager skill (alpha). Investment returns, together with the contributions set under the funding strategy and employer covenant supporting these, impact the Fund's ability to continue to pay members' pensions over the long-term. The funding and investment strategy are devised and implemented with regard to these risks and is designed with the support of external expert advice.

Details are contained in the *Investment Strategy Statement* and the *Funding Strategy Statement*. The operational management of the investment strategy is covered by a compliance testing programme, leading to quarterly reports to the Pensions Committee. This provides continual monitoring and review of investment activity and associated risks. The Fund's approach to risk is regularly assessed; the Fund's Investment Strategy is reviewed annually by the Pensions Committee supported by the Fund's Investment Advisory Panel.

The asset allocation is monitored weekly by officers, enabling appropriate corrective action to be taken if deemed necessary. A quarterly report is submitted to the Committee covering the current asset allocation relative to the benchmark, investment performance and the actions taken during the quarter to implement the Pensions Committee's investment policy. Any positions outside the strategic risk ranges are reported and explained.
The Investment Advisory Panel (established April 2015) provides further assurance and robust governance. One of its key duties is to review the investment risks taken by the Fund, monitoring how the risks are managed and making recommendations on actions required to address investment risks.

Risks associated with the operational payment of benefits and recording of pensioner records produces a complex set of risks, which are mitigated with the use of an IT system that is thoroughly and regularly tested, combined with the checking of output by Fund officers.

It is recognised that Fund services are very dependent upon third party contracts ranging from IT through to investment managers.

All are subject to regular review and monitoring, with compliance visits targeted at the more significant risk areas, for example, exception reporting.

Risk Management

The Fund's key risks identified as part of the risk management process, together with actions to mitigate them, are detailed in the table below:

O - Operational
F - Financial
R - Regulatory
Rep - Reputational

Risk title and description	Risk	Impact	Controls
Strategy	a) Employer default on contributions; exit leaving unpaid pension debt	F	1) Contributions monitoring 2) Covenant monitoring programme; watch list. 3) Specialist advisers in place to assist, migrate and manage covenant risks
	b) Fund does not achieve investment return and/ or improvement in funding level in line with long-term strategic objectives	F	1) Investment and Funding monitoring 2) Annual progress reviews 3) Triennial strategy reviews
	c) Fund has inappropriate asset allocation strategy	F	1) Asset allocation reviewed alongside ALM and FSS 2) Investment specialists provide presentations to PC 3) Independent advisors 4) Approval for asset mandate
	d) Liquid assets insufficient to meet cashflow requirements	F	1) Cashflow monitoring 2) Projected requirements assessed through ALM 3) Liquidity requirements and cash levels regularly reviewed with asset allocation
Transition & pooling	a) Fund incurs additional costs	F	1) Budget monitoring 2) Benchmarking 3) Client services agreement
	b) Transition: additional costs; timeline slippage; security of assets	F	1) Transition plan 2) Cost management and reconciliation 3) Client services agreement
	c) Sub-Fund development not reflecting Fund's strategic asset allocation requirements	O	1) Investment mandate monitoring 2) Quarterly performance v Fund objective KPIs 3) PAF investment working group
	d) Inadequate systems & controls at LGPS Central Limited	O	1) Client service agreement 2) Assurance of robust systems & controls 3) Assurance of monitoring plan 4) Assurance of compliance 2nd line monitoring
Resourcing & development	a) Transfer of staff to LGPSC leaving insufficient resource in WMPF	O	1) Client service agreement to provide services to cover legacy assets; 2) Dedicated WMPF workforce development team 3) Succession planning; 4) Retain fund expertise 5) Exit plans for staff
	b) Recruitment, retention and training of skilled staff across specialist areas is sufficient to deliver service development plans	O	1) Training and development 2) Forward planning and service development; 3) Monitoring work and KPIs 4) Workforce planning, induction and training programme, support with professional qualifications, workload review and horizon (including succession) planning
Cost efficiency	a) Cost savings projected under investment pooling fail to be delivered resulting in higher regulatory and other costs	F	1) Oversight and scrutiny of budgets and cost savings 2) Cost transparency reporting 3) Financial model projections assessed and reviewed
	b) Limited cost transparency and reporting available for investments	F	1) Continued work with CIPFA/LGS to develop template for manager reporting
	c) Service developments do not deliver efficiency savings	O	1) Development expenditure based on approval business cases monitoring impact and efficiency

Management and Financial Performance

Risk Management

O - Operational
F - Financial
R - Regulatory
Rep - Reputational

Risk title and description	Risk	Impact	Controls
Report & accounts	a) Annual report and accounts - earlier closedown and resourcing	O	1) Close down timetable 2) Closedown status updates 3) Monitoring resourcing
Data quality	a) Fund does not meet statutory requirements on data quality	R	1) Fund has recruited two dedicated data quality team managers 2) Employers monthly returns programme initiated 3) Regular engagement with TPR 4) Compliance monitoring programme to align with the TPR 5) Data improvement working group plan reviewed by local pension board
	b) Pension benefit calculated with inaccurate or incomplete data	R	1) Accuracy calculations conducted against Actuary valuation and point of submission data 2) Data quality reviews in place and reported to Committee half yearly inline with TPR 3) Pension administration sets the Fund's requirements for employer data submission 4) Increased use of employer electronic submissions
IT & cyber security	a) Cyber security/failure in IT systems	R	1) Firewall & internet gateway protection 2) Secure configuration and access controls of users 3) Malware protection 4) Patch management 5) Business continuity plan with regular testing 6) Back up server arrangements 7) Regular data backups
Service delivery & transformation	a) Gaps in provision of benefit information to members	Rep	1) Workflow monitoring, employer query review, data review and improvement programme
	b) Poor quality and/or late upgrades to systems increasing risk of errors	Rep	1) Testing environment plan in place 2) Civica user groups
	c) Failure of service providers (including LGPS Central Limited operator) to deliver requirement, on time and to budget	O	1) Contract project management 2) Annual review of key providers; 3) Working with user groups 4) Framework procurement
Pensions Administration Strategy (PAS)	a) PAS not complied with by employers impacting costs and services to members	R	1) AGM communication to employers 2) Employer adherence monitored 3) PAS Reviewed by committee 4) Regular meetings with employers and all districts to review progress 5) Recharges for additional admin costs
Legal & regulatory	a) Gaps in LGPS regulations and delay in review and changes impact on delivery or risk requiring rectification	O	1) Review of agreements 2) Use of advisors 3) Review against national standards and legislation 4) Use of precedent templates
	b) Ongoing review of employers in the Fund by SAB, leads to additional work through changes to practice and policy	O	1) Monitoring national level developments 2) Develop national level working groups 3) National debate on employer developments
	c) LGPS Central Limited Client Service Agreement	O	1) Assurance framework of agreed KPIs for investments, transition and compliance monitoring 2) External legal review of agreements
	d) Implementation of GDPR	R	1) Fund specialist ensures GDPR requirements are distilled into Fund 2) Internal team specialists appointed 3) Staff training 4) Committee training 5) Collaboration with CWC IG team to ensure compliance

Operations and Pension Services

During 2017/18 the Fund has continued to work closely with our stakeholders to meet the Fund's objectives in driving efficiency, increasing capacity and improving outcomes for our customers.

Throughout this year, and to be expanded upon next year, we have implemented improvements aligned to our digital transformation programme focused on increasing efficiency and evolving the way we engage with our customers. An example of this is the implementation and embedding of monthly data exchange and investment in our online member services, which will help to transform how we work with our employers to deliver the *Pension Administration Strategy*.

Following the Government's announcement that, with effect from 6th April 2016 a new 'single-tier' state pension would be introduced and contracting-out of the additional state pension would cease, the Fund has worked on reconciling its records with HMRC. This extensive reconciliation involves guaranteed minimum pension (GMP) values held by both the Fund and HMRC, which needs to be completed before HMRC phases out its contracted-out section by October 2018.

Member support

Our membership continues to grow and our teams have been agile in responding to changes in volumes of work throughout the year, continuing to adapt to change and meet the expectations of our members.

The Fund's dedicated Member Services Team are committed to supporting employers by providing information to members on a wide range of pension matters at the members' workplace, offering a variety of different ways to engage with and support our members. These include face-to-face consultations, 'My Pensions Portal' drop-in sessions and a suite of presentations which mirror a member's customer journey from introduction to the LGPS, all the way to supporting members' pre-retirement. The demand for pension roadshow events continues to grow across the region as more employers use our services and the feedback received continues to be very positive.

The Fund believes it is important to offer all of our members an opportunity to attend Fund events to discuss their pension benefits. We therefore provide an out-of-office-hours service where required and we continue to extend our digital footprint in this area to ensure access is available to those who cannot attend in person. Increasing the scope of our member engagement, we held a pensioner engagement forum in October 2017 aimed at ensuring pensioner members who are currently receiving benefits are able to provide valuable feedback on Fund services and information.

In August 2017 the Fund launched its new Pensions Portal along with the Pension Portal Promotion project. The new portal has enhanced capabilities and functionality allowing members to take control of their pension benefits online. The success of the new portal and the associated marketing campaign can be demonstrated by an increase of over 50% of portal users since it was launched last year. The Fund continues to promote this online facility and the scope for increased member self-service.

The Fund continues to strive to be a leader in member communication across the LGPS, and as such has undertaken the role of project-lead on working with the Local Government Association (LGA) and other local LGPS providers to engage with members to seek feedback on annual benefits statements with the objective to design a universal statement for all LGPS providers to use.

Aligned to our objective of improving outcomes for our customers, we are reviewing our customer surveys and the Fund's website to ensure we provide the information and support our customers require.

Both our face-to-face and online services provide essential support as many employers continue to go through organisational change, including restructuring their workforce in response to financial pressures and changes in models for service delivery. Our employer base is now in excess of 650, with the number growing further as academisation and outsourcing continues at pace.

Working with our employers

Our employer base remains hugely supportive of our development and transition to monthly information exchange. A two-year programme for transitioning fully to monthly return and data analysis, embedding this new way of working, we listened to feedback from our employers and phased-in the implementation between April 2017 and September 2017. Following extensive engagement, we are pleased that employers have embraced the change, in some cases investing in changes to their own systems, and noticeable improvements have been seen in both the timeliness and quality of the data provided.

Pensions Administration

Operations and Pension Services

Unfortunately, in February 2018, it was necessary to file a report with The Pensions Regulator (TPR) for gaps in delivery of annual benefit statements to a proportion of the Fund's active members, largely due to gaps in information provided by some employers. We continue to work both with the employers concerned and TPR to improve the performance in this area maximising benefit statement production going forward.

Primarily alongside the move from annual to monthly data exchange, the Fund has published its revised *Pensions Administration Strategy (PAS)* for 2018. This followed consultation with our employer base and includes more detail on performance monitoring and support to enable issues to be identified and resolved early on.

We continue to deliver and are developing our employer coaching sessions to support new employers, those with staff changes or a need for refresher training. We have created bespoke coaching sessions focused on specific topics and are developing videos and exploring other online methods to extend accessibility. Our employer peer group has provided valuable feedback during the year and assisted in the development and roll-out of further employer-focused information, for instance the revision of the employer survey, 'My Pensions Portal' promotion and the development of employer portal processing functionality (web trays).

Throughout 2017/18 we have also worked closely with employers on change initiatives, such as mergers, significant outsourcing ventures and system developments. Engagement with our employer base has also been extended to include national focus groups and formal collectives, providing greater efficiency and encapsulating a variety of stakeholders.

Finally, we continue to review engagement with our employers, recognising the increasing numbers and diversity, but also the variety of issues they face, both in the context of the LGPS but also the wider sphere. As such, the Fund has provided both an employer Annual General Meeting and a mid-year review forum, which were both well attended and received positive feedback. These employer forums are important to us as it enables us to cover topical issues and share information on Fund activity and service development. We continue to develop the content for the 2018/19 events.

Working with other stakeholders

Particularly noticeable for 2017/18 was our working with other stakeholders. We have worked closely with a number of other LGPS funds, in some cases formally through the LGA and in others informally sharing ideas and best practice. We are proud to be a founder member of the National LGPS Framework, which streamlines and improves procurement within the public sector, and have participated in the review of many existing and new frameworks this year.

We continue to work in conjunction with our administration system provider, Civica, to drive forward our digital transformation programme, increasing the system efficiency, harnessing new functionality and reflecting the requirements of our customers.

In addition, we have engaged at national level on administration and funding matters, including the LGPS Scheme Advisory Board (SAB), the Chartered Institute of Public Finance and Accountancy (CIPFA), the Government Actuaries Department (GAD) and The Pensions Regulator (TPR). This engagement has enabled us to keep pace with LGPS and pensions industry practice and represent both the Fund's views and those of our key stakeholders in the wider arena.

Our team

As we continue to evolve our operations and develop our services we ensure we develop our people to support changes in ways of working. Our people with strong LGPS knowledge and expertise and customer focus, together with high quality administration-based systems and record keeping, enable us to deliver an effective and efficient service to our members and employers.

A number of the team have now successfully completed their Pensions Management Institute (PMI) qualifications during the year, with others progressing well over a variety of different courses. Training and development opportunities continue to be provided to build both customer service and technical knowledge skills. There is also increased emphasis on sharing of technical knowledge across the wider Fund and enabling greater cross-function working.

Looking ahead

Whilst the transition to monthly data exchange continues to be embedded to become a business as usual activity, the Fund's focus will to be to continually drive improvement via our digital transformation programme and ensuring the requirements of our key stakeholders are met through our *Customer Engagement Strategy*.

Further scheme-wide change remains likely, for example, with the introduction of the 'exit cap' on payments, and the outcomes of the SAB review of LGPS cost management. We also anticipate outcomes of the work of the Board to look at academies in the LGPS and a review of arrangements for Tier 3 employers (those employers without central or local government backing). We will continue to plan and adapt to changes as they are introduced, keeping our members and employers updated through our regular briefings and our wider programme of customer engagement activities.

Amy Regler
Head of Operations
Date: August 2018

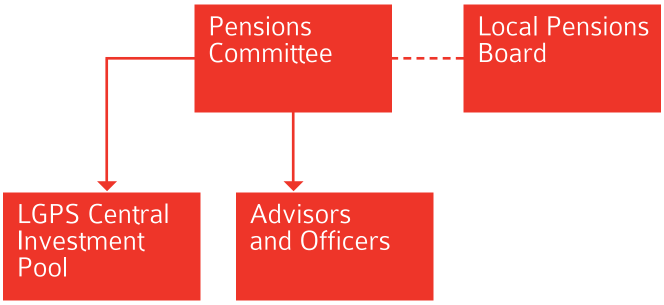
Simon Taylor
Head of Pensions
Date: August 2018

Governance Arrangements

Governance Compliance Statement 2018

Governance of the Fund

The Fund's governance arrangements have four key elements:



Pensions Committee

The management and administration of benefits, together with funding and investment strategy, is fundamentally the responsibility of the Pensions Committee established by the City of Wolverhampton Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. Together, Committee members are referred to as the "Trustees".

The Committee administers the scheme in accordance with the regulations and best practice and determines the strategic management of the assets and liabilities based upon the professional advice it receives and in consideration of its overriding duty to pay members' benefits when they fall due.

ITA

In addition to the management and administration of pensions on behalf of the local authority employers within the West Midlands, the Fund also undertakes this role on behalf of the West Midlands Combined Authority as administering authority for the West Midlands Integrated Transport Authority Pension Fund under delegation of S101 of the Local Government Act 1972.

The governance arrangements set out in this policy apply to the Fund's management of the WMITA Fund also with the additional requirement to report back to WMCA once a year.

From April 2018, LGPS Central investment pool, an entity established and owned by eight administering authorities, will begin to support implementation of an investment strategy for both WMPF and WMITA.

The roles of the members and the Committee are as follows:

1. To discharge the functions of the administering authority for the application of the Local Government Pension Schemes in the West Midlands.
2. To put in place and monitor the arrangements for the administration of contributions and payments of benefits as required by the scheme, ensuring contributions are invested appropriately and assets are able to meet payments when due to members.
3. To determine and review the provision of resources made available for the discharge of the function of the administering authority.
4. To set strategic asset allocation and monitor investment performance.

The key duties in discharging this role are:

1. To be responsible for compliance with legislation and best practice.
2. To review and agree the *Investment Strategy Statement* and *Funding Strategy Statement* for both funds;
3. To monitor funding and investment activity and the performance of the Fund's investments;
4. To produce and maintain a *Pension Administration Strategy*, *Governance Compliance Statement*, *Communications Statements* and publish a *Pension Fund Annual Report*;
5. To determine employer admission policy and agreements;
6. To appoint and monitor an investment pool operator to manage the assets of the Fund;
7. To appoint Committee advisors;
8. To determine detailed management budgets; and the Fund's Service Plan;
9. To administer all aspects of the West Midlands Pension Fund on behalf of City of Wolverhampton Council and the West Midlands Integrated Transport Authority Pension fund under S101 Local Government Act 1972 delegation from the WM Combined Authority.

Governance Arrangements

Governance Compliance Statement 2018

The Director of Pensions oversees the implementation of Fund policy and the management of the day-to-day operational functions through the Fund's service areas. The Trustees are advised and supported by the Managing Director, Director of Pensions, Assistant Director, Heads of Service and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Trade union representation

The Fund invites trade unions to sit on the Pensions Committee as observers on behalf of Fund members. Four representatives are invited from the three main trade unions in Wolverhampton Council. The trade union observers are invited to sit and debate matters at Committee meetings and receive the same training opportunities as our Trustees.

The Local Pensions Board

The Local Pensions Board assists in the good governance of the scheme ensuring the Fund's compliance with legislation and statutory guidance.

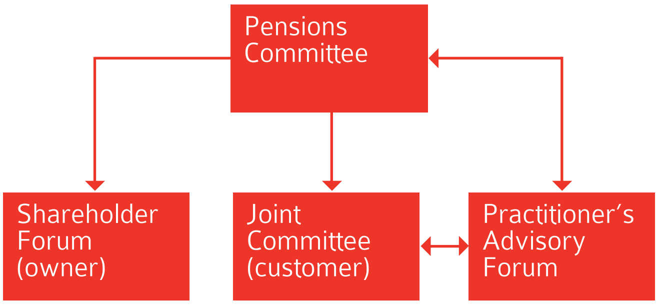
Consisting of six member and six employer representatives, two of whom are Wolverhampton elected councillors.

The Board publishes an annual workplan developed each year to support monitoring of the Fund's compliance and service development. The Local Pensions Board workplan can be found on the Fund's website.

Investment pooling

In 2015, Central Government announced its intention to require LGPS funds to pool their investments with the aim of reducing cost and securing more opportunities to invest, thereby securing future returns to pay members benefits. In December 2015, the Fund announced that it would be joining with eight other pension funds across the central region to create a multi-asset investment pool called LGPS Central to meet the Government's criteria.

LGPS Central Limited, the operator company, is a separate FCA-regulated legal entity governed under company law and owned by the eight administering authorities. Each shareholder has equal voting rights, with West Midlands convening both the main WMPF and WMITA funds. Representatives from the Pensions Committee are appointed to sit on the Shareholder Forum (as associated company meetings) and as a customer of the company on the Joint Committee. The Joint Committee is advised by the Practitioner's Advisory Forum on which the Director of Pensions sits as advisor.



Advisors and officers

The Fund Pensions Committee and Local Pensions Board is supported in its governance by appropriately qualified external advisors and the Fund's officers who assist the management of the Fund in the following ways:

i) High level advice on general management from the Managing Director of the City of Wolverhampton Council.

ii) Legal and general administrative advice and management from the Senior Legal Officer of the City of Wolverhampton Council who is also the monitoring officer for the Council.

iii) Financial and technical advice from the Director of Pensions who is the lead senior support officer and has direct responsibility for implementing funding and investment strategy; budget and service delivery; risk management and compliance through a team of professionally qualified staff and the investment pool LGPS Central

v) Senior pensions employees responsible for employer relationships, data quality, finance, operations, pensions benefits administration and communications.

vi) The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Head of Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis).

vii)A range of external specialist advisors are appointed, covering areas such as:

- Investment strategy and asset allocation
- Funding strategy and employer covenant review
- Alternative security arrangements and specialist agreements
- Corporate governance and responsible investment issues

Role of Council members

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for the West Midlands Pension Fund and the ITA Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the employer and member contributions. Because the Fund covers the majority of local government employees in the West Midlands, as well as

Governance Compliance Statement 2018

many admitted bodies, representatives from all seven district councils serve on the Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

When considering the advice and determining investment policy, Trustees need to understand the special obligations placed upon them. These responsibilities are additional to those carried out as an elected member of a local authority. Trustees' duties are to manage the Fund in accordance with the regulations and to do so prudently and impartially on behalf of all the beneficiaries. This sometimes means that they may have to make decisions that in other political circumstances they may choose not to make. The overriding consideration for them as Trustees, however, has to be for the benefit of the Fund and its contributors and beneficiaries. The advice of the Fund's advisors is very important in discharging this responsibility. Trustees can delegate some of their powers but not the responsibilities that go with them. They are not expected to be qualified to give advice or to initiate policy, but must be aware of what is proposed by their advisors and be sure that it is relevant to the needs of the Fund and within their powers.

In practice, Trustees typically discharge their duty by ensuring that they have a systematic and clear way of agreeing their strategy and policies with the advisors they employ. Testing adherence to policy on a regular basis is essential. These requirements will consist of meetings and regular written reports with professional advisors whose skills and judgements can be relied upon. So far as the Fund is concerned, the advice is provided mainly by Council officers and the advisers detailed in the annual report and accounts.

In addition to the setting of policy and investment parameters for the Fund, Trustees will at least annually review the performance of LGPS Central in terms of service delivery, product development and progress towards meeting the objectives (aligned to Government criteria) to deliver increased capacity to invest with strong governance and enhanced returns (after cost). Any concerns will be raised through the Joint Committee and Practitioner's Advisory Forum.

Standard required by a Trustee

The standard required of a Trustee in exercising their powers of investment is that they must take such care as an ordinary prudent man would take if he were minded to make an investment for the benefit of other people for whom he felt morally bound to provide.

That duty includes the duty to seek advice on matters which the Trustees do not understand, such as the making of investments, and on receiving that advice to act with the same degree of prudence. This requirement is not discharged merely by showing that the Trustee has acted in good faith and with sincerity. Honesty and sincerity are not the same as prudence and reasonableness. Accordingly, although a Trustee who takes advice on investments is not bound to accept and act upon the advice, unless in addition to being sincere, he/she is acting as an ordinary prudent person would act.

Role of a Pensions Board member

"The scheme manager (Pensions Committee) for a scheme has a Pensions Board with responsibility for assisting the scheme manager to comply with the scheme regulations and other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator. The Pensions Board must also assist the scheme manager with such other matters as the scheme regulations may specify."

A member of the Pensions Board of a public service pension scheme must be conversant with:

- the rules of the scheme, and
- any document recording policy about the administration of the scheme which is for the time being adopted in relation to the scheme.

A member of a Pensions Board must have knowledge and understanding of:

- the law relating to pensions, and
- any other matters which are prescribed in regulations.

The degree of knowledge and understanding required is that appropriate for the purposes of enabling the individual to properly exercise the functions of a member of the Pensions Board

In appointing representatives to the Pensions Board, the scheme manager must be satisfied:

- that a person to be appointed as a member of the Pensions Board does not have a conflict of interest, and
- from time to time, that none of the members of the Pensions Board has a conflict of interest.

Each member or proposed member of a Pensions Board must provide such information as is reasonably required for the purposes of reviewing actual or potential conflicts of Pensions Board members.

A conflict of interest may arise when Pensions Board members must fulfil their statutory role of assisting the scheme manager in securing compliance with the scheme regulations, other legislation relating to the governance and administration of the scheme and any requirements imposed by the regulator or with any other matter for which they are responsible, whilst having a separate personal interest (financial or otherwise), the nature of which gives rise to a possible conflict with their statutory role.

Governance Arrangements

Governance Compliance Statement 2018

Trustees and officers' knowledge and skills

Trustee and officer knowledge and skills is recognised as important, and a range of measures are in place to equip them to undertake their role.

This is a major factor in the governance arrangements of the Fund in ensuring Committee and Pension Board members and officers have the relevant skills and knowledge. The Fund applies the CIPFA Knowledge and Skills Framework to achieve this objective and meets the legislative requirements set out in the Public Service Pensions Act 2013.

Framework

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

- pensions legislation and governance context
- pension accounting and auditing standards
- financial services procurement and relationship management
- investment performance and risk management
- financial markets and products knowledge
- actuarial methods, standards and practices

It is not the intention that Trustees should individually become technical experts, but collectively they have the ability, knowledge and confidence to question and challenge the information and advice they are given, and to make effective and rational decisions.
Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties.

Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

The Fund has an approved Trustee and Pension Board member training policy, and has in place effective training monitoring and is able to demonstrate:

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

Representation of other interested parties

The Fund is open to any organisation with a direct interest attending the regular committee meetings to observe proceedings, and the Fund will engage with employing bodies on significant issues affecting them so their views can be taken into account before a decision is made, eg, three-yearly actuarial valuations.

The Fund will provide information on its website and directly to employing bodies on issues in which they may have an interest.

The Pensions Board is seen as the main area of involvement of active, deferred and pensioner members as well as our broad range of employer groups who are represented on the Board, and on the Fund's Employer Peer Group.

The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

Origins of the Fund and responsibilities

Following the 1974 reorganisation, all Council employees in the area (excluding teachers, police and fire officers) were members of the West Midlands Superannuation Fund with the former county council as administering authority. The 1986 reorganisation led to Wolverhampton Council becoming the administering authority for the Fund and local government employee pensions other than teachers, police and fire officers in the West Midlands. Responsibility for discharging the administering authority role is delegated to the Pensions Committee which has representatives from the district councils as the largest employers and four trade union representatives nominated from across the region.

The changes in responsibility for the delivery of Council services has seen a growing number of private sector firms and voluntary organisations becoming members of the Fund in respect of the workforce that delivers public services with the largest employer group being academies. The LGPS regulations set out the responsibilities of the key parties which are summarised below. Further details are available on the Fund's website where operational and management arrangements are set out.

The administering authority (the City of Wolverhampton Council) through the Fund:

- Collects employer and employee contributions.
- Invests surplus monies in accordance with the regulations and agreed strategy.
- Ensures that cash is available to meet liabilities as and when they fall due.
- Manages the valuation process in consultation with the Fund's actuary.
- Prepares and maintains an FSS (*Funding Strategy Statement*) and an ISS (Investment Strategy Statement), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.

The administering authority discharges its responsibilities with the active involvement from the major employers, the district councils and trade union representatives combined with consultation with other interested parties.

Governance Compliance Statement 2018

The individual employers:

- Deduct contributions from employees' pay.
- Pay all contributions as determined by the actuary, promptly by the due date.
- Exercise discretions within the regulatory framework.
- Make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.
- Comply with the requirements of the Fund in relation to its Pension Administration Strategy and Data Quality.

The Fund's actuary:

- Prepares valuations including the setting of employers' contribution rates after agreeing assumptions with the administering authority and having regard to the FSS.
- Sets employers' contribution rates in order to secure the Fund's solvency having regard to the aims of maintaining contribution rates that are as constant as possible.

Compliance and best practice

The Fund is required to publish a compliance statement under Regulation 73A of the Local Government Pension Scheme Regulations and review that statement on an ongoing basis under Regulation 31 of the 2008 Regulations. There is also a requirement to declare their compliance in meeting the guidance given by Secretary of State.

The Fund aims to comply fully with the guidance given by the Secretary of State and relevant guides produced by CIPFA.

Rachel Howe
Head of Governance and Corporate Services

Governance Arrangements

Governance Compliance Statement 2018

Trustee training individual training hours

Membership	Number of Pensions Committee meetings attended	Voting rights	Training hours
Councillor Harbans Singh Bagri	4	Yes	37.50
Councillor Peter Bilson	4	Yes	5.50
Councillor Ian Brookfield (Chair)	4	Yes	96.00
Mr Malcolm Cantello (Trade union representative)	4	No	63.00
Councillor Keith Chambers	3	Yes	7.00
Councillor Steve Clark	2	Yes	3.00
Mr Martin Clift (Trade union representative)	0	No	65.00
Councillor Sandra Hevican	2	Yes	24.00
Councillor Keith Inston (Vice-chair)	4	Yes	75.00
Councillor Jasbir Jaspal	4	Yes	43.00
Councillor Changese Khan	2	Yes	2.00
Councillor Louise Miles	3	Yes	7.50
Councillor John Mutton	4	Yes	16.50
Councillor Phil Page	2	Yes	49.00
Mr Alan Phillips (Trade union representative)	1	No	48.00
Councillor Angela Sandison	3	Yes	31.00
Councillor Paul Singh	4	Yes	71.00
Councillor Tersaim Singh	4	Yes	58.00
Mr Ian Smith (Trade union representative)	2	No	26.50
Councillor Wendy Thompson	4	Yes	82.50
Total			**811.00**

Member Training Report

The Public Service Pensions Act 2013 provides for the regulation of the LGPS by The Pensions Regulator and, accordingly, the increased emphasis on trustee and Pensions Board training, knowledge and understanding. The Fund's trustee training policy is approved each year by Pensions Committee, and as part of the policy training activity undertaken is recorded and reported to Committee. By implementing and participating in the trustee training policy, Committee and Board members will be better placed to make well-informed decisions and, consequently, will be able to comply with the increased requirements of the regulator and the overarching governance requirements of the new scheme.

A major factor in the governance arrangements of the Fund is to ensure that Committee and Board members and officers have the relevant skills and knowledge through application of the CIPFA Knowledge and Skills Framework. Six areas of knowledge and skills have been identified as core technical requirements for those members associated with LGPS pension funds:

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

Arrangements for regular training are in place with training delivered through a number of means including in-house structured training events, conferences, training delivered at Committee meetings, as well as briefings and research material.

Training activity undertaken is recorded and quarterly training returns are sent out to all trustees asking them to record additional activity such as online training or reading.

In the period 2017/18, training included the following:

- Financial markets
- Investment pooling
- Pensions accounting and auditing standards
- Investment performance and risk management
- Pensions legislation
- Fund governance
- Pensions administration
- Data quality

All new members attended the induction course and a total of 811 hours were undertaken in 2017/18 with 14 members exceeding the three days (22 hours) requirement.

The Fund is a member of LAPFF, which is an investor membership body consisting of 75 UK public funds that engages with investee companies on issues such as climate change, corporate governance and employee relations. The Director of Pensions regularly attends LAPFF meetings and its activities, together with direct engagement and those undertaken through partnership organisations are reported on a quarterly basis to other members of the Pensions Committee.

Governance Arrangements

Member Training Report

The Committee also undertakes external training with partner bodies such as LAPFF and PLSA providing wider industry insight which affords the opportunity for Trustees to engage with their counterparties and learn from each other.

Details of the training reports and presentations provided to the Pensions Committee during 2017/18 are as follows:

21 June 2017	Asset allocation Pooling update
6 September 2017	Transition to LGPS Central Limited
6 December 2017	Governance in pooled vehicles
21 March 2018	LGPS Central Limited

In summary, the Fund invests significant resources into the development of its Committee and Pensions Board members, firmly believing that the returns over the long term are essential to the effective governance and management of the Fund.

Area	**Pensions Committee reports**	**Presentation**	**Off-site training & education**
Investment governance	✓		✓
Investment			
Strategies	✓		✓
Asset use	✓		✓
Corporate governance	✓		
Economies	✓	Quarterly	✓
Role of members	✓ (Annual/website)		
Scheme administration	✓	Occasionally	✓
Data quality	✓	Bi-annual	✓
Employer covenant	✓	Occasionally	✓
Actuarial valuation process	✓	Occasionally	✓

Internal Audit

The Fund's Internal Audit Service is supplied by the administering authority, City of Wolverhampton Council.

The purpose of Internal Audit is to provide the Director, Section 151 Officer and Pensions Committee with an independent and objective opinion on risk management, control and governance and their effectiveness in achieving the Fund's agreed objectives. To provide this opinion, we are required to review annually the risk management and governance processes within the Fund.

Internal Audit forms part of the wider assurance framework which should help satisfy the Fund that any risks to the achievement of business priorities have been identified and managed. Internal Audit indicate whether controls have been adequately designed and effectively operated regardless of the source of assurance.

Based on the work undertaken during the year, subject to the implementation of agreed recommendations and assurances received by other providers, Internal Audit can provide reasonable assurance that the Fund ensured adequate and effective governance, risk management and internal controls throughout 2017-18.

Internal Audit work undertaken during the 2017-18 financial year:

- Responsible investing
- Custodian arrangements
- Guaranteed minimum pension - project review
- Freedom of choice
- Workforce development
- Data protection
- Contracting arrangements
- Monthly returns
- Key financial systems reviews
- Follow-up of previous year agreed recommendations

Internal Audit has completed 35 financial appraisals on behalf of the Fund. These are undertaken when an organisation is seeking to obtain admitted body status and establishes whether an organisation will, or will not be able to meet its financial obligations to the Fund.

In accordance with the Cabinet Office requirements, Internal Audit is also the Fund's key contact for the National Fraud Initiative. In addition, advice and support is provided throughout the year, when requested.

Our People

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

Our people

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

West Midlands Pension Fund

The Fund has 135 employees as of 31 March 2018 split across finance and investments, operations, pension services, governance and corporate services. In the past 12 months, 32 new employees joined the organisation, bringing with them an array of skills and abilities gained from within both private and public sector organisations. 28 employees were promoted (this includes employees that were agency and managed to secure a permanent position with the Fund).

Using engagement methods such as Staff Forum, regular team meetings, face-to-face quarterly briefings and annual surveys, we ensure that our employees are included in key decisions and are given a voice in the day-to-day operation of the business. All our officers are expected to abide by a set of principles set out in the seven principles of public life. These are:

More information about these principles can be found on the Governance section of the Fund's website, wmpfonline.com

2017/18 achievements

Accreditations

Due to the work and commitment of all our staff, the Fund was able to retain its Customer Service Excellence standard. In 2017, the Fund was awarded Gold Status under Investors in People, moving forward from the silver accreditation it achieved three years ago. IIP defines what it takes to lead, support and manage people well to achieve results. The Fund was recognised for its "learning and development culture".

INVESTORS IN PEOPLE | Gold

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

Our People

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

The Fund is a registered centre for the provision of the Pensions Management Institute (PMI) and is able to facilitate exams at its office, which enables staff to undertake qualifications in a familiar environment.

Training and development

During 2017/18 staff at the Fund completed over 4,469 hours of training, covering structured in-house training, external training and self-guided reading and learning.

Promotions and qualifications

The Fund is pleased to have promoted 28 employees to different roles. The organisation also actively encourages staff development to gain additional skills and experience. To this end, five members of staff were seconded to internal posts within the Fund.

This year, the Fund has supported colleagues in achieving PMI qualifications, investment management certificate, RPC, Prince 2, ACCA and CIPD as well as supporting on a range of soft skill developments such as presentation skills, emotional well-being and interview techniques.

Health, safety and well-being

The Fund is committed to providing a safe and healthy working environment for all of our employees and any stakeholder visiting our place of work. We try to ensure that we:

- reduce and, if possible, eliminate any hazards;
- educate our staff on health and safety and fire awareness;
- prevent injuries at work;
- and comply with all requirements of The Health and Safety at Work Act 1974.

In partnership with our administering authority, the City of Wolverhampton Council, all Fund employees are also able to access a 'wellness at work' programme including:

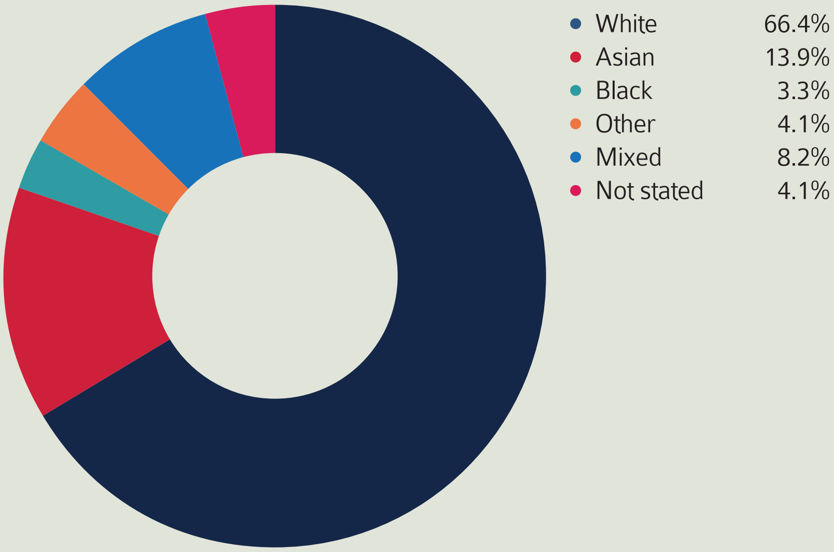
- subsidised health insurance;
- subsidised gym and leisure club memberships;
- workstation assessments;
- first-aid training;
- free health checks and nutrition sessions;
- access to occupational health and employee assistance program.

The Fund also has a robust business continuity plan, which was updated and tested during the period. Staff receive annual training on the content and procedures included in the business continuity plan.

Our People

Employee information at 31 March 2018

Ethnic profile (%)



Return to work and retention after parental leave (as primary care giver)

100%

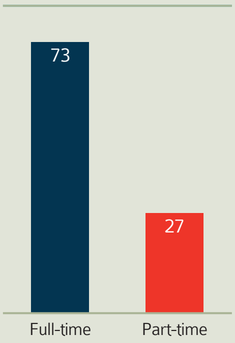
Return to work

Retention as at 31 March 2018 after returning in 2017/18

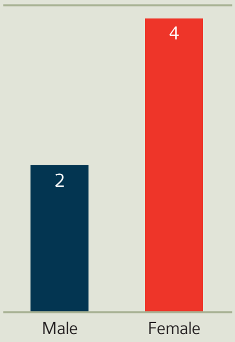
Total hours training

4,469

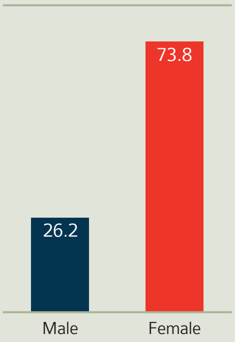
Working pattern (%)



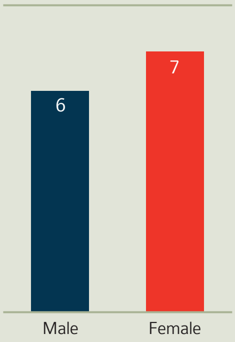
Gender balance of Senior Management Team - SMT



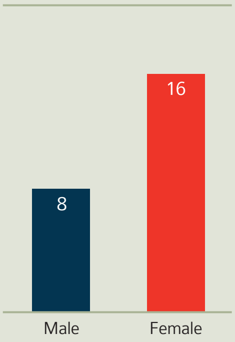
Gender balance of the Fund (%)



Gender balance of investment professionals



Gender balance of line managers - excluding SMT



Our Community

Charitable Activities

West Midlands Pension Fund has an internal team of employee representatives, known as the Staff Forum, who encourage the whole organisation to support various charities and causes. In 2017-18, the Fund donated £1,071.28 to the following charities:

- New Cross Paediatrics
- Air Ambulance
- Good Shepherd
- Dementia

In February 2018 we completed our application for Dementia Action Alliance (DAA) and as such have now achieved 'Dementia Friendly' status.

The Fund deploys a combination of fundraising methods such as dress-down days, raffles, food and beverage sales, quiz nights, and auctions.

Communications Report

In 2017/2018, the Fund's main objectives in communication were to engage with employers and stakeholders, continue to keep members informed about changes to their pension, and continue to engage with the industry on wider pension and investment issues.

Executive summary

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

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

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

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

Employees have been working to deliver the *Customer Engagement Strategy* and, this year, we have seen an increase in the number of member and employer events alongside the launch of the new member pensions portal. Work in this area continues to develop member and employer portal services, and looks more broadly at our digital transformation.

Communications deliverables

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

The Fund continues to devise a customer engagement annual plan which is available to view on the website and provides an overview of the methods by which the Fund communicates and engages with our various stakeholders. In addition to shaping our own services, the Fund also undertook a program of industry engagement responding to government consultations and writing bespoke pieces for publications. This ensures that we help shape the LGPS as a whole, helping to make sure it remains a scheme meeting the needs of employers and members.

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

Closing summary

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

Rachel Howe
Head of Governance and Corporate Services
West Midlands Pension Fund
Date: August 2018

Communications Policy Statement

Background

The Fund, with £15.4 billion in invested assets, over 300,000 scheme members and over 600 contributing employers, is one of the largest funds in the LGPS, and regularly seeks new and innovative ways to engage with and understand its stakeholders in order to provide the best possible service and enhance the Fund's brand reputation.

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

Our communications policy rests on four main stakeholder groups:

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

all of whom can find information about the Fund on its website at wmpfonline.com

1 Members and their representatives

Annual benefit statements

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

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

Literature

The Fund produces and updates literature for all categories of member. Copies of scheme literature are available on the Fund's website at wmpfonline.com

Customer Service telephone line

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

Roadshows

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

Pensioner communications

Fund members in receipt of a pension receive a combined pay advice slip and P60 in April of each year. In May through to March, we will only send a pay advice slip when there is a variance of £10 in their gross or net pay.

For pensions paid quarterly, the Fund issues a pay advice every time a payment is made (June, September, December and March). Scheme pensioners can also register to use the Fund's pensions portal application where pay advice information can be viewed electronically and printed at any time following the payment date.

A pensioner's newsletter is produced for our pensioners accompanied with members P60s.

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

Members' representatives and prospective members

Both have access to the same material as members on the Fund's website at wmpfonline.com

2 Employers

Employer Briefing Note

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

Events

The Fund is dedicated to keeping employers up to date with Fund activities, industry information and new working practices. One of the ways we achieve this objective is through scheduling twice yearly events. Mid-year review for employers usually occurs in the summer each year and the Annual General Meeting is scheduled for the winter.

The 2017 Annual General Meeting was of note as it provided the Fund with the opportunity to further consult and engage with employers on the progress of data quality and monthly returns programme which commenced in April 2017.

wmpfonline.com and pensions portal

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

Communications Policy Statement

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

As part of the monthly returns programme, employers can use the pensions portal facility as a means to upload bulk data. Employer coaching sessions were provided to support employers on using this facility.

Employer helpline
Employers can telephone the Fund on a dedicated low-rate number (0300 111 6516), where our employer relationship officers are able to answer any enquiries they may have.

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

3 Fund staff

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

Employee well-being
The Fund holds its annual STAR awards to recognise employees who have gone above and beyond in their performance. Employees have been encouraged to suggest activities to improve the workplace well-being. This is led by the Fund's Staff Forum and puts employees at the front of their own workplace well-being.

4 External stakeholders

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

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

Interest groups
The Fund welcomes opportunities to engage in reasoned dialogue with interest groups and individuals about Fund activities, and has a dedicated email address for responsible investment at responsibleinvestment@wolverhampton.gov.uk

General public enquiries
Members of the public expressing an interest in Fund activities, can contact the organisation by email at wmpfcomunications@wolverhampton.gov.uk

MANAGEMENT AND FINANCIAL PERFORMANCE

Fund Highlights

313,399
Total scheme members

£15.4bn
Net assets of the Fund

£1,206m
Total contributions

622
Active scheme employers

135
Staff employed by the Fund (FTE)

118,093
Contributing members

103,565*
Deferred members

91,741
Pensioner members

* includes unpaid/unclaimed refunds and beneficiaries

Scheme Management and Advisors as at 31 March 2018

Pensions Committee 2017/18

City of Wolverhampton Council

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

city.direct@
wolverhampton.gov.uk

General enquiries:
01902 551155

Switchboard:
01902 556556

Minicom:
01902 555554

Fax:
01902 551195

Council

- Councillor I Brookfield (Chair)
- Councillor K Inston (Vice-Chair)
- Councillor H Bagri
- Councillor P Bilson
- Councillor J Jaspal
- Councillor L Miles
- Councillor P Page
- Councillor T Singh
- Councillor W Thompson
- Councillor P Singh

Districts

- Councillor C Khan
  Birmingham City Council
- Councillor K Chambers
  Walsall MBC
- Councillor J Mutton
  Coventry City Council
- Councillor S Clark
  Dudley MBC
- Councillor A Sandison
  Solihull MBC
- Councillor S Hevican
  Sandwell MBC

Observer members

- M Cantello - Unison
- M Clift - Unite
- I Smith - Unite
- A Phillips - GMB

Administering authority officers

- K Ireland
  Managing Director
- R Brothwood
  Director of Pensions
- J Davys
  Assistant Director –
  Investments and Finance
- S Taylor
  Head of Pensions
- R Howe
  Head of Governance and
  Corporate Services
- A Regler
  Head of Operations
- G Hill
  (until 20 May 2018)
  Interim Head of Finance
- K O'Keefe
  Monitoring Officer
- C Nye
  Section 151 Officer

Main external advisors and service providers

Independent auditor
Grant Thornton UK LLP

Investment
Hymans Robertson LLP

Actuary
Barnett Waddingham LLP

Custodian of assets
HSBC Global Investment Services

Banker
NatWest

AVC providers
Prudential Assurance Company Ltd

Equitable Life Assurance Society

Corporate governance
Pensions & Investment Research Consultants (PIRC)

HMRC references
SCON number: S2700178F

ECON number: E3900002R

PSTR number:
003299101RC

PSTR sub-number:
49/16109

Administrative Management Performance – Overall Fund Statistical Information

Key membership statistics

Year	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
31 March 2014	99,771	82,287	7,721	69,170	11,381	**270,330**
31 March 2015	104,250	83,521	7,677	70,587	11,523	**277,558**
31 March 2016	107,984	86,161	8,171	73,781	11,777	**287,874**
31 March 2017	117,005	87,369	9,222	76,521	11,975	**302,092**
31 March 2018	118,093	92,928	10,637	79,479	12,262	**313,399**

Active members

The Fund has a total active membership of **118,093**. Since 31 March 2017, the number of contributing employees in membership has increased by **1,088**.

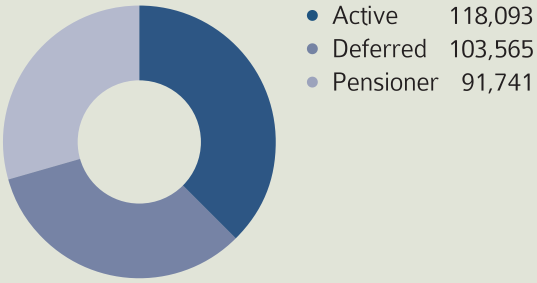
Deferred members

These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date.

Pensioner members

Pensions and other benefits amounting to **£555.9m** were paid in the year to retired members.

Fund members by type



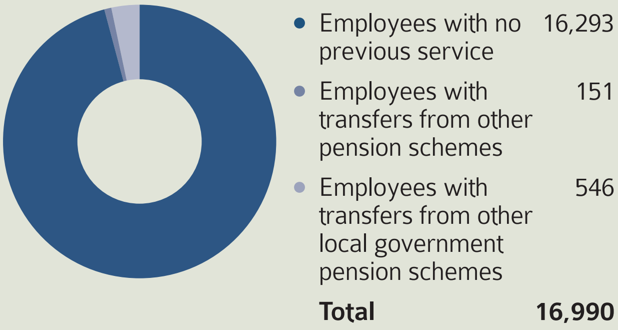
Employer details

A summary of the number of employers in the Fund analysed by scheduled bodies and admitted bodies which are active (with active members) and ceased (no active members but with some outstanding pension liabilities) is given in the table below:

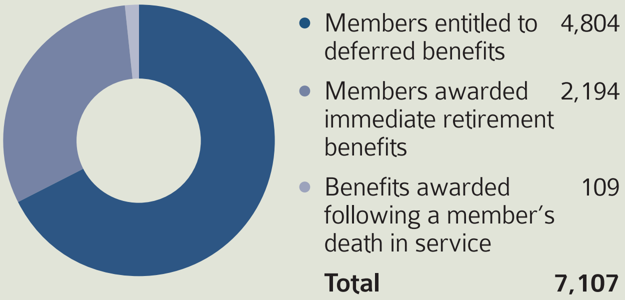
	Active	Ceased	Total
Scheduled body	396	10	**406**
Admitted body	226	24	**250**
Total	**622**	**34**	**656**

Benefit Operations – membership movement

Member movements during the year – admissions to the Fund



Withdrawals from the Fund



Administrative Management Performance – Overall Fund Statistical Information

Employer and Customer Feedback

The Fund regularly collects feedback from its customers at all events held throughout the year, as well as following contact with customer services and issue of benefit information.

Employers

Employer feedback

Mid-year review

AGM

Customers

Customer feedback

Number of Complaints

The number of complaints processes started in 2017/18:

227

Complaints completed within 20 days of receipt

99.6%

Internal dispute resolution procedure (IDRP)

In the 2017/2018 financial year, seven cases were investigated under Stage 1 of the procedure against the Fund. One case has been upheld, five cases have been dismissed and the other case is ongoing.

14 cases have been received for Stage 2 investigation.

Of these cases, ten were non-medical matters and four related to ill-health matters. The latter cases were referred for independent medical opinion where appropriate. In total, two cases are ongoing, and 12 cases have been dismissed.

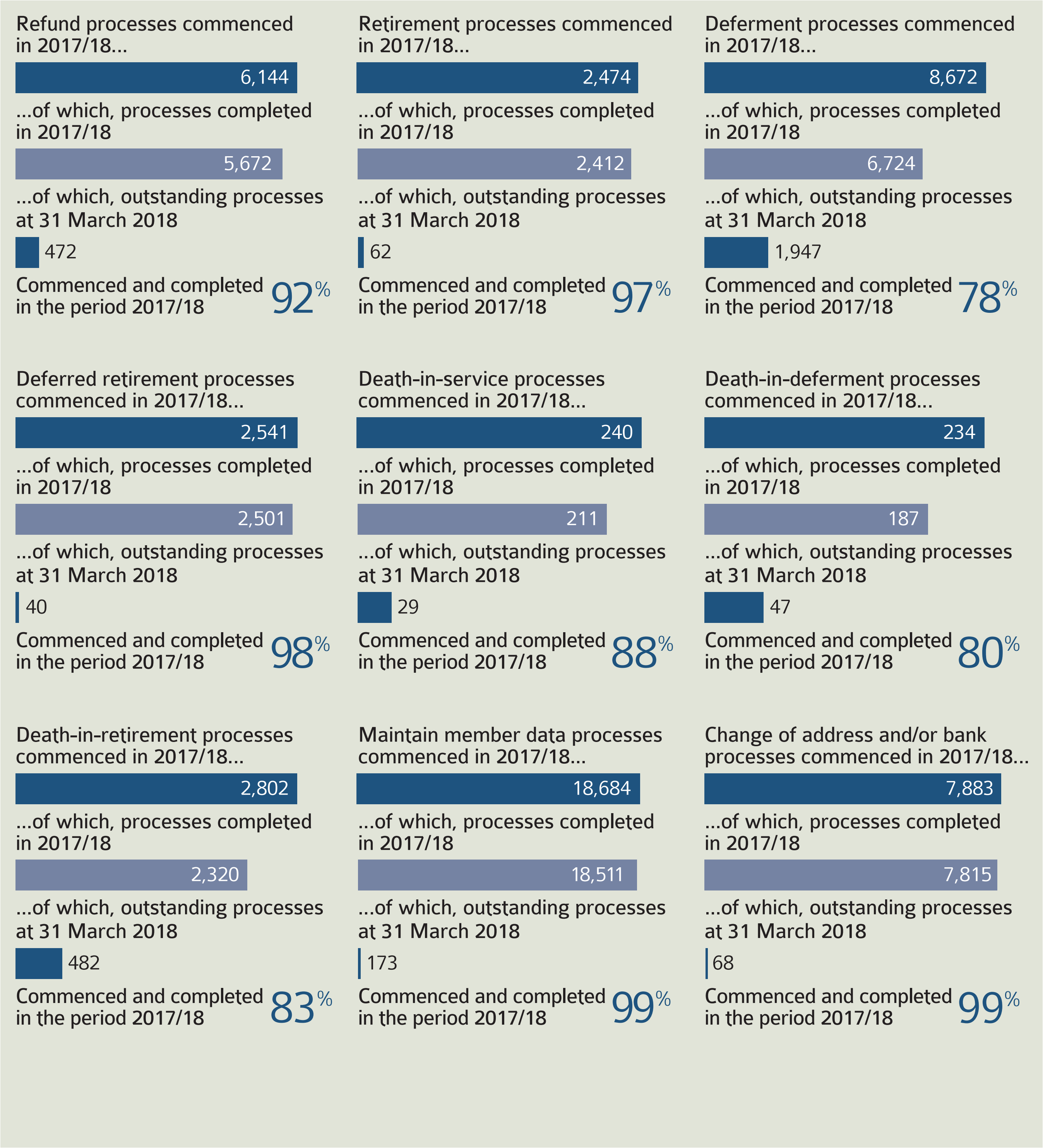
Administrative Management Performance – Overall Fund Statistical Information

Number of members

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Unknown	Total
Active	0	0	0	628	5,034	8,995	10,782	13,150	13,823	18,680	20,655	16,035	8,276	1,596	413	26	0	0	0	0	0	0	**118,093**
Beneficiary pensioner	9	50	131	240	113	19	20	28	45	144	355	610	875	1,223	1,846	1,922	2,021	1,619	729	238	25	0	**12,262**
Deferred	0	0	0	3	766	3,827	7,695	9,892	10,848	15,638	19,075	16,422	7,833	360	132	36	55	65	45	8	0	2	**92,702**
Deferred ex-spouse	0	0	0	0	0	0	0	2	7	30	72	57	36	0	0	0	0	0	0	0	0	0	**204**
Pensioner	0	0	0	0	0	1	6	18	44	156	519	3,607	14,348	21,258	17,293	10,513	6,539	3,590	1,240	260	35	0	**79,427**
Pensioner deferred	0	0	0	0	0	0	0	0	0	3	8	7	4	0	0	0	0	0	0	0	0	0	**22**
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0	0	8	21	17	3	2	1	0	0	0	0	**52**
Preserved refund	0	0	0	59	907	907	802	1,055	1,164	1,443	1,715	1,395	943	51	63	35	43	12	26	14	2	1	**10,637**
Total	**9**	**50**	**131**	**930**	**6,820**	**13,749**	**19,305**	**24,145**	**25,931**	**36,094**	**42,399**	**38,133**	**32,323**	**24,509**	**19,764**	**12,535**	**8,660**	**5,287**	**2,040**	**520**	**62**	**3**	**313,399**

Administrative Management Performance – Overall Fund Statistical Information

Management Performance - Number and Completion Rate for Top Case Types



Refund processes commenced in 2017/18...
6,144
...of which, processes completed in 2017/18
5,672
...of which, outstanding processes at 31 March 2018
472
Commenced and completed in the period 2017/18 92%

Retirement processes commenced in 2017/18...
2,474
...of which, processes completed in 2017/18
2,412
...of which, outstanding processes at 31 March 2018
62
Commenced and completed in the period 2017/18 97%

Deferment processes commenced in 2017/18...
8,672
...of which, processes completed in 2017/18
6,724
...of which, outstanding processes at 31 March 2018
1,947
Commenced and completed in the period 2017/18 78%

Deferred retirement processes commenced in 2017/18...
2,541
...of which, processes completed in 2017/18
2,501
...of which, outstanding processes at 31 March 2018
40
Commenced and completed in the period 2017/18 98%

Death-in-service processes commenced in 2017/18...
240
...of which, processes completed in 2017/18
211
...of which, outstanding processes at 31 March 2018
29
Commenced and completed in the period 2017/18 88%

Death-in-deferment processes commenced in 2017/18...
234
...of which, processes completed in 2017/18
187
...of which, outstanding processes at 31 March 2018
47
Commenced and completed in the period 2017/18 80%

Death-in-retirement processes commenced in 2017/18...
2,802
...of which, processes completed in 2017/18
2,320
...of which, outstanding processes at 31 March 2018
482
Commenced and completed in the period 2017/18 83%

Maintain member data processes commenced in 2017/18...
18,684
...of which, processes completed in 2017/18
18,511
...of which, outstanding processes at 31 March 2018
173
Commenced and completed in the period 2017/18 99%

Change of address and/or bank processes commenced in 2017/18...
7,883
...of which, processes completed in 2017/18
7,815
...of which, outstanding processes at 31 March 2018
68
Commenced and completed in the period 2017/18 99%

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Birmingham City Council	446,449,203.02	26,505,793.88
Coventry City Council	103,616,279.50	6,033,700.45
Dudley MBC	94,631,643.44	8,564,212.86
Sandwell MBC	76,745,271.37	9,322,970.84
Solihull MBC	49,496,326.58	4,776,444.16
Walsall MBC	92,887,039.38	6,204,218.51
City of Wolverhampton Council	49,126,622.65	6,626,983.35
Aston University	852,000.00	-
Black Country Museum Trust Ltd	136,549.18	20,195.23
Birmingham Institute for the Deaf	31,348.83	1,145.48
Coventry Law Centre	84,888.38	6,401.88
Age Concern Birmingham VSOP	4,958.14	1,094.89
Wolverhampton Grammar School	62,634.05	29,833.39
Chelmsley Wood Town Council	21,034.89	6,475.92
Wolverhampton Voluntary Sector Council	46,486.55	13,334.77
South Birmingham Family Servic	23,974.79	-
Wolverhampton Polytechnic	11,263.86	-
Fordbridge Parish Council	3,424.13	1,959.95
Birmingham City University	6,477,321.30	2,136,788.99
Coventry University	5,139,495.52	1,831,288.62
University of Wolverhampton	8,184,884.68	2,308,733.46
West Midlands Fire & Civil Defence Authority	8,056,222.61	5,025,522.95
Police & Crime Commissioner for West Midlands	31,151,070.61	5,912,580.72
University College Birmingham	1,519,981.77	454,089.45
Bournville College of Further Education	631,589.16	53,368.64
South & City College Birmingham	2,904,146.35	689,381.43
Birmingham Metropolitan College	1,986,394.84	347,505.76
Henley College	172,891.27	28,261.87
Hereward College	556,816.52	172,134.43
Dudley College of Technology	1,350,875.63	468,390.64
Halesowen College	1,160,832.08	176,829.46
King Edward VI College	293,620.88	86,635.10
Sandwell College	1,184,194.48	212,915.15
Solihull College	2,057,661.31	364,673.99
Walsall College	684,705.16	236,506.81
Cadbury Sixth Form College	149,984.73	33,302.06
Joseph Chamberlain College	499,133.27	91,880.74
The Sixth Form College Solihull	253,984.47	30,898.34
Bickenhill Parish Council	14,250.00	-
Coventry & Solihull Waste Disposal Company Ltd	234,292.82	5,740.53
New Park Villiage Tenant Management Organisation	32,028.82	4,620.61
Marketing Birmingham Ltd	186,825.30	20,639.98
Lighthouse Media Centre	27,759.53	579.93
Family Care Trust	65,000.00	-
Solihull Community Care Trust	5,000.00	-
Friendship Care and Housing Ltd	50,579.69	3,837.66
St Columba's Church Day Centre	21,517.80	5,258.23
Sandwell Community Caring Trust	143,038.33	40,976.41
Palfrey Community Association	57,792.71	24,751.62

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
The Pendrels Trust Ltd	21,222.49	9,164.64
Bushbury Hill Estate Management Board	79,734.02	15,308.85
Brownhills Community Association	22,085.00	2,980.04
Smiths Wood Parish Council	5,985.51	1,431.96
Sickle Cell & Thalassaemia Group	17,909.50	2,771.14
Coventry Sports Trust Ltd	82,380.31	36,691.64
West Midlands Councils	326,600.00	-
Optima Community Association	259,234.60	45,681.53
Delves Ease Estate Management	43,809.01	6,196.05
Life Education Centres West Midlands	1,000.00	-
City of Wolverhampton College	2,658,343.03	344,321.33
HomeStart (Stockland Green/Erdington)	11,825.82	2,111.63
Meriden Parish Council	3,218.12	994.56
Wildside Activity Centre	1,281.90	852.76
Whitefriars Housing Group	2,860,143.68	762,292.34
Balsall Parish Council	75,500.00	-
Manor Farm Community Association	19,870.33	6,850.58
Bloomsbury Local Management Organisation Ltd	122,899.61	22,299.65
Galliford (UK) Ltd	30,491.85	2,251.58
Lieutenancy Services (WM) Ltd	24,865.14	3,655.73
HomeStart (Birmingham South)	42.00	-
Castle Bromwich Parish Council	18,005.64	6,050.68
Steps to Work (Walsall) Ltd	120,408.19	21,001.87
HomeStart (Walsall)	47,854.53	2,723.16
Murray Hall Community Trust	139,531.73	14,764.76
Sandbank Tenant Management Co-operative Ltd	22,232.87	5,466.04
City College Coventry	466,569.64	54,176.60
Walsall Housing Group	1,681,419.92	1,008,199.47
Amey Highways Ltd	22,923.08	5,236.34
Leamore Residents Association Limited	44,257.37	10,525.39
Northern Housing Consortium Ltd	404,614.32	47,420.35
Walsall Academy	65,501.43	20,412.13
WATMOS Community Homes	189,944.65	74,200.49
Chuckery Tenant Management Organisation Ltd	40,114.29	12,438.48
Voyage Care Limited	4,479.18	875.51
Black Country Partnership NHS Foundation Trust	399,482.54	159,430.47
Solihull Care Ltd	51,016.06	2,204.06
Solihull Community Housing	1,319,690.21	411,243.82
Sandwell Leisure Trust	646,374.30	245,088.15
Grace Academy	539,473.98	163,246.38
Pell Frischman Consultants Ltd	7,008.02	1,378.29
Enterprise (AOL) Ltd (Telford/Wrekin)	58,182.64	1,670.44
Mitie PFI Ltd	6,670.77	2,602.27
Wolverhampton Homes	3,779,020.46	1,068,232.78
Enterprise Managed Services Ltd (Wolverhampton)	54,647.89	121,689.78
Integral UK Ltd	2,605.58	219.66
Black Country Consortium Ltd	198,212.98	102,138.16
Kingshurst Parish Council	856.04	866.44
Service Birmingham Ltd	88,879.53	2,272.55

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
BME United Ltd	38,010.99	11,031.39
Sandwell Academy	241,400.81	64,425.25
Dovecotes Tenant Management Organisation Ltd	55,139.75	14,062.14
Midland Heart Ltd	31,580.27	5,143.72
Engie Services Ltd	112,990.23	19,092.89
The Collegiate Academy Trust	315,453.90	110,610.42
Serco Ltd (Stoke CC)	78,108.00	-
Enterprise Managed Services Ltd (Solihull)	114,432.60	42,944.44
Q3 Academy	189,121.44	206,665.54
Housing 21 Ltd	203,602.98	77,785.63
Alliance in Partnership Camp Hill	3,463.14	1,054.48
Titan Partnership Ltd	659.35	106.36
CTC Kingshurst Academy	236,186.24	77,338.26
RSA Academy	194,994.37	66,383.11
BAM Construct UK Ltd	27,848.38	8,491.50
Shelfield Community Academy	276,907.24	74,456.44
Tarmac Ltd	82,809.48	50,575.08
Bespoke Cleaning Services Ltd	14,863.19	3,970.59
Ormiston Sandwell Community Academy	242,124.71	58,140.45
Park Hall Academy	147,101.10	48,438.36
City of Wolverhampton Academy Trust	222,443.42	38,745.02
EACT Heartlands Academy	445,480.68	50,282.53
EACT Shenley Academy	593,096.56	50,459.01
ARK Academies	241,755.15	58,441.03
Agilisys Ltd (Rowley/Smethwick)	677.79	1,036.23
KGB Cleaning & Support Services Ltd (Bishop Ulathorne School)	1,453.47	2,039.01
Sidney Stringer Academy Trust	436,284.58	119,663.17
Amey LG Ltd	1,356,681.61	329,967.41
King Edward VI Sheldon Heath Academy	163,388.83	59,824.97
EACT North Birmingham Academy	661,874.13	46,044.68
Harborne Academy	39,235.28	3,187.17
Arden Academy Trust	214,370.32	76,354.31
Balfour Beatty Workplace Ltd (Coventry)	41,330.27	4,896.39
SERCO Ltd (Sandwell)	854,423.66	222,165.14
Park Hall Infant Academy	136,269.79	18,539.24
St Patricks Church of England Primary Academy	45,820.34	11,064.24
Tudor Grange Academy Solihull Trust	306,150.64	63,383.47
Quadron Services Ltd	177,472.84	58,319.93
John Henry Newman Catholic College	259,211.10	70,670.54
Agilisys Services Ltd (OCOS/WODO/Tipton)	5,597.50	2,811.78
Windsor High School and Sixth Form	269,249.62	92,331.37
Wood Green Academy Trust	197,021.56	52,944.94
Ninestiles Academy Trust	467,775.42	115,005.35
Lordswood Girls School & Sixth Form Centre	227,410.28	62,313.56
Ryders Hayes Academy Trust	115,065.84	30,879.47
Kings Norton Girls School & Language College	238,156.87	44,715.05
Premier Security Services Limited	4,747.36	1,285.23
Shire Oak Academy Trust	299,838.85	63,479.26
Bartley Green School	399,989.75	56,821.20

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
The Blue Coat Church of England Academy Ltd	188,804.78	54,513.83
Queen Marys High School (Walsall)	119,408.54	22,880.89
Queen Marys Grammar School (Walsall)	169,267.00	39,813.67
Sutton Coldfield Grammar School for Girls Academy Trust	238,854.61	49,731.20
Whitley Academy	259,684.43	70,653.92
Aston Manor Academy	178,325.28	49,107.84
Creative Support Limited	3,433.75	1,624.44
Heart of England School	197,627.18	44,558.45
Light Hall School	224,918.43	45,396.14
Holly Hall Academy	118,231.79	37,951.17
Matrix Academy Trust	187,100.54	48,895.86
Woodlands Academy	46,206.06	2,239.69
Rookery School	106,383.05	34,303.79
Finham Park School Academy	509,434.11	72,278.56
Langley School	204,622.70	45,248.64
Alderbrook School	426,076.57	52,377.94
Lode Heath School	167,548.51	41,923.06
The Westwood Academy	291,066.69	54,571.86
Holyhead School	133,170.00	29,707.80
Fairfax School (Academy)	333,478.12	71,901.38
Tile Hill Wood School & Language College	346,761.00	72,957.03
Deanery Church of England School	305,536.02	34,302.51
Plantsbrook School	313,199.56	71,018.13
Oldbury Academy	495,774.76	69,410.62
Hillcrest School & Sixth Form Centre	145,852.17	35,041.49
Ormiston George Salter Academy	235,339.55	64,248.50
King Edward VI Camp Hill School for Boys (Academy)	129,263.98	21,782.55
King Edward VI Camp Hill School for Girls (Academy)	95,057.67	20,929.43
King Edward VI Handsworth School (Academy)	140,780.81	25,527.61
King Edward VI Five Ways School (Academy)	187,676.50	37,853.96
King Edward VI Aston School (Academy)	146,321.08	33,968.98
Regent Office Care Henley College	10,000.00	-
The High Arcal School Academy Trust	150,616.08	51,775.98
Arthur Terry Learnings Partnership	805,271.42	173,373.26
The Kingswinford School & Science College	77,925.21	24,412.83
Nishkam School Trust	132,041.68	52,286.04
Age Concern Birmingham	36,300.00	-
Heath Park Academy Central Learning Partnership Trust	315,740.06	49,643.14
Lawrence Cleaning St Stephens School	1,539.42	501.25
The Streetly Academy	426,110.51	81,086.94
NSL Ltd (Solihull)	3,000.00	1,045.97
New Heritage Regeneration Ltd	37,089.19	17,835.55
Ormiston Forge Academy	237,586.04	66,216.08
Alliance in Partnership Stoke Park	840.56	908.39
Alliance in Parntership President Kennedy	524.93	14.24
Earls High School (The)	161,071.02	41,908.87
Initial Catering Services Ltd (Smethwick)	34,197.01	7,328.58
Initial Catering Services Ltd (Rowley)	5,877.19	1,346.21
Park Hall Junior Academy	173,560.23	29,503.33

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Joseph Leckie Academy	375,423.29	74,816.95
EACT Willenhall Academy	578,168.09	67,176.52
Hall Green Secondary School	337,737.81	50,939.97
Rockwood Academy The Core Education Trust	199,392.31	64,246.04
Birmingham Museums Limited	108,435.93	80,693.00
Bishop Vesey's Grammar School	213,389.88	38,070.48
Mesty Croft Academy	87,287.54	24,765.78
Mytime Active	4,021.97	13,995.67
Wilson Stuart School	376,404.46	101,181.37
Hockley Heath Academy	43,001.32	10,285.04
Warren Farm Primary School	81,780.25	21,939.16
Alridge School A Science College	240,862.68	56,371.63
Moseley Park School Central Learning Partnership Trust	257,646.05	34,776.30
St Johns C of E Primary School	124,732.90	29,162.92
Coundon Court Academy	332,385.01	71,040.64
Premier Support Services Ltd (Alumwell Junior School)	378.21	15.99
Great Barr Primary School	141,012.03	33,269.28
Timberley Academy Trust	251,283.91	69,564.03
Engie FM Limited (Broadway School)	36,021.30	13,417.18
Engie FM Limited (Park View School)	17,970.87	4,284.49
Engie FM Limited (International School)	15,947.63	5,499.42
Engie FM Limited (Saltley School)	3,946.01	2,200.29
Engie FM Limited (Moseley School)	22,320.41	8,489.27
Engie FM Limited (George Dixon School)	53,136.22	5,791.79
Engie FM Limited (Waverley School)	12,932.07	4,045.87
Engie FM Limited (Sheldon Heath School)	18,191.24	3,237.28
Lend Lease Construction (Europe) Ltd (Park View & International School)	15,439.62	6,319.73
Lend Lease Construction (Europe) Ltd (Moseley School)	1,369.15	1,097.97
Lend Lease Construction (Europe) Ltd (George Dixon School)	10,452.85	3,134.78
Lend Lease Construction (Europe) Ltd (Waverley School)	6,222.66	2,132.28
Lend Lease Construction (Europe) Ltd (Four Dwellings School)	9,475.58	2,561.73
Victoria Park Primary Academy	217,297.30	59,939.06
Erdington Hall Primary Academy	112,015.12	20,244.03
Balsall Common Primary Academy	121,827.56	32,044.48
Woodlands Academy of Learning	122,130.21	32,018.63
Acivico (Design Contruction & Facilities Management) Ltd	1,271,305.23	417,944.72
Acivico (Building Consultancy) Ltd	224,950.63	123,001.59
Aston University Engineering Academy Birmingham	74,097.84	28,280.92
Sandwell Community Caring Trust (Sandwell Care Homes)	94,106.70	35,798.74
Carillion (Highfields & Pennfields)	22,455.87	8,522.39
St Michael's C of E Primary Academy Handsworth	56,003.43	15,519.64
St Mary's C of E Junior & Infants School	98,259.12	19,588.80
ARK Rose Primary Academy	47,436.98	3,895.62
Green Meadow Primary School	112,342.62	23,444.63
ARK Tindal Primary Academy	141,285.51	21,953.80
George Dixon Academy	143,737.00	40,930.60
Nansen Primary School Park View Educational Trust	190,563.78	36,148.54
4 Towers TMO Limited	4,834.17	1,081.87
Perry Beeches The Academy	346,903.49	112,874.32

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Handsworth Wood Girls Academy	189,707.56	44,745.55
Dorrington Academy Trust	146,037.93	31,548.16
ARK Kings Academy	146,499.08	32,976.27
Interserve Facilities Management Ltd (OCOS/WODO/Tipton Schools)	42,088.06	4,630.22
Interserve Facilities Management Ltd (Rowley Campus)	9,936.54	2,579.68
St Peters Church of England Academy Trust	262,536.17	53,652.35
Jubilee Academy Mossley ATT	61,456.44	14,270.63
S4E Limited	86,402.28	37,512.00
Nechells Primary EACT Academy	116,282.47	11,064.49
Ormiston Academies Trust	136,212.96	152,158.02
EBN Free School	(400.00)	-
Croft Primary Academy Elliot Foundation Trust	63,430.66	15,499.34
Lordswood Boys School	64,625.27	8,974.10
Chilwell Croft Academy Equitas Academies Trust	123,712.94	33,545.93
Lawrence Cleaning Ltd Parkfield School	2,084.33	564.96
Elite Cleaning & Environmental Services Ltd (Walsall)	16,500.00	-
Goldsmith Primary Academy Windsor Academy Trust	109,149.08	29,039.65
Kings Rise Academy The Elliot Foundation Academies Trust	137,740.87	36,445.05
Alston Primary School	220,633.25	39,000.08
Greenholm Primary School	111,689.67	29,237.95
Blue Coat Church of England (Walsall) Trust	170,617.04	41,948.66
Caludon Castle Academy	277,226.76	53,296.01
Percy Shurmer Primary School	109,767.99	26,422.99
Woden Primary Central Learning Partnership Trust	232,658.32	23,125.54
West Walsall EACT Academy	800,829.90	45,047.93
BOA Birmingham Ormiston Academy	123,818.58	51,383.64
ABM Catering Limited	5,235.79	1,328.30
Places For People Leisure Limited – Harborne Pool	15,607.12	4,079.42
Sandwell Inspired Partnership Services	743,664.50	274,767.82
Alliance in Partnership (King Edward VI Sheldon Heath)	16,342.94	5,470.13
Lend Lease Construction (Europe) Ltd (HML Stockland Green & Broadway)	1,174.48	1,097.97
Engie FM Limited (HM & Stockland Green School)	36,555.47	11,720.64
Lend Lease (Europe) Limited EACT	3,328.03	24.76
Aspen Services Ltd (Gosford Park School)	2,497.14	724.01
St Clements C of E Academy Nechells	54,304.51	16,683.14
Oasis Community Learning Blakenhale Junior	59,304.75	10,585.89
Oasis Community Learning Woodview School	193,554.04	48,686.20
Oasis Community Learning Blakenhale Infants	132,210.27	27,617.92
Lea Forest Primary Academy	137,506.74	30,775.60
Four Dwellings Primary Academy	125,184.63	28,905.81
Tame Valley Academy Education Central MAT	64,581.34	15,752.92
Shirestone Community Academy The Elliot Foundation Academies Trust	89,503.72	22,466.63
Oasis Community Learning Short Heath Primary	151,383.97	25,892.62
Aldersley Academies Trust	231,925.65	55,410.43
Yardleys School	195,721.05	52,187.10
Rough Hay Primary School	85,364.22	15,111.88
Charles Coddy Walker Academy Erudition Schools Trust	2,000.00	-
Billesley Primary Academy The Elliot Foundation Academies Trust	225,914.10	52,627.15
Merritts Brook EACT Primary Academy	110,519.92	12,289.76

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
St Michael's Church of England Primary School Bartley Green	105,600.49	21,603.79
Reedwiid EACT Primary Academy	289,288.17	28,759.12
James Brindley School	898,590.45	94,997.85
Oaklands Primary Ninestiles Academy Trust	96,424.36	22,517.71
Greenwood Academy Academies Enterprise Trust	243,898.97	64,717.45
Tudor Grange Primary Academy St James	38,300.59	9,138.95
Mansfield Green EACT Primary Academy	277,919.22	31,518.90
Parkfield Academy Trust	384,549.93	42,834.33
Urban Enterprises (Bournville) Ltd	10,458.10	3,363.05
City Road Academy Birmingham City Uni Academy Trust	178,275.70	35,816.72
Culture Coventry	442,093.79	67,208.20
Bramford Primary Griffin Academy Trust	59,808.33	-
Bristnall Hall The Academy Transformation Trust	228,107.54	57,753.76
Redhill School	249,518.56	54,539.99
Baverstock Academy The Leap Academy Trust	435,730.42	18,127.80
Edgar Stanners Academy Education Central MAT	106,687.62	25,701.93
Knowle CE Primary Academy	141,487.46	30,101.70
St Joseph's John Paul II MultiAcademy	84,281.85	17,277.70
St Nicholas's John Paul II MultiAcademy	67,023.69	10,760.79
Holy Cross Sutton Coldfield Catholic Schools Multi Academy	75,655.03	12,060.04
Bishop Walsh Sutton Coldfield Catholic Schools Multi Academy	245,036.29	41,617.60
The ACE Academy Education Central Multi Academy Trust	236,540.20	69,269.36
St John's and St Peter's C of E Academy	44,688.81	8,830.62
St Georges C of E Academy	85,363.26	15,695.42
Acocks Green Primary School	149,447.36	33,764.42
Premier Support Services Ltd (Alumwell Infant School)	76.46	18.13
Washwood Heath Academy	446,032.04	88,707.74
Perry Hall Primary School	104,960.71	26,254.68
European Electronique Ltd (Tile Hill Wood School)	22,678.02	2,416.68
Call First Cleaning Limited	683.73	214.56
Oasis Community Learning Matthew Boulton	137,871.17	16,010.80
Four Dwellings High School Academy	164,025.30	36,471.16
Oasis Community Learning Hobmoor Primary	236,178.83	24,405.71
Timbertree Primary United Learning Academies	326,754.64	5,868.05
George Betts Academy The Elliot Foundation Academies Trust	147,527.81	31,437.56
Hamstead Hall Academy Trust	335,698.09	62,050.19
Corngreaves Primary United Learning Academies	48,031.97	7,601.97
Shireland Hall Academy The Elliot Foundation Academies Trust	191,460.75	50,532.14
Stretton Primary Academy Diocese of Coventry MAT	47,278.37	9,978.37
St Laurence's Primary Academy Diocese of Coventry MAT	93,827.11	17,681.76
Yarnfield Academy Ninestiles Academy Trust	214,244.99	39,015.60
President Kennedy School	323,797.21	74,134.11
Hawkesley Church Primary Academy	128,998.84	19,618.63
Birchills Academy St Chads Academies Trust	133,361.72	39,182.00
Montgomery Primary Academy Academies Enterprise Trust	134,554.55	39,643.87
Fairway School Education Central Multi Academy Trust	107,325.37	18,205.04
Cheswick Green Parish Council	2,985.06	739.20
Jubilee Park Academy Trust	94,067.82	16,537.65
Ocker Hill Junior Academy	43,466.14	14,320.88

Contributions Received by Employer

Employer	Employer's contributions	Employees’ contributions
Three Spires Academy RNIB Specialist Learning Trust	39,800.00	-
Silvertrees Academy	160,928.12	28,102.16
Pegasus Academy Ninestiles Academy Trust	77,449.20	13,972.97
Alliance in Partnership Ltd (Harborne Primary School)	7,110.12	1,448.98
St Edmund's Academy Bishop Clearly MAC	311,064.66	75,349.20
SS Mary & Johns Catholic Primary Academy Bishop Clearly MAC	60,610.11	12,824.57
St Teresa's Academy Bishop Clearly MAC	41,654.67	10,795.98
Holy Trinity C of E Primary Academy	80,170.07	15,214.46
Giffard Catholic Academy Bishop Cleary MAC	77,130.65	15,437.01
St Michaels Academy Bishop Clearly MAC	46,571.48	8,708.44
Tiverton Academy The Elliot Foundation Academies Trust	86,491.41	17,033.22
St Joseph's Academy St John Bosco Catholic Academy Trust	51,948.97	14,409.31
Bishop Milner Academy St John Bosco Catholic Academy Trust	144,120.84	34,238.05
St Chads Academy St John Bosco Catholic Academy Trust	39,087.22	7,886.62
Bentley Heath Church of England Primary School	86,588.88	19,664.56
Reaside Academy Educational	68,116.73	12,919.56
Aspens services Ltd Phoenix Collegiate	11,449.40	2,289.60
St George's Academy Newtown	72,901.45	19,711.75
St Bartholomew's C of E Primary Academy	77,560.17	13,196.85
Cue Ltd	164,653.07	70,977.00
Hill Farm Academy Castle Phoenix Trust	106,018.61	22,469.08
The Orchards Primary Academy Education Central MAT	97,125.17	17,420.06
Wednesbury Oak Primary Academy	102,651.32	22,437.39
Robin Hood Primary Academy	161,217.22	31,068.91
Woodhouse Primary Academy Education Central MAT	219,427.25	40,332.11
Broadway Academy	247,786.58	50,426.49
Places for People Leisure Limited	2,148.30	1,627.91
Radford Primary Academy Sidney Stringer Academy Trust	84,958.12	18,017.60
Ernesford Grange Academy	244,787.31	50,174.36
Chivenor Academy Griffin Schools Trust	47,000.00	-
Rivers Primary Academy Windsor Academy Trust	60,567.75	15,881.15
Walsall Studio School	554.58	224.30
Waverley Studio College	2,404.09	1,789.02
Twickenham Primary Academy	151,989.84	32,403.79
Grestone Primary Academy	169,377.36	32,672.97
St Paul's C of E Primary Academy	74,359.90	14,924.14
Kingswood Trust	17,678.71	6,228.16
Leigh Primary School	217,400.03	36,057.53
Education Central Multi Academy Trust	49,416.37	30,779.17
Wodensborough Academy	273,314.61	44,132.58
Ridgewood High School	161,262.98	33,835.37
Carillion (AMBS) Ltd (Heath Park Academy)	12,324.71	5,314.29
Aspen Services Ltd (Courthouse Green Primary School)	5,234.35	1,364.52
Wolverhampton Girls High School	169,797.07	34,496.25
St Judes Academy The Wulfrun Academies Trust	126,888.44	27,139.64
Oasis Community Learning Foundry Primary	121,980.90	13,912.05
Riverbank Academy (Sidney Stringer Academy Trust)	195,149.44	46,159.23
Berrybrook Primary School	46,365.25	10,560.61
Reach Free School	38,470.49	11,541.07

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
WMG Academy for Young Engineer	62,930.56	21,567.77
Cottesbrooke Infant & Nursery School	296,748.51	43,274.99
Alliance in Partnership (Unity Cluster)	14,809.96	3,682.41
Catering Academy Ltd (Synergy Schools)	42,212.79	1,755.32
APCOA Parking UK Ltd (Wolverhampton)	6,637.79	1,557.94
Smestow School Education Cen	266,828.58	46,756.84
Northwood Park Primary School	141,002.99	35,066.89
Marston Green Infant Academy	100,045.60	28,892.94
Smithswood Primary School	162,548.76	40,032.79
Bespoke Cleaning Ltd (Westwood Academy)	13,486.34	1,243.92
Police & Crime Commissioner West Midlands	204,393.94	83,281.53
Civica UK Ltd (Ark Schools)	6,013.47	3,006.73
Black Country Housing Group (New Bradley Hall)	86,657.77	10,753.75
ABM Catering Ltd (Aldermoor Farm Primary School)	5,029.13	1,550.82
Northern House School Academy Trust	75,303.48	23,035.90
Taylor Shaw (Great Barr Birmingham)	24,456.52	6,090.38
St John's C of E Primary Academy – Diocese Coventry MAT	57,210.60	5,696.15
Catering Academy (John Gulson)	9,076.33	312.52
Heathlands Academy–Education Central MAT	144,760.04	30,813.39
Wednesfield High Specialist Engineering Academy	219,394.85	36,327.95
Albert Bradbeer Primary School	200,189.16	36,903.86
Alliance in Partnership Ltd (Broadway)	19,542.01	4,984.79
Birmingham Solihull Mental Health NHS Foundation Trust	6,917.37	3,458.68
Action Indoor Sports Birmingham CIC Ltd	2,459.44	1,208.76
Ridge Crest Cleaning	17,707.82	1,302.01
Sacred Heart Academy	71,367.79	13,900.14
St Gregory's School Coventry Romero Mac	56,463.61	8,814.84
Good Shepherd Primary School	57,734.82	9,817.18
St Peter and Paul Catholic Primary School Romero Mac	26,981.12	8,142.30
St John Fisher School Romero Mac	80,270.86	14,613.73
St Patrick's Catholic School Romero Mac	84,680.23	10,963.25
Cardinal Wiseman Catholic School Romero Mac	284,086.35	54,036.82
Corpus Christi Catholic Primary School Romero Mac	60,028.00	14,989.57
All Saints National Academy St Chad's Academy Trust	59,184.51	13,528.20
Alliance in Partnership (Greenfields Primary School)	3,019.08	895.42
Aspens Services Ltd Old Church School	2,395.28	355.20
Aspen Services Ltd Rough Hay School	12,058.00	1,644.36
CUL Academy Trust Limited	6,808.77	3,688.45
Aspens Services Ltd Salisbury School	6,616.67	838.39
Police & Crime Commissioner West Midlands	16,248.59	3,128.49
Bournville School and Sixth Form Centre Fairfax MAT	234,041.28	44,798.16
St Gregory's Catholic Primary Academy - St Catherine of Siena MAC	66,995.21	12,953.10
St Huberts Catholic Primary School	98,833.07	21,336.08
St Francis Xavier Catholic Primary School	88,844.13	18,376.01
St Philip's Catholic Primary Academy - St Catherine Of Siena MAC	83,397.02	18,742.33
The University Training School	79,306.27	41,069.59
Aspens Services Ltd (Pinfold Street Primary)	943.71	302.15
Devonshire Infant Academy Victoria Park Multi Academy Trust	183,084.94	33,992.46
Seva Free School	28,793.84	9,680.62

Contributions Received by Employer

Employer	Employer's contributions	Employees´ contributions
Devonshire Junior Academy Victoria Park Multi Academy Trust	112,903.22	26,709.34
Town Junior School Plantsbrook Academy	68,132.74	14,592.47
St Brigid's Catholic Primary School Lumen	102,631.80	22,930.08
St Columba's Catholic Primary School Lumen	67,249.36	13,681.65
St Joseph's Academy St Nicholas Owen Catholic MA	56,779.01	11,110.22
Our Lady of Fatima Catholic Primary School St Nicholas Owen Catholic MA	154,974.63	14,558.22
St Mary's Catholic Primary School St Nicholas Owen Catholic MAC	57,958.17	14,570.60
Calthorpe Academy	573,921.22	145,768.29
Crestwood Academy	117,831.81	28,239.52
Hillstone Junior and Infant Academy	213,828.95	45,951.98
Ellowes Hall Sports Academy	258,503.51	62,586.02
Wyndcliffe Primary School	223,861.49	43,214.97
Brownmead	87,107.73	18,220.39
Manor Primary School	108,373.69	25,296.75
ABM Catering Ltd Allesley	8,976.59	1,296.49
St John´s C of E Primary Academy – St Chad´s Academy Trust	40,744.74	12,758.19
Crime Reduction Initiatives	22,069.23	19,827.48
St Martin's C of E Primary School	34,856.21	9,645.73
St Pauls' Catholic Primary School Lumen	81,590.06	17,610.70
St James Catholic Primary School Lumen	66,178.59	14,605.05
St Joseph's Catholic Primary School Lumen	53,899.33	14,335.74
St Thomas Aquinas Catholic School	361,601.60	65,436.29
Field View Primary School	89,990.15	20,825.63
Walsall Adult Community College	150,683.51	52,681.88
Futurelets Ltd	134,272.56	40,453.85
Churchill Contract Services Limited (Walsall College)	10,884.78	3,218.74
ABM Catering (St Andrew's CE Infant School)	2,263.98	479.91
NSL Limited Parking Services (BCC)	33,313.99	6,268.49
Jervoise School DRB Ignite MAT	70,974.29	14,567.97
Wychall Primary School DRB Ignite MAT	170,064.37	33,590.44
Holy Rosary Catholic Primary Pope John XXIII	62,017.76	11,930.15
St Mary's Catholic Primary	141,873.03	28,900.24
Our Lady & St Chad Catholic Sports College	156,021.49	32,715.78
Corpus Christi Catholic Primary Pope John	73,867.14	14,817.26
St Thomas CE Academy All Saints Multi Academy Trust	126,939.42	38,131.35
Birmingham Community Leisure Trust (North East Contract)	488,888.02	124,565.45
Birmingham Community Leisure Trust (South West Contract)	193,036.43	47,750.29
Saltley Academy- Washwood Heath Multi-Academy Trust	218,308.33	46,217.06
Barr's Hill School Academy The Future's Trust	193,532.15	38,992.66
Alliance in Partnership (Brownhills School)	7,159.16	1,665.32
Places for People Leisure Limited (Sparkhill)	4,160.83	1,025.07
Walsgrave Church of England Primary School The Inspire Federation	83,649.79	19,131.24
Clifford Bridge Primary School The Inspire Federation	64,808.50	12,721.02
Sir Frank Whittle Primary School The Inspire Federation	59,277.50	14,096.89
Lyndon Academy Ninestiles Academy Trust	172,816.55	38,545.64
The Waverley Education Foundation Ltd	267,072.10	56,952.06
Academy Transformation Trust	595,498.43	206,981.75
TnS Catering Management Limited (Potters Green School)	5,051.55	1,321.11
TnS Catering Management Limited (Moat House School)	6,268.83	1,555.43

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Heathfield's Primary School The Federation of Prince Albert & Heathfield S	92,716.67	18,735.74
Bloxwich Academy - Matrix Academy Trust	269,473.37	46,080.83
Moor Green Primary Academy REach2 Academy Trust	84,457.81	20,154.65
Prince Albert Primary School The Federation of Prince Albert & Heathfield	259,863.05	46,724.16
Beechwood C of E Primary School DRB Ignite MAT	49,716.29	9,228.80
The British Sikh School The Khalsa Academies Trust	20,745.77	7,894.05
Northfield Manor Primary Academy Victoria Academy Trust	148,550.53	35,066.29
Ark Chamberlain Primary Academy	90,124.94	27,220.87
Ark Boulton Academy	87,000.00	-
Aspens Services (South Wolverhampton and Bilston Academy)	5,441.17	1,035.54
Regent Office Care Ltd (Ormiston Shelfield Academy)	8,073.34	2,283.88
Superclean Services Wothorpe Ltd (Finham Park)	11,249.36	2,587.25
ABM Catering Ltd (John Shelton Community Primary School)	2,956.30	1,066.99
Alliance in Partnership Ltd (Coventry South Cluster Group)	8,453.62	2,955.24
The Edge Academy Trust	30,444.39	11,833.63
The BromleyPensnett Primary School DRB Ignite MAT	91,796.05	20,182.38
Manor Way Primary Academy Windsor Academy Trust	37,185.45	8,796.25
Dickens Heath Parish Council	3,220.68	717.12
West Midlands Construction UTC Trust	35,290.09	17,183.63
Alliance in Partnership Limited (St Matthias School)	823.10	357.98
Elston Hall MultiAcademy	193,053.39	45,303.31
Sidney Stringer Free Primary School Sidney Stringer Academy Trust	30,600.32	11,268.20
Holroyd Howe (Wolverhampton Grammar School)	2,592.56	652.42
Health Futures UTC	35,050.64	14,046.29
Carillion (AMBS) Ltd (St Matthias)	15,294.11	9,886.62
Bickenhill & Marston Green	18,807.01	4,979.80
Superclean Services Wothorpe Ltd (Fordbridge Community Primary School)	826.82	280.07
King Solomon International Business School	103,581.75	43,906.01
Westcroft Sport and Vocational College Central Learning Partnership	304,749.76	31,908.11
The Romero Catholic Academy	31,421.40	14,169.93
Inspire Education Trust	15,089.52	5,170.76
Aspens Services Ltd (Bartley Green)	17,852.13	4,505.15
Aspens Services Ltd (St Peter's Collegiate)	24,129.69	5,168.73
Highfields School	279,730.69	62,664.70
Finham Primary School Finham Park MAT	188,538.35	13,403.03
KeepMoat Regeneration Ltd	360,808.93	86,052.20
Manor Park Primary REAch2 Academy Trust	142,570.90	32,212.81
Wates Construction Ltd (West Central)	627,381.77	98,369.79
Northern House School (City of Wolverhampton)	174,877.46	40,549.22
Pool Hayes Academy Academy Transformation Trust	335,227.22	51,794.49
Nonsuch Primary School	80,676.84	15,387.13
Grove Primary School Dt Martin's Multi Academy Trust	102,514.43	21,807.86
Highfield Junior and Infant School Prince Albert Community Trust	240,115.67	40,662.56
Dunstall Hill Primary School Perry Hall MAT	75,564.13	14,514.58
Priory Education Services Ltd	278,803.57	70,681.28
Wates Construction Ltd (East)	1,093,724.74	238,039.13
Aston Tower Community Primary School Aston Tower Multi-Academy Trust	161,616.71	28,024.93
Wolverhampton Vocational Training Centre – Central Learning Partnership Trust	33,876.71	13,660.02
Fortem Solutions Ltd	742,793.39	197,727.29

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Alliance in Partnership Ltd (Pedmore Primary School)	2,590.64	581.58
Lodge Farm Primary School Northwood Park	97,892.63	17,322.68
Palmers Cross Primary Academy Elston Hall Multi Academy Trust	70,940.88	12,668.19
Dodd Group (Midlands) Ltd	52,098.67	15,278.18
Finham Park 2 Finham Park Mulit Academy Trust	35,548.92	10,868.11
Prospects Services (Coventry and Warwickshire)	9,210.34	2,878.02
AspensServices Ltd (Cannon Park Primary School)	1,974.62	587.06
Yew Tree Community Junior and Infant School Inspire Education Communi	149,827.10	22,311.84
North Walsall Primary Academy Academy Transformation Trust	82,217.53	14,754.78
Lyng Hall School Finham Park MAT	350,951.85	34,695.40
Fibbersley Park Academy Victoria Academies Trust	203,701.65	32,338.07
Hob Green Primary School DRB Ignite MAT	79,466.26	21,537.56
Damson Wood Infant School Central Schools Trust	65,461.53	13,849.43
Streetsbrook Infant and Early Years Academy Streetsbrook Academy Trust	124,874.28	25,816.11
Prince Thorpe Infant School DRB Ignite MAT	108,906.26	18,979.34
The Oval Primary School DRB Ignite MAT	213,865.68	32,519.22
Audley Primary School DRB / Ignite MAT	293,980.25	47,562.43
Aspens Services Ltd (Heartlands Academy)	4,920.31	1,137.03
KCLS Limited (Manor Park Primary School)	1,888.01	422.08
Aspens Services Ltd (Nechells Academy)	1,256.90	233.05
Aspens Services Ltd (Merritts Brook Academy)	4,460.33	797.69
AspensServices Ltd (St George's C Of E Academy)	8,521.31	1,856.45
Lend Lease Construction (Europe) Limited (The Sixth Form College Solihull)	4,596.96	1,965.80
Aspens Services Ltd (Mansfield Green Academy)	8,909.75	1,894.98
Gossey Lane Academy Washwood Heath MAT	87,282.91	15,927.47
Leasowes High School Invictus Education Trust	240,448.70	48,074.35
Aspens Services Ltd (West Walsall EACT Academy)	15,867.10	3,720.47
Erdington Academy Fairfax Multi Academy Trust	298,585.17	52,891.95
Smiths Wood Academy Fairfax MAT	341,408.92	66,307.91
Summerhill Primary Academy Summer Park MAT	84,446.94	5,643.47
Conway Primary School Create Partnership Trust	166,890.01	19,031.22
Greet Primary School Create Partnership Trust	331,677.14	57,083.29
Alliance in Partnership Ltd (Holy Family Catholic Primary School)	1,900.06	354.24
Alliance in Partnership Ltd (Christ the King Catholic Primary School)	3,639.45	911.58
Alliance in Partnership Ltd (St Thomas More Catholic School)	1,728.43	500.33
Aspens Services Ltd (Whitgreave Junior School)	4,869.55	1,134.82
Sodexo Ltd (Oasis Community Learning)	26,938.08	7,818.33
West Midlands Combined Authority	9,720,195.62	1,009,448.71
Dovetail (UK) Ltd (Alderbrook School)	5,148.60	1,165.20
Edward the Elder Primary Elston Hall MAT	121,226.39	17,625.60
St Bartholomew's CE Primary School St Bartholomew's CE Multi Academy Trust	79,572.30	13,176.30
Northern House School (City of Wolverhampton) Primary PRU	49,741.96	10,130.34
Tenterfields Primary Academy Windsor Academy Trust	63,856.70	15,856.29
St Francis CE Primary School and Nursery Fioretti Trust	102,004.54	14,473.13
Aspens Services Ltd (Hillcrest School)	8,706.68	1,918.44
Hill Avenue Academy Manor Multi Academy Trust	40,350.06	7,763.54
East Park Academy Manor MAT	178,790.37	25,922.75
Stanton Bridge Primary School Stanton Bridge MAT	56,113.19	8,263.96
Cromwell Primary School Cromwell Learning Community Academy Trust	78,208.16	14,543.68

Contributions Received by Employer

Employer	**Employer's contributions**	**Employees´ contributions**
Broadmeadow Special SchoolCentral Learning Partnership Trust	193,421.57	27,681.98
Hearsall Community Academy	69,751.61	12,943.15
Oxley Primary School – Reach2 Academy Trust	44,769.16	7,771.85
Quinton Church Primary School Barchelai Multi Academy Trust	55,896.87	9,336.63
Canterbury Cross Primary School Canterbury Cross Educational Trust	198,739.17	26,917.28
Cedars Academy Robin Hood Multi Academy Trust	54,209.26	1,785.70
Courthouse Green Primary SchoolTriumph Multi Academy trust	167,254.81	33,712.07
Great Barr Academy The Shaw Education Trust	701,127.12	97,487.99
Firs Primary School Community Education Partnership Trust	206,671.49	30,557.16
Topcliffe School Community Education Partnership Trust	125,407.62	22,815.00
Parkgate Primary School The Futures Trust	194,237.09	30,532.66
Phoenix AcademyAcademy Transformation Trust	59,318.73	13,907.58
Westminster Primary School Westminster Academy Trust	156,257.81	24,588.57
Bordesley Village Primary School Cromwell Community Learning Trust	111,417.07	14,990.81
Stirchley Primary School Evolve Education Trust	89,814.56	12,175.90
Keresley Grange Academy The Futures Trust	84,929.63	15,020.49
Calthorpe Vocational Centre	6,722.95	2,277.09
Colley Lane Primary Academy Windsor Academy Trust	289,889.18	56,928.15
Moreton SchoolAmethyst Academy Trust	335,909.19	50,082.14
Cockshutt Hill School Ninestyles Academy Trust	340,097.35	50,626.88
Chandos Primary School – The Elliot Foundation Academies Trust	272,482.77	40,678.44
Woodside Community School & Little Bears NurseryHales Valley MAT	168,472.78	36,127.29
Lutley Primary School Hales Valley MAT	114,812.23	28,710.17
Aspens Services Ltd (St Martin's MAT)	4,327.85	922.31
Lapal Primary School Hales Valley MultiAcademy Trust	70,692.56	15,584.59
Murray Hall Community Trust (Rowley & Tipton)	12,954.36	3,975.06
Churchill Contract Services Ltd (Finham Park MAT)	20,264.04	3,754.47
King Edward VI Handsworth Grammar School for boys King Edward VI Ac T	224,102.90	25,178.01
Bridge School Forward Education Trust	245,376.60	34,987.04
Hodge Hill Primary School Create Partnership Trust	261,932.61	26,901.92
Brays School Forward Education Trust	499,300.68	74,301.16
Hallmoor SchoolForward Education Trust	326,970.22	43,389.79
Dame Elizabeth Cadbury School Matrix Academy Trust	317,288.12	30,194.25
Matrix Academy Trust	66,737.82	21,528.56
WMG Academy Solihull	25,480.43	8,071.84
Turves Green Primary School Excelsior Multi Academy Trust	159,150.29	23,982.54
Thorns Collegiate Academy Shireland Collegiate Academy Trust	102,410.98	21,423.60
St Stephen's Church of England Primary School	73,306.09	13,017.06
Holyhead Primary Academy Collegiate Academy Trust	30,496.84	4,995.14
Parkfield Primary School St Stephen's Church of England MAT	49,811.50	8,283.58
Tile Cross Academy Washwood Heath MAT	289,307.85	34,142.85
Caldmore Primary Academy Academy Transformation Trust	87,053.37	21,921.56
Stoke Park School The Futures Trust	132,015.82	21,574.72
Churchill Contract Services Ltd (Stoke Park School and Community Technolo	7,125.33	2,386.52
Coventry College	743,521.12	241,029.28
Netherbrook Primary School Learning Link MAT	64,063.55	11,618.19
Dudley Wood Primary School Learning Link MAT	58,879.09	10,236.62
Ormiston SWB Academy	122,984.66	45,184.19
Sledmere Primary School Learning Link MAT	77,301.26	13,073.28

Contributions Received by Employer

Employer	Employer's contributions	Employees' contributions
Kates Hill Primary School Learning Link Mat	73,642.88	13,203.64
Woodfield Infant School St Bartholomew's Coe Mat	89,845.61	14,978.84
Woodfield Junior School St Bartholomew's Coe Mat	40,803.74	6,385.97
The Hillcrest School And Community College – Dudley Academies Trust	146,247.15	25,812.07
Castle High School Dudley Academies Trust	55,183.47	2,505.40
Birmingham Diocesan Academies Trust	4,260.91	2,003.43
The Sixth Form College Solihull Ninestiles Academy Trust	98,566.01	36,089.06
Olive Hill Primary School – Stour Vale Academy Trust	50,734.11	10,138.12
Goldthorn Park Primary Elston Hall MAT	44,701.56	7,194.35
Ormiston New Academy	84,647.06	31,812.21
LGPS Central Ltd	6,157.52	2,538.60
Priory Primary School Hales Valley MAT	56,475.22	12,224.65
Hurst Hill Primary School Hales Valley Mat	50,801.91	10,051.20
Netherton Church of England Primary School Diocese of Worcester MAT	54,091.53	9,536.78
Leigh COE Primary Diocese of Coventry MAT	25,399.66	5,302.88
D'Eyncourt Primary School Central Learning Partnership Trust	5,513.15	1,035.05

INVESTMENT POLICY AND PERFORMANCE

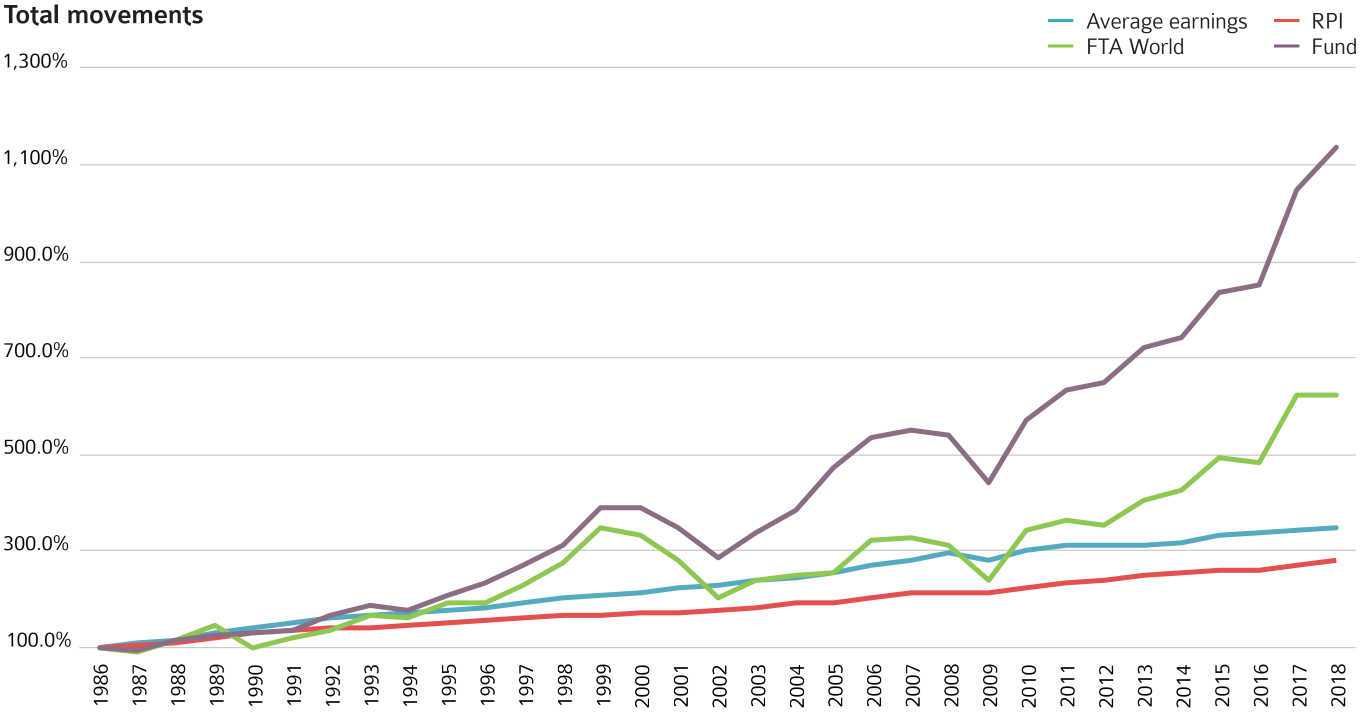
Investment Strategy

The investment strategy of the Fund is carried out in accordance with the *Investment Strategy Statement* and the Fund's investment beliefs. The core objectives are to achieve target returns, ensure the solvency of the Fund and its ability to pay pensions.

Investment policy

At the beginning of the period, the market value of the Fund's investment assets was £14.3 billion. By the end of March 2018, the value of those assets was £15.4 billion +7.7% reflecting positive net cashflow and appreciation in market value in the assets under management. The graph below illustrates the cumulative movement of the Fund's asset value since 1986 resulting from the implementation of investment policies, market movements and net cash inflows.

Total movements



Market value
£1,358.8m

Market value
£15,419.8m

The Fund continues to have positive cash inflows from net contributions and investment income, with particularly strong inflows from contributions in 2017/18 following the triennial actuarial valuation as some employers took the opportunity to make advance payments following the valuation.

Investment Strategy

Asset allocation

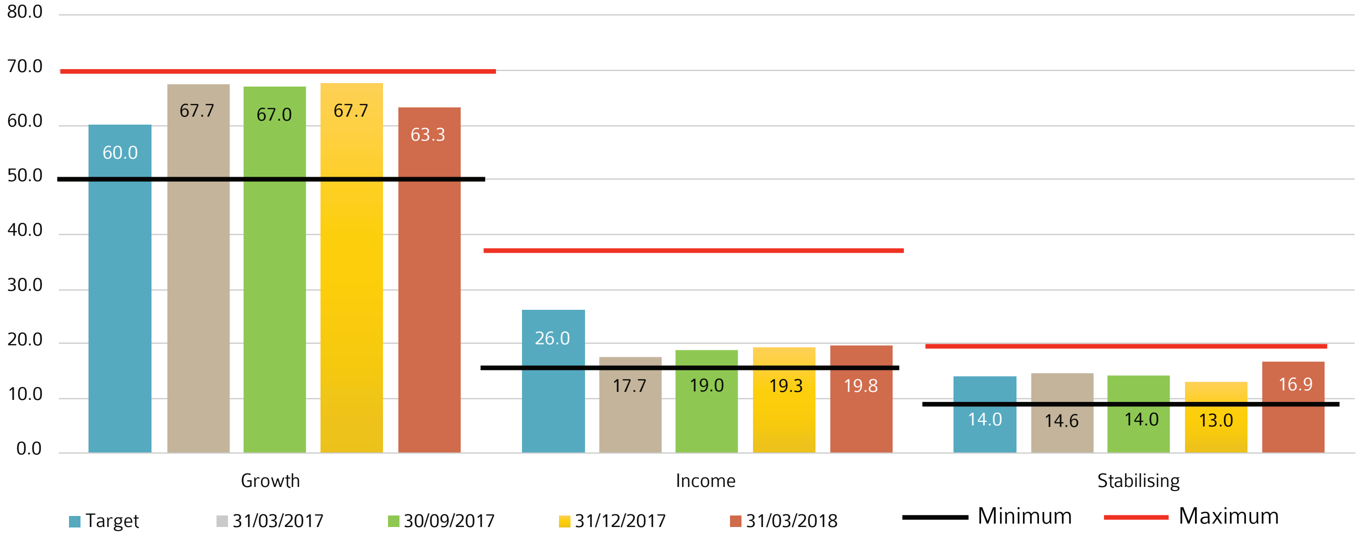
The following table shows a summary of the asset distribution for the year ended 31 March 2018 compared with the strategic risk bands agreed by the Pensions Committee. The Fund's closing market value of £15.4 billion reflects a net investment of £0.82 billion and £0.3 billion appreciation of investments during the period.

	Overall target allocation %	Closing levels %	Under/ overweight % +/-	Closing market value £m	Net investment £m
Portfolio					
Growth assets					
UK equities	8.0	7.7	(0.3)	1,172	21.0
Global equities	10.0	11.7	1.7	1,786	62.1
Overseas equities	30.0	34.6	4.6	5,279	71.6
North America	7.5	8.8	1.3	1,345	21.7
Continental Europe	7.5	8.6	1.1	1,319	96.4
Pacific ex-Japan	3.8	4.6	0.8	708	26.5
Japan	3.8	4.1	0.3	630	(30.9)
Emerging markets	7.5	8.4	0.9	1,277	(42.0)
Private equity	10.0	8.0	(2.0)	1,219	(207.0)
Special opportunities	2.0	1.4	(0.6)	212	(153.5)
Total growth	**60.0**	**63.3**	**3.3**	**9,669**	**(205.7)**
Income assets					
Property	10.0	7.9	(2.1)	1,211	50.9
Emerging market debt	3.5	2.4	(1.1)	365	248.4
Other fixed income	3.5	2.8	(0.7)	421	(114.2)
Real assets & infrastructure	6.0	4.2	(1.8)	637	204.5
Insurance-linked	3.0	2.5	(0.5)	385	98.7
Total income	**26.0**	**19.8**	**(6.2)**	**3,019**	**488.3**
Stabilising assets					
Index-linked gilts	5.0	4.9	(0.1)	755	-
UK gilts	2.0	1.1	(0.9)	163	-
Corporate bonds	2.0	2.6	0.6	397	-
Cash	2.0	6.2	4.2	951	563.4
Cashflow matching	3.0	2.1	(0.9)	317	(22.9)
Total stabilising	**14.0**	**16.9**	**2.9**	**2,583**	**540.5**
Total	**100.0**	**100.0**	**-**	**15,271**	**823.1**

Investment Strategy

All main asset classes closed within their wider strategic risk bands, the table below shows the movements within the strategic benchmarks over the year.

Progress against strategic benchmarks



The investment strategy allocation is determined in accordance with the regulations (LGPS - Management and Investment of Funds - Regulations 2016) and its formulation is set out in the Fund's *Investment Strategy Statement*.

The most significant asset allocation changes made during the year were an increase in the allocation to income yielding assets, in particular into infrastructure, where a number of direct investments were ma allde. Following the year-end, the Fund transitioned its internal passive equity portfolios into the new sub-funds launched by the pool operator company LGPS Central Ltd ACS, amounting to over £5bn being transferred to the investment pool at the start of April 2018.

The Fund also implemented a passive currency hedging programme in September following approval by Pensions Committee to amend the Strategic Investment Allocation Benchmark (SIAB) to reflect the passive currency management programme. This 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.

In preparation for investment pooling and the transition of the passive equity holdings moving across to LGPSC Ltd, the Fund moved from regional overseas equity allocations to a global portfolio in advance of the transfer.

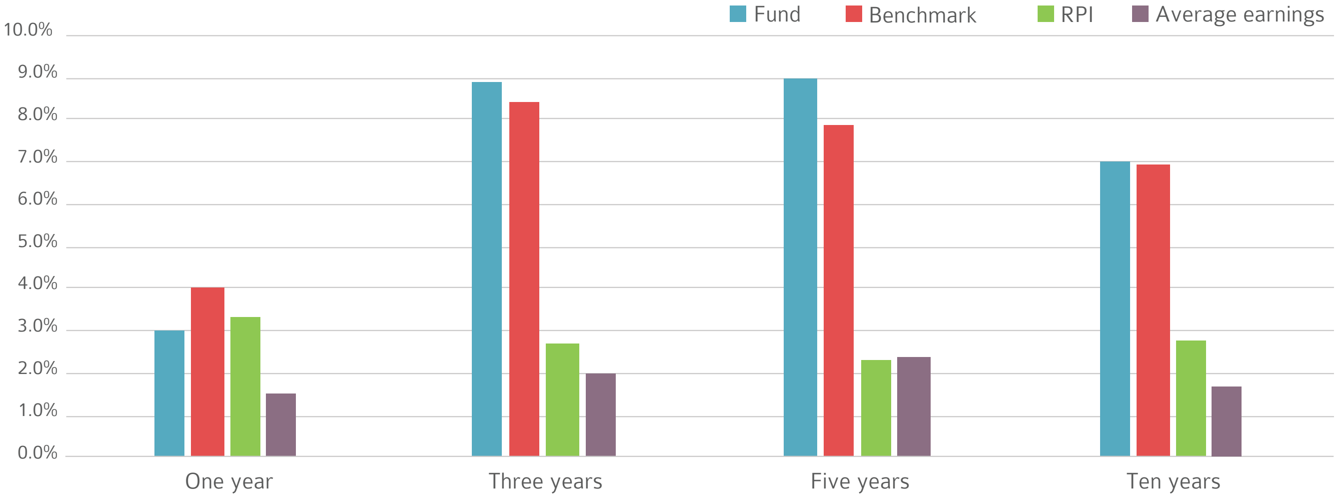
The Fund also held equity futures during the year, which were allowed to lapse at the year-end in order to hold some liquidity pending investment into infrastructure and other illiquid asset classes early in the new financial year, hence the high levels of cash held over the year-end.

Investment Strategy

Returns to 31 March 2018

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

Comparative returns over one, three, five and ten years to 31 March 2018



In the year to 31 March 2018, the Fund delivered a return of 3%, compared to its bespoke benchmark of 4%. Income assets were the largest detractors from performance most notably the insurance linked sector which was hit by a series of natural disasters in terms of the hurricane season and also Californian wildfires.

A return of 8.9% per annum was achieved by the Fund in the three years to 31 March 2018, ahead of the bespoke benchmark return of 8.4%. Strong performances from infrastructure and emerging market debt portfolios were key contributors to performance over this period.

Investment Strategy

A return of 9.0% per annum was achieved by the Fund in the five years to 31 March 2018, ahead of the bespoke benchmark return of 7.9%. Over the five year period key contributors to the outperformance against benchmark came from infrastructure, insurance linked and emerging market debt investments.

The Fund's ten-year return of 7.0% per annum was broadly in line with the benchmark return of 6.9% and well ahead of increases in RPI and average earnings.

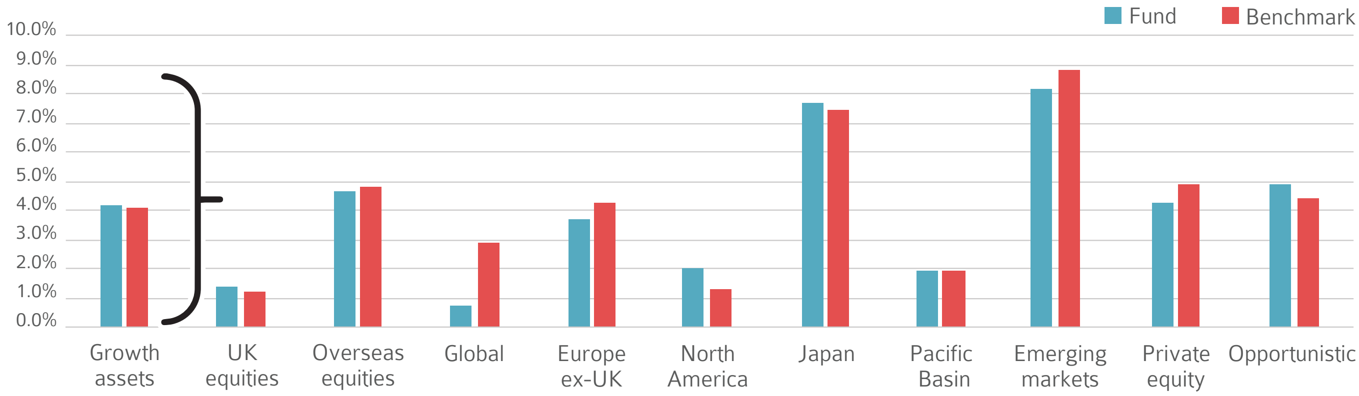
The following graph illustrates the returns of the Fund's main asset classes for the year ended 31 March 2018 and compares them to the returns from its bespoke benchmark.

Fund returns – year ended 31 March 2018

The Fund underperformed the strategic investment allocation benchmark by 1.0% over the 12 months impacted by exposure to the insurance linked sector which suffered from a number of natural disasters following a series of hurricanes followed by Californian wildfires.

The graph below illustrates the returns of the different investment categories with the growth asset portfolio during the last financial year.

Growth asset returns - year ended 31 March 2018

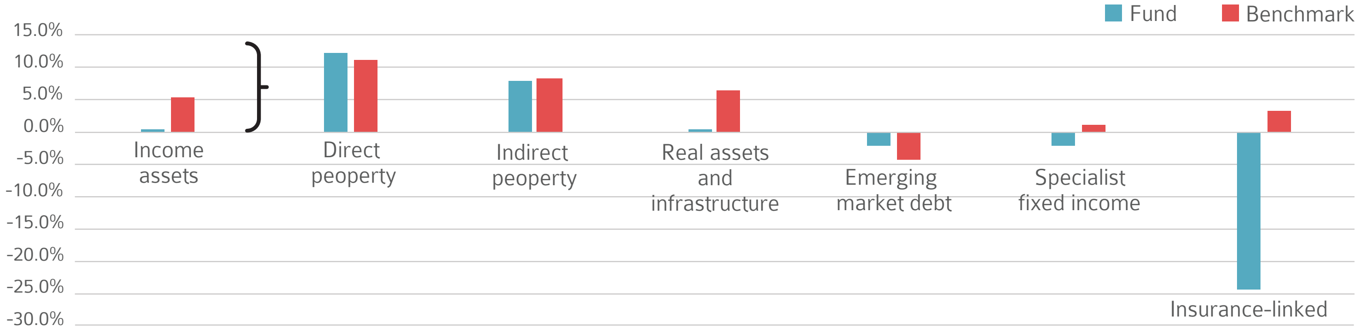


Whilst equity markets around the globe remained in positive territory for 2017/18 building on strong gains in 2016/17, performance was more muted particularly in the final quarter of the year when volatility returned to stock markets. Relative regional returns achieved by the Fund were similar to the benchmark in developed regional markets (reflecting the passive index tracking arrangements in place), although the global portfolios underperformed compared to benchmark. As a whole the growth area of the portfolio was very marginally ahead of benchmark for the year.

Investment Strategy

The graph below illustrates the returns of the different income asset classes:

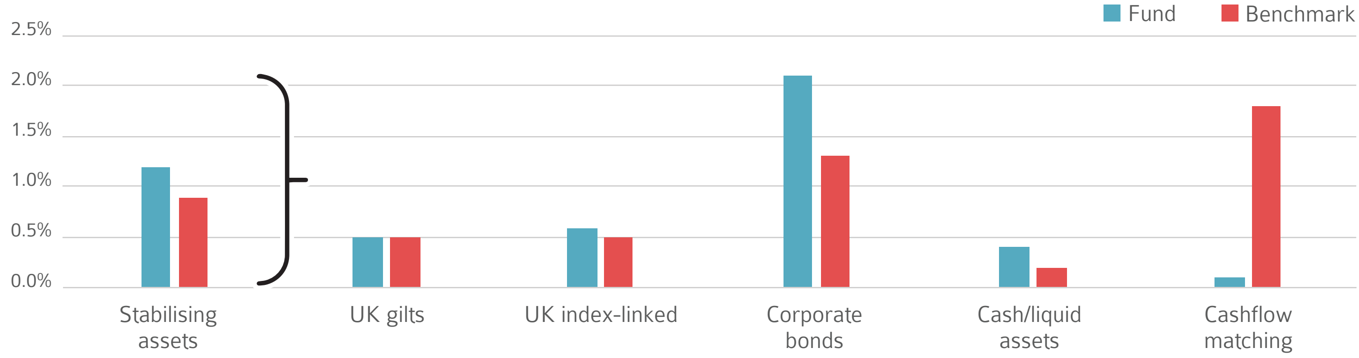
Income asset returns - year ended 31 March 2018



As noted earlier the income area suffered a setback over the year underperforming against benchmark, but as can be seen this largely related to the problems in the insurance-linked sector, although over the longer term this area has added significant value to the portfolio.

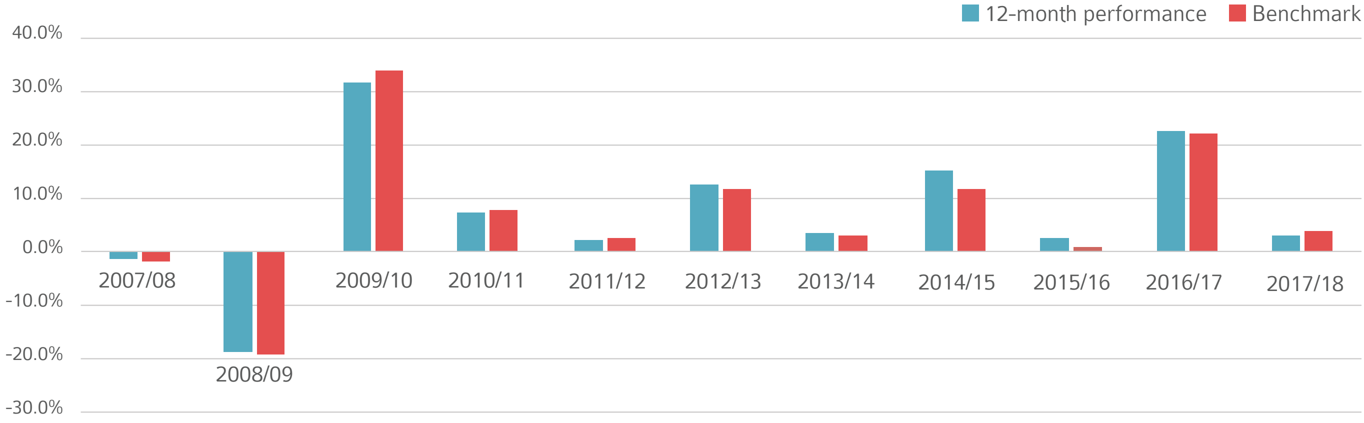
The graph below shows the returns from the Fund's investments that make up the stabilising assets and the performance over the last year:

Stabilising asset returns - year ended 31 March 2018



Overall stabilising assets marginally outperformed against their benchmark over the financial year with positive outperformance from corporate bonds, partially offset by underperformance in the cashflow matching portfolio where a specialist loan fund and the index-linked gilt portion let to underperformance.

Longer-term annual performance versus benchmark



Top Twenty Equity Holdings

		Market value (£)
1	Samsung Electronics	80,204,965
2	HSBC	68,369,850
3	Aia Group	65,525,620
4	British American Tobacco	58,787,645
5	Nestle	56,399,615
6	GlaxoSmithKline	53,336,866
7	Royal Dutch Shell 'A'	52,710,600
8	BP	47,254,050
9	Prudential	45,337,835
10	Lloyds Banking Group	44,644,585
11	Bayer	44,124,823
12	Royal Dutch Shell 'B'	43,718,400
13	Apple	43,105,155
14	Diageo	41,421,609
15	Rio Tinto	38,953,157
16	Shire	38,912,469
17	Roche	37,102,271
18	Tencent	35,909,941
19	Airbus	35,625,478
20	Microsoft	34,873,624

Top Twenty Indirect Holdings

		Market value (£)
1	Legal & General All Stocks Index-Linked Gilts Fund	773,926,876
2	Capital Group Emerging Markets Debt Fund	367,450,706
3	Schroder All Maturities Corporate Bond Fund	317,569,456
4	BlackRock Aquila Life World ex-UK Equity Index	302,268,465
5	CATCo Diversified Fund	228,903,699
6	Legal & General All Stocks Gilts Index Fund	166,580,754
7	Amundi Funds Bond Global Emerging Hard Currency	147,474,806
8	Project Fleming	117,165,317
9	Red Funnel	114,246,751
10	Amundi Funds Bond Global Emerging Local Currency	101,093,124
11	Legal & General Overseas Bond Fund	93,965,435
12	Credit Suisse IRIS Balanced Fund	81,912,391
13	Legal & General Investment Grade Corporate Bond All Stocks Index Fund	78,993,230
14	Capital Dynamics Asia	65,628,283
15	Kames UK Active Value Unit Trust	64,596,511
16	Baillie Gifford Diversified Growth Fund	62,245,078
17	Thames Tideway	57,866,324
18	Menlo Ventures XI	54,592,581
19	Newton Global Dynamic Bond Fund	52,774,236
20	Black River Agriculture Fund 2	51,445,027

Jill Davys
Assistant Director - Investments and Finance
Date: August 2018

Responsible Investment

Section 1: Beliefs and Strategy

Regulation, statutory guidance and codes of governance and stewardship

During the year in review the Ministry of Housing, Communities and Local Government (formerly the Department of Communities and Local Government) made a small amendment to responsible investment ("RI") component of the statutory guidance that accompanies the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. West Midlands Pension Fund's *Investment Strategy Statement (ISS)*, was already compliant with the new edition of the guidance.

The Fund issued an updated version of its Responsible Investment Framework in March 2018. The new version is structured a little differently and introduces the role of LGPS Central, which will assist the Fund in meeting the ambitions set out in the RI Framework. In addition, the new framework formalises the Fund's support for the Taskforce on Climate-related Financial Disclosures (TCFD), the Transition Pathway Initiative (TPI) and the 30% Club Investor Group. Also in March 2018, the Fund updated its UK Voting Principles. The objectives of the Fund's voting policy are to support the long-term economic interests of scheme members, and to ensure boards of directors are held accountable to shareholders. These objectives are to be achieved through voting principles which are categorised into five groups: (i) a great board with a long-term view; (ii) a transparent audit function, supporting true and fair reporting; (iii) stewarding our capital, protecting shareholder rights; (iv) fair remuneration for strong performance through the cycle; (v) other (which includes ESG-related shareholder resolutions, including climate change-related resolutions).

The Fund took the opportunity to respond to the FRC's consultation on changes to the UK Corporate Governance Code and the future direction of the UK Stewardship Code. The Fund's response centred on support for the following: greater focus on implementation of the code's principles, as opposed to fostering a compliance culture; increased consideration of the role of the workforce through representation, consultation and the setting of executive pay; renewed attention to diversity of all forms including gender and ethnicity; increased focus on risks described as "non-financial". With respect to the Stewardship Code, we recommended that there should be one code, with variations in the guidance reflecting the application for different participants in the investment value chain.

Investment beliefs

In March 2018 the Pensions Committee approved the Fund's updated ISS, which includes the Fund's Statement of Investment Beliefs and a signpost to the Responsible Investment Framework, which provides more detail on matters of RI. The Fund continues to hold that certain environmental, social and governance (ESG) risks are financially material and ought to be managed appropriately. Material ESG risks are identified and managed by integrating RI into the investment process; this integration takes different forms for different types of investments (see below). The Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund's view is that RI is relevant across all asset classes, and the Fund has a tailored strategy to manage ESG risks for each invested asset class. In alignment with these investment beliefs, the Fund signed the Fiduciary Duty in the 21st Century statement[1]. The Fund views the economic consequences of climate change as a financially material, long-run risk and details its climate change strategy both in its Responsible Investment Framework[2] and in section 3 below.

Figure 1

Responsible investment beliefs

- Effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible investment should be integrated into the investment process.
- The Fund will manage responsible investment factors through engagement rather than exclusions.

---

[1] http://www.fiduciaryduty21.org/

[2] http://www.wmpfonline.com/CHttpHandler.ashx?id=7181&p=0

LGPS Central Limited

Working together with seven regional partner funds, the Fund has established LGPS Central Limited, a company which will provide opportunities for participating funds to pool their investments, thereby achieving cost savings. LGPS Central has published its Responsible Investment & Engagement Framework and a statement of compliance with the UK Stewardship Code. These complementary documents explain LGPS Central's responsible investment beliefs – which align with those of the partner funds – and outline a three-pillar approach to managing RI & Engagement. LGPS Central's statement of compliance with the UK Stewardship Code has been rated Tier 1 (best practice) by the Financial Reporting Council. On an ongoing basis, our Pensions Committee will receive regular reports on LGPS Central's implementation of its RI&E Framework.

Strategic tools

To implement its RI strategy, the Fund uses a variety of strategic tools. Not every tool is appropriate for each asset class, for example shareholder voting is only available for listed equity investments. The Fund's approach for each asset class is summarised in Figure 2. Highlights from the year in review are summarised in the section on "Outcomes" below, showing each strategic tool at work within each asset class. Deeper dives are provided for the Fund's engagement and voting activities. During the year, the Fund's strategy was implemented by the RI Officer together with the investment officers at each desk. In the coming year, LGPS Central will assist the Fund with the implementation of its RI Framework. Responsibility and oversight continues to rest with the Fund's Pensions Committee.

Reporting and transparency

The Fund is committed to the principle of transparency and aims to achieve best-practice when it comes to reporting on its RI activities. The approach to reporting is informed by government guidance and the FRC's views on best-practice stewardship reporting. The Fund reports on RI matters quarterly at Pensions Committee meetings, monthly at internal investment meetings, annually through the WMPF Annual Report and the PRI Transparency Report and on an ongoing regular basis through the Fund's website. With regards to shareholder voting, the Fund discloses the way it has voted at all shareholder meetings on a vote-by-vote basis through a portal available on the Fund's website[3]. This year the Fund has continued its commitment to detail its approach to managing climate risk using the framework recommended by the Taskforce on Climate-related Financial Disclosures (TCFD) (c.f. section 3, below).

Figure 2: The Fund's approach to RI per asset class

Asset class	Location	Direct integration	Engagement	Voting	Litigation	Manager SAM*	Due diligence	Public discourse
Active equities	Internal	✓	✓	✓	✓			✓
	External			✓	✓	✓		✓
Passive equities	Internal		✓	✓	✓			✓
	External			✓	✓	✓		✓
Fixed income	External					✓		✓
Private equity	External funds/ Co-inv						✓	✓
Property & infrastructure	Direct/ External					✓	✓	✓

---

[3] http://www.wmpfonline.com/article/5693/Voting-Globally

Responsible Investment

Section 2a: Outcomes

The Fund measures and discloses the outcomes of its RI framework on a periodic basis. The Fund recognises that, given the nature of ESG risks, the effect of the RI framework on intangible value protection over the long term is not always directly observable.

In-house active equity	**In brief**
Active equity investment, where the Fund takes a part-ownership of a listed company, lends itself quite naturally to RI analysis and stewardship duties. As our internal team develops an investment thesis, the team together with the RI Officer and the CIO analyse RI risks and factor them into the investment decision (where financially material). After buying a stock, the Fund maintains a dialogue with investee companies, and will seek to engage where there is need for improvement.	• Focussed engagement with four stocks: Sports Direct, Melrose, Millennium & Copthorne, Rio Tinto. • Supported resolution at Rio Tinto AGM • Voted 100% of eligible shares, supporting 2/3 of the proposals

In-house passive equity	**In brief**
For passive equity funds, where the investment objective is to mirror the performance of a stock market index, the focus for RI risks is on market-level outcomes, rather than stock-specific outcomes. During the year in review, the Fund managed approximately £5bn of passive equities in-house, voting 100% of the eligible shares. Engagement is conducted as widely as possible and, recognising that the Fund's resources are limited, engagement is primarily achieved through partnerships such as the Local Authority Pension Fund Forum (LAPFF), the Principles for Responsible Investment (PRI) Engagement Platform and the UK Pension Fund Roundtable.	• Engaged 217 companies either directly or through partner organisations • Includes writing letters, meetings with the board, AGM attendance • Engaged hard and soft regulators • Voted 100% of eligible shares • Worked with Green Finance Taskforce to produce recommendations to UK government on climate-related disclosures

Externally managed equities and fixed income	**In brief**
The Fund operates a Selection-Appointment-Monitoring (SAM) framework based on guidance from the PRI. For the third successive year, the active equity managers were benchmarked against comparative RI criteria. Recognising that managers have important and valuable differences in terms of AUM, style, location, investment strategy and team size, this benchmarking is not used to compare manager against manager, but rather to monitor improvement over time and alignment with the Fund's RI expectations. The Fund controls the voting for the four externally-managed active equity funds, and voted 100% of the eligible shares. Engagement is undertaken by the appointed managers; the Fund receives periodic reports on engagement progress. The Fund also uses a SAM framework for managing the RI risks in externally managed fixed income funds. The expectations for fund managers are tailored to the asset class and mandate instructions.	• Continued rolling programme of monitoring equity and fixed income managers for RI • All external equity and bond managers are now signatories to the PRI • Voted 100% of the shares in segregated equity funds according to the Fund's own policies • RI improvements against internal rating mechanism in three active equity managers

Private equity, property and infrastructure

RI is a core component of the Fund's due diligence procedure for private market investments. An RI report with a risk rating feeds into the overall Investment Proposal rating alongside more traditional considerations. The Fund's RI Officer joined the British Private Equity and Venture Capital Association's Responsible Investment Advisory Group. As shown in the case study, the Fund is committed to improving RI standards in private markets.

Several of the Fund's investments in private equity funds, property and infrastructure have a positive social or environmental benefit, although the return profile of the investment is always the primary consideration.

Case study: improving private equity reporting and monitoring

- The Fund took part in a PRI-coordinated exercise to improve reporting standards by private equity fund managers
- Whilst other asset classes have established, mature standards for ESG disclosure, there has to date been a more mixed approach from the private markets
- We fed into the project via PRI and BVCA
- Our feedback included requests for disclosures on climate change and diversity
- We expect these guidelines to become the market standard

Infrastructure Investing: Pensions Infrastructure Platform (PiP) Multi-Strategy Fund

- WMPF committed £50m to this fund as a seed investor
- To date, the multi-strategy infrastructure fund has invested in hospitals, social housing, a solar farm, a wind farm and two waste-to-energy projects
- By investing in areas of unmet societal need, the Fund gains exposure to income-generating assets, whilst creating positive social impact
- The UK has a target to reduce its GHG emissions by 80% by 2050, against a 1990 baseline, and a target to produce 30% of electricity demand from renewable sources by 2020, driving demand for renewable energy.

Property: Minimum Energy Efficiency Standards (MEES)

- In 2017 we continued to report on progress towards EPC risk mitigation (jointly undertaken with CBRE)
  - An energy efficiency refurbishment at Hammer House in London was executed during the year in review, leading to an improved EPC rating (from F to D).
  - Portfolio-wide, at 31 March 2018, 0 lettable units are now below the minimum standard (2016:13), removing all short-term risk from the portfolio
  - A tenant engagement programme is in place to identify more areas for improvement and to demonstrate the pay-back period to the tenant from energy efficiency improvements

Responsible Investment

Section 2b: Voting

Annual voting summary

During the financial year ending 31 March 2018, the Fund voted at 2,636 (2017: 2,614) shareholder meetings, on 34,262 resolutions. Voting decisions are based on the Fund's agreed policies – the Fund has one policy for UK markets and a second for non-UK markets – and through consensus judgements of the RI Officer, the CIO and internal fund managers. A third-party service provider supports this function. The Fund seeks to support company resolutions, unless there are compelling reasons not to do so. The Fund did not support 32% of all resolutions (2017: 33%), of which 26% were cast as "oppose" and 6% were cast as "abstain". The Fund supported management on all resolutions at 285 meetings (11% of the total meetings voted), of which 68 were based in the UK. A breakdown of the Fund's voting behaviour for these meetings across markets and issues is provided graphically below. The Fund discloses its voting record on a vote-by-vote basis via the Fund's website.

Election and re-election of directors

Of all oppose votes cast during the year in review, votes against directors accounted for 42% of total. Key reasons for voting against were:

- that the proposed director was a non-independent director on a board with insufficient independence;
- served on too many boards or committees;
- and was being held to account for corporate governance concerns as chair of the relevant committee or board

Executive remuneration and directors' fees

Approximately 12% of the Fund's votes against management across all companies were against remuneration reports and policies or directors fees. In the UK the figure was 28%. The main reasons for casting an oppose vote were:

- excessive quantum of pay;
- a disconnect between pay and performance;
- insufficient disclosure; and
- poor contractual arrangements (eg, termination etc.)

In February 2018, the FRC's consultation on changes to the UK Corporate Governance Code closed. The Fund's response to this consultation included support for greater worker representation in discussions around setting executive pay. We also approve of a guideline for companies to state how they have engaged with shareholders following significant levels of shareholder voting dissent on remuneration.

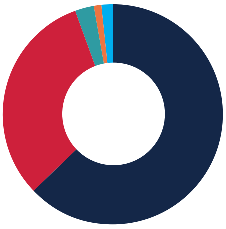
Case study: the connection between voting, engagement and progress at Royal Dutch Shell

- 2017 AGM: WMPF supports a shareholder resolution filed by the NGO Follow This, regarding company alignment with a below-two degrees business strategy. The resolution receives 6% overall support.
- The Fund engages the company, speaking to non-executive directors, leveraging our partnership organisations, to understand its position on climate risk
- The company announces an "ambition" to halve its net carbon footprint by 2050, including the GHG emissions from products in use (scope 3 emissions)
- The company has also re-positioned itself towards lower carbon assets through the acquisitions of BG Group (a shift from oil to gas) and New Motion, a company providing electric vehicle charging stations, and selling its stake in tar sands assets
- Shell's directors are remunerated based on the company's GHG performance and the company explicitly supports TCFD
- 2018 AGM: Follow This files another shareholder resolution, calling for "targets", rather than "ambitions"

Summary of voting outcomes by region (measured in proportion of proposals voted)

Total

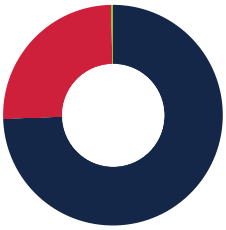
We voted at 2,636 meetings (34,262 resolutions) over the year.



● Total resolutions voted in favour	**62.7%**
● Resolutions where voted against or abstained	**31.6%**
● Non-voting	**2.8%**
● Withheld	**1.3%**
● US Say on Pay	**2.8%**

UK & British Overseas

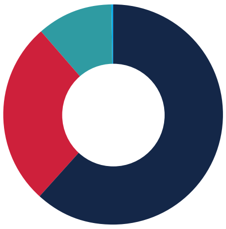
We voted at 421 meetings (6,679 resolutions) over the year



● Total resolutions voted in favour	**74.5%**
● Resolutions where voted against or abstained	**25.3%**
● Withdrawn	**0.1%**

Europe and Global EU

We voted at 534 meetings (8,920 resolutions) over the year.



● Total resolutions voted in favour	**55.4%**
● Resolutions where voted against or abstained	**34.2%**
● Non-voting	**10.0%**
● US Say on Pay	**0.1%**

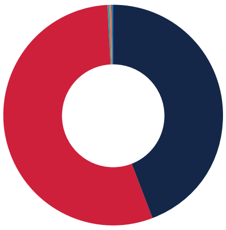
USA & Canada

We voted at 600 meetings (7,897 resolutions) over the year.

● Total resolutions voted in favour	**50.8%**
● Resolutions where voted against or abstained	**37.8%**
● Withheld	**5.3%**
● US Say on Pay	**6.0%**

Asia ex-Japan

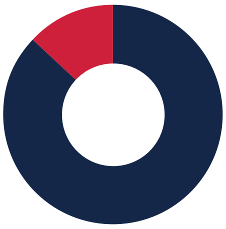
We voted at 359 meetings (2,689 resolutions) over the year.



● Total resolutions voted in favour	**44.3%**
● Resolutions where voted against or abstained	**54.9%**
● Non-voting	**0.3%**
● Withheld	**0.4%**
● US Say on Pay	**0.1%**

Japan

We voted at 501 meetings (6,230 resolutions) over the year.



● Total resolutions voted in favour	**87.2%**
● Resolutions where voted against or abstained	**12.8%**

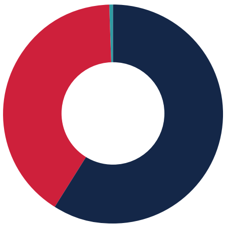
Australia and New Zealand

We voted at 118 meetings (816 resolutions) over the year.

● Total resolutions voted in favour	**46.9%**
● Resolutions where voted against or abstained	**45.1%**
● Non-voting	**8.0%**

South America

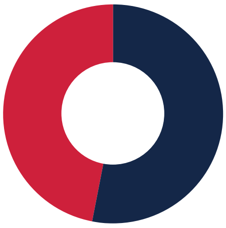
We voted at 45 meetings (293 resolutions) over the year.



● Total resolutions voted in favour	**56.3%**
● Resolutions where voted against or abstained	**38.6%**
● Non-voting	**0.3%**

Rest of the World

We voted at 58 meetings (723 resolutions) over the year.



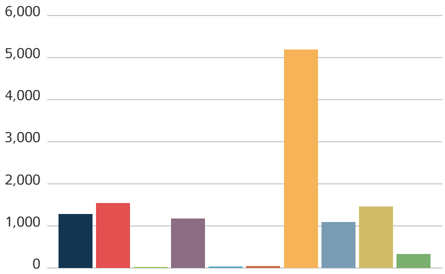
● Total resolutions voted in favour	**53.3%**
● Resolutions where voted against or abstained	**46.7%**

Responsible Investment

Section 2b: Voting

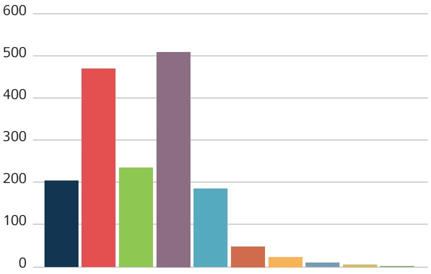
Volume of opposition and abstention by proposal type (measured in proportion of proposals voted)

Total



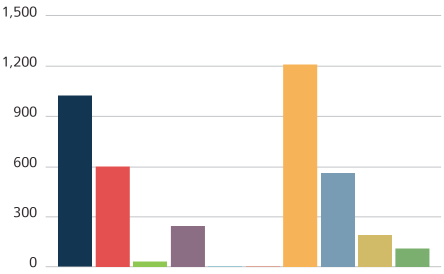
Other	**10.4%**
Annual report	**12.6%**
Articles of association	**1.1%**
Auditors	**9.5%**
Corporate actions	**0.2%**
Corporate donations	**0.3%**
Directors	**42.3%**
Share capital	**8.8%**
Remuneration	**11.8%**
Shareholder resolution	**2.6%**

UK



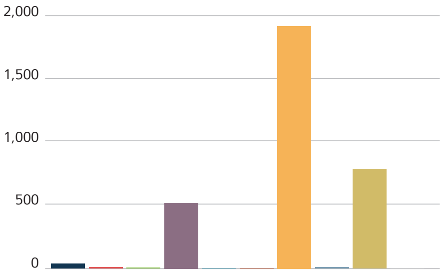
Other	**12.1%**
Annual report	**27.7%**
Articles of association	**13.1%**
Auditors	**30.1%**
Corporate actions	**10.9%**
Corporate donations	**2.9%**
Directors	**1.4%**
Share capital	**0.6%**
Remuneration	**0.4%**
Shareholder resolution	**0.1%**

EU ex-UK



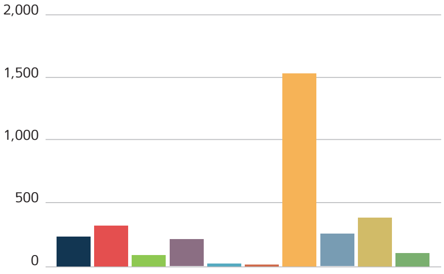
Other	**25.8%**
Annual report	**15.1%**
Articles of association	**0.8%**
Auditors	**6.1%**
Corporate actions	**-**
Corporate donations	**0.1%**
Directors	**30.5%**
Share capital	**14.1%**
Remuneration	**4.8%**
Shareholder resolution	**2.7%**

US and Canada



Other	**1.2%**
Annual report	**0.3%**
Articles of association	**0.2%**
Auditors	**15.8%**
Corporate actions	**0.1%**
Corporate donations	**-**
Directors	**58.3%**
Share capital	**0.3%**
Remuneration	**23.9%**
Shareholder resolution	**-**

Rest of the World



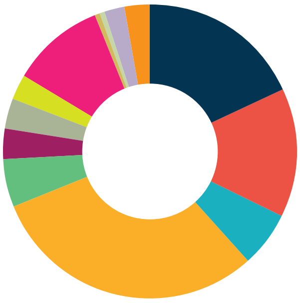
Other	**7.4%**
Annual report	**10.2%**
Articles of association	**2.8%**
Auditors	**6.7%**
Corporate actions	**0.7%**
Corporate donations	**0.4%**
Directors	**48.3%**
Share capital	**8.1%**
Remuneration	**12.2%**
Shareholder resolution	**3.3%**

Section 2c: Engagement Summary

LAPFF engagement summary

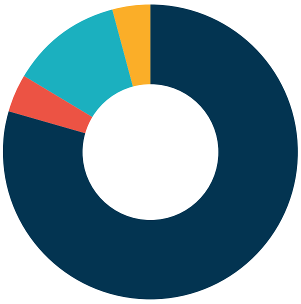
The Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Director of Pensions is a member of the LAPFF Executive. The Fund contributes to LAPFF's workstream developments, consultation responses, engagements, AGM attendances and other activities as appropriate. LAPFF's Annual Report details LAPFF's engagement work undertaken during the year; this is summarised graphically below.

Issue



● Climate change	18.2%
● Employment standards	14.2%
● Human rights	6.1%
● Governance (general)	30.4%
● Board composition	5.4%
● Social risk	3.4%
● Audit practices	3.4%
● Finance and accounting	2.7%
● Remuneration	10.1%
● Shareholder rights	0.7%
● Incentivising executives	0.7%
● Supply chain management	2.0%
● Other	2.7%

Domicile

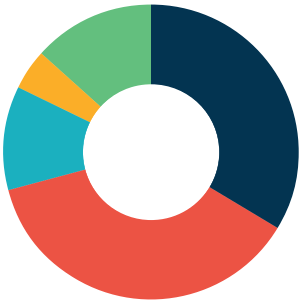


● United Kingdom	79.6%
● Europe ex-UK	4.1%
● United States	12.2%
● Asia Pacific	4.1%

Outcomes

● Dialogue	38.8%
● Awaiting response	12.2%
● Moderate improvement	6.1%
● Satisfactory response	2.0%
● Substantial improvement	12.2%
● Change in process	12.2%
● Small improvement	12.2%
● No improvement	6.1%

Activities



● Sent letter	34.0%
● Meeting	37.0%
● Attended AGM	11.0%
● Received letter	5.0%
● Alert issued	13.0%

Engagement outside of LAPFF

During the year in review, the Fund was a lead participant in two thematic engagements coordinated via partners including the Principles for Responsible Investment (PRI) and the Institutional Investor Group on Climate Change (IIGCC). One engagement theme concerns cyber security risk, and 50 companies have been engaged on the subject. The other theme is climate change, and is being coordinated by the Climate Action 100+ group of investors (which includes WMPF).

Case study: Rio Tinto (RIO)

- 2016: following a shareholder resolution, the company issues a report outlining climate resilience to 2035
- 2017 AGM: WMPF's engagement partner LAPFF pushes the company for improved disclosure on climate resilience
- 2017: LAPFF engages the CEO on the use of internal carbon pricing in project investment decisions
- 2018 AGM: resolution filed at Rio Tinto Ltd (Australia) calling for disclosure and reviews of the company's membership of industry associations such as the Minerals Council of Australia (MCA)
- The Fund engages the company Chair via engagement partner IIGCC to understand the company's position
- Despite WMPF's support the resolution only received 18% support. However, Rio Tinto's engagement with the MCA has yielded a positive shift in the MCA's position on climate change.
- Believing that the MCA's position shift is insufficient, and that the resolution's calls for disclosure and regular review remain valid, the Fund will continue to engage with Rio Tinto.

Responsible Investment

Section 3: Climate Risk and TCFD

In last year's annual report, the Fund chose to use the draft TCFD recommendations framework to disclose its approach to climate risk management. The TCFD's final recommendations were published during the year in review and the Fund has amended its TCFD disclosure this year. The following information should be read alongside climate-related disclosures reported in the sections above and below.

Governance	
Recommended Disclosure (a) Describe the board's oversight of climate-related risks and opportunities.	The Pensions Committee is responsible for managing climate-related issues, as part of its remit of having responsibility for the Fund's investment policy. Climate change is considered in strategy setting: the Fund's Investment Strategy Statement (which refers to climate change risk) and the Responsible Investment Framework (which provides more detail) are reviewed by the Pensions Committee on an annual basis. Committee members receive annual training on the Fund's climate change strategy, which sits within the RI Framework. Following the review of the RI Framework, a report on responsible investment - including climate change - is received by the committee on a quarterly basis to monitor progress.
Recommended Disclosure (b) Describe management's role in assessing and managing climate-related risks and opportunities.	Day-to-day management of the Fund's climate change strategy is delegated to the Fund's Investment Team, with oversight from the Director of Pensions. LGPS Central, which has been established to provide opportunities for the Fund to pool its investments and thereby save costs, assists the Fund's Investment Team in assessing and managing climate-related risks. As detailed in the RI Framework, the Fund leverages partnerships and initiatives - including the PRI, IIGCC, LAPFF and TPI - to identify and manage climate risk. The Director of Pensions is accountable to the Pensions Committee for delivery of the climate change strategy.

Strategy	
Recommended Disclosure (a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.	The Fund considers climate-related issues across the short-, medium- and long-term, and employs strategies relevant to each time horizon. Short and medium term risk include policy and technology risks; medium and long term risks include physical impact and resource availability. These risks and strategies vary by asset class and LGPS Central assists in the realisation of these strategies. For example, with respect to a short term policy risk, the Fund has monitored EPC certification in its UK property portfolio, conscious that MEES regulation is due in 2018. With respect to longer term resource availability risk, the Fund has engaged listed equity stocks to understand water risk management practices in agricultural supply chains. The Fund identifies climate-related issues through research (eg, in building investment cases for a particular stock or in performing due diligence before an investment decision) and collaboration (notably with the PRI, the IIGCC, TPI and LAPFF). The Fund has made use of the TPI Toolkit to observe climate risk management in large listed equity stocks.
Recommended Disclosure (b) Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	The Fund's responsible investment expectations are defined so as to include climate change. In this manner, climate-related risks are incorporated into mandate instructions and investment process documentation for funds managed internally. For externally managed investments, the Fund's expectations are inserted into IMAs or side letters, and managers' approaches are considered before appointment and on an ongoing basis. From time to time, the Fund reviews climate opportunities funds, but will only invest where positive environmental outcomes are expected to correlate with positive financial performance.
Recommended Disclosure (c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	The Fund has during the year in review engaged the expertise of an external contractor to understand the returns impact of climate change risks and opportunities on the Fund's portfolio given four climate and policy scenarios over the long term. Since the portfolio is well diversified and has allocations to real assets and the renewable energy sector, climate change risks have a relatively limited impact on returns across the four scenarios considered (according to the methodology and assumptions employed). The Fund is currently assessing whether to make any changes to strategy based on the results of the scenario analysis. The Fund recognises the difficulty in constructing a meaningful methodology for scenario testing investment portfolios, due in part to inadequate disclosure from portfolio companies. The Fund continues to encourage greater levels of relevant climate-related disclosures through voting and engagement.

Responsible Investment

Section 3: Climate Risk and TCFD

Risk management	
Recommended Disclosure (a) Describe the organisation's processes for identifying and assessing climate-related risks.	Our risk identification process has a bottom up and a top down element. The bottom up element varies with respect to its identification and assessment techniques between asset classes. There is a focus on current and future regulatory pressure, but risks such as supply chain exposure, increasing input costs, technology risk, consumer preferences and physical risks are also considered, where relevant. Recognising that risk management will remain imperfect when supported by imperfect datasets, the Fund's engagement and voting activities include requesting that companies disclose better quality climate-related information. Our top down analysis first orders our invested asset classes in terms of priority (measured by expect returns impact under different climate change scenarios) then drills down into the main drivers of risk within each asset class.
Recommended Disclosure (b) Describe the organisation's processes for managing climate-related risks.	The Fund manages climate risk in different ways according to the nature, duration, magnitude and time horizon of the risk itself. The main management technique is investment stewardship. For example the Fund has a considerable allocation to passive equity funds, which are managed on a regional basis. Climate risk could affect market-wide performance – for example through carbon pricing in the EU – or could affect particular sectors within a market – for example through changes in subsidies. The Fund's strategies are to engage hard and soft regulators (in order to promote efficient market outcomes) and to engage through partner organisations as many companies and industry bodies as possible, which collectively ought to have an improving market-wide effect.
Recommended Disclosure (c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	Responsible Investment (RI) risks are defined so as to include climate-related risks. RI risks are named specifically in the Fund's risk register alongside assessments of the risk in terms of impact and likelihood and the named risk owner.
Metrics and targets	
Recommended Disclosure (a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	The Fund has metrics to observe the risk and the risk management of climte change risk. For risk, the Fund's preferred metric is returns impact given various climate scenarios, and a heat map showing the asset classes with the greatest exposures to this risk factor. For risk management, the Fund monitors stewardship data (the extent of voting and engagement activity) which includes climate change stewardship (eg, climate change resolutions at fossil fuel companies, remuneration linked to GHG KPIs or engaging portfolio companies on climate risks). This aligns with the Fund's strategy of improving climate change disclosure and influencing outcomes at the market level. The use of portfolio carbon footprinting metrics, and of "green exposure" metrics is under review.
Recommended Disclosure (b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	It is noted that some asset owners have made use of carbon footprints as a proxy for reductions in climate risk exposure. There are, however, important differences between different asset owners (notably in whether funds are managed in-house or externally) and the benefits of portfolio carbon footprints vary accordingly. The Fund is reviewing the use of portfolio carbon footprints and thinks the TCFD is right to note in its disclosure guidance the industry concern over data quality, data availability (especially the lack of downstream GHG data) and a lack of consensus with regards to the best metric to use. Consistently with the 2017 TCFD report, the Fund estimated the carbon footprint of its in-house global active equity fund. Using Bloomberg data, the footprint is 229 tCO2e/£ invested (2017: 208 tCO2e/£ invested), which is 12% better than the FTSE AW benchmark (2017: 7% better). The final TCFD recommendations call for asset owners to disclose a weighted average carbon footprint. The same portfolio's weighted average footprint is 255 tCO2e/£ revenue, which is 30% better than the benchmark. The portfolio is benchmark-agnostic and very concentrated, and whether the portfolio has a better or worse carbon footprint than its benchmark is (a) likely to vary over time and (b) unlikely to guide investment decisions.
Recommended Disclosure (c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	The Fund is not currently using quantitative targets as part of its climate change strategy. This position is subject to regular review.

Responsible Investment

Section 4: Climate Risk and TCFD

Background

Aside from the Fund's bottom-up engagement activities, which operate at the company level, the Fund also implements top-down thematic stewardship. In 2018, our themes will be diversity, cyber security and climate change. Our themes are selected based on economic relevance to the Fund's portfolio, scope to make a difference, and relevance to stakeholders. We set an annual strategy for each theme, outlining our plans for engaging, voting and policy influence. We will look to LGPS Central to assist with the implementation of our themes.

Identification of stewardship themes in 2018

Diversity	• Economic significance: evidence that cognitively diverse groups make better decisions, both in business and fund management • Scope for difference: voting for/against director elections; political momentum in UK with Davies Review, Hampton-Alexander Review and Parker Review • Stakeholder relevance: Gender pay gap, #metoo campaign, Presidents Club scandal
Cyber security & data regulation	• Economic significance: World Economic Forum Global Risks Report, cyber attacks & data fraud third and fourth biggest risk in next ten years, EU GDPR regulation, high profile cyber attacks have affected corporate valuations • Scope for difference: engaging through partnerships, globally recognised risk factor • Stakeholder relevance: digital rights, Facebook & Cambridge Analytica, WannaCry, suspected Russian attacks on UK power grid
Climate change	• Economic significance: Global Risks Report places extreme weather events, natural disasters and climate change as three of the top five risks in next ten years; large body of evidence linking climate risk with asset value impairment • Scope for difference: shareholder resolutions, corporate engagement, use of TPI, introduction of soft regulation • Stakeholder relevance: key long-term economic risk affecting our beneficiaries

Plan of action

	Engaging	**Voting**	**Industry Participation**
Diversity	• Engage laggards directly and through partnerships • Ensure diversity criteria are included in succession planning for key posts	• Vote against Chair of Nominations Committee where board diversity is insufficient • Voting rule linked to 30% Club Investor Group Statement of Intent	• Engage investment managers to improve policies and practices • Develop disclosure standards 30% Club Investor Group
Cyber security & data regulation	• Lead engager through PRI-facilitated cyber security engagement • LAPFF engagement on cyber	Tactical use of votes: • Annual report where disclosure falls short • Re-election of Risk Committee Chair where risk management falls short	Knowledge sharing within industry: participation in PRI-lead calls, cyber and e-privacy panel through BVCA Responsible Investment Advisory Group
Climate change	• Supporter of Climate Action 100+, lead engager on UK stocks • Engaging through IIGCC • Use of Transition Pathway Initiative (TPI)	• Vote against Chair where TPI governance rating is poor - Consider support or co-file resolutions	• Supporter of TCFD • Encouraging use of TCFD through Green Finance Taskforce • Corporate Governance Code consultation

Responsible Investment

Section 5: Partnerships

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

Institutional Investors Group on Climate Change (IIGCC)
The Institutional Investors Group on Climate Change (IIGCC) is a forum for collaboration on climate change for European investors. The IIGCC brings investors together to use their significant collective influence to engage in dialogues with policymakers, investors and companies to accelerate the shift to a low carbon economy.

United Nations Principles for Responsible Investment (UNPRI)
The United Nations-backed Principles for Responsible Investment Initiative (PRI) is a network of international investors working together to put the six Principles for Responsible Investment into practice.

The Fund's RI Officer is a member of the PRI's Listed Equity Integration Sub-Committee.

Transition Pathway Initiative (TPI)
The Fund is a founder partner of the Transition Pathway Initiative (TPI), which launched in January 2017. The Fund's RI Officer is a member of the TPI's Technical Advisory Group. The TPI helps investors to make informed judgements about how companies with the biggest impacts on climate change are adapting their business models to prepare for the transition to a low carbon economy. TPI involves asset owners working together with the Grantham Research Institute on Climate Change and the Environment at the London School of Economics and Political Science (LSE), supported by data from FTSE Russell.

Local Authority Pension Fund Forum (LAPFF)
The Local Authority Pension Fund Forum (LAPFF) exists to promote the investment interests of local authority pension funds, and to maximise their influence as shareholders while promoting corporate social responsibility and high standards of corporate governance among the companies in which they invest.

30% Club
The Fund is a member of the 30% Club Investor Group and has signed the Investor Group's Statement of Intent. The 30% Club Investor Group has the following purposes: co-ordinate the investment community's approach to diversity, in particular to explain the investment case for more diverse boards and senior management teams; exercise our ownership rights, including voting and engagement, to effect change on company boards and within senior management teams; encourage all investors to engage on the issue of diversity with chairs of boards and senior management teams.

Assets Held as at 31 March 2018

West Midlands Pension Fund holds a wide range of assets in accordance with its investment strategy set out in its Investment Strategy Statement. Details of the assets held are as follows:

1 Quoted equities

The Fund has direct major holdings of quoted equities in the UK, US, Europe, Japan and Pacific Basin. The number and amount of individual stocks held will vary according to investment decisions taken on a day-to-day basis, but it is likely at any point in time the Fund will hold over 1,800 stocks. In respect of the UK, US, Europe, Pacific Basin and Japan, the Fund will hold the majority of the significant quoted stocks as reflected in the major stock market indices.

Internal funds

- Europe ex UK Equity Index Fund
- Japan Equity Index Fund
- North America Equity Index Fund
- US S&P 500 Dividend Aristocrats Equity Index Fund
- Pacific Basin ex Japan Active Equities Fund
- UK Equity Index Fund
- Global Actively-Managed Fund

2 Equities funds

The Fund also has interests in the following funds:

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

3 Specialist vehicles

The Fund also has interests in the following funds:

Real assets and infrastructure

- Alterna Core Capital Asset Fund
- AMP Capital Asian Giants Infrastructure Fund
- Aqua Resources Fund
- Black River Agriculture Fund 2
- Blackstone Cleantech Ventures
- EQT Infrastructure Fund
- Blackrock(First Reserve) Energy Infrastructure Fund
- Global Infrastructure Partners
- Goldman Sachs International Infrastructure Fund
- Hg Renewable Power Partners
- Impax Energy
- Impax New Energy Fund II
- Infracapital Partners
- Innisfree PFI Secondaries
- Insight Global Farmland Fund
- John Laing Group
- JPMorgan Asian Infrastructure & Related Resources Opportunity Fund
- PIP Dalmore
- PIP Multi Strategy Infrastructure
- Project Fleming
- Red Funnel
- Riverstone/Carlyle Renewable Energy Fund II
- SteelRiver Infrastructure Fund North America
- Thames Tideway Tunnel
- Waste Resources Fund

Absolute returns

- Baillie Gifford Diversified Growth Fund C
- BlueCrest Mercantile Fund
- CEMOF II Master Co-Investment Partners
- Cairn Pathfinder Fund I
- CATco Reinsurance Fund
- Coriolis Horizon Fund Class E
- Credit Suisse IRIS Fund
- Dorchester Capital Secondaries Offshore Fund
- Dorchester Capital Secondaries Offshore Fund II
- Dorchester Capital Secondaries Offshore Fund III
- Dorchester Capital Secondaries Offshore Fund IV
- Finance Birmingham Ltd
- Frontier Development Capital
- Oak Hill Advisors Strategic Credit Fund
- Oaktree Principal Fund V
- Sciens Aviation Special Opportunities Offshore Fund
- Sciens Aviation Special Opportunities Offshore Fund II

Property

- AEW European Property Investors Special Opportunities Fund
- Beacon Capital Strategic Partners VI
- Blackrock Residential Opportunities Fund
- Bluehouse Accession Property III
- Bridges Property Alternatives III
- Bridges Property Alternatives IV
- Bridges Sustainable Property Fund Unit Trust
- Dune Real Estate Fund II
- Goldman Sachs Developing Markets Real Estate
- Goldman Sachs Whitehall International 2008
- Hearthstone Residential Fund
- High Street Equity Advisors Fund III
- Igloo Regeneration Partnership
- Kames Capital Property Unit Trust
- Kames Capital UK Active Value Unit Trust II
- Mansford UK Feeder A
- North Haven Real Estate Fund VII
- Morgan Stanley AIP Phoenix Fund
- Phoenix Asia IV Limited
- Phoenix Asia V Ltd
- Pramerica PLA Residential III

Assets Held as at 31 March 2018

- Rockspring Pan European Property Ltd (PEPLP)
- Rockspring Peripheral Europe Ltd (PELP)
- RREEF European Value Added Fund
- Silk Road Asia Value Partners
- Sveafastigheter Fund III AB
- Vision Brazil Real Estate Opportunities Fund I
- Vision Brazil Real Estate Opportunities Fund II

Fixed interest

- Advent Global Phoenix Convertible Strategy Fund
- Capital International Emerging Market Debt A15
- GS Mezzanine Partners V, LP
- Highbridge Mezzanine Fund
- Highbridge Speciality Loan Fund III
- Legal & General Gilts
- Legal & General Index Linked Gilts
- Legal & General Invt Grade Cp Bnd Fund
- Legal & General Overseas Bonds
- Newton Global Dynamic Fund
- Park Square Cap Ptnrs II
- Prudential/M&G UK Companies Financing Fund
- Royal London Asset Management
- Schroder Corporate Bond Fund

Emerging markets

- Capital International Emerging Market Debt Fund
- Amundi Global EM

4 Direct property holdings

The Fund has investments in the following:

Property – agricultural

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

Property – industrial

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

Property – offices

- Bath (Manvers Street)
- Birmingham (Newhall Street)
- Uxbridge (Otter House)
- London (Wardour Street)
- London (South West House)
- Manchester (Byrom Street)
- London (Whitfield Street)
- Reading (Thames Valley)
- Edinburgh (Citypoint)

Property – retail warehouses

- Pontefract (Racecourse Retail Park)
- Hayes (Uxbridge Road Retail Park)
- Birmingham (The Fort)
- Oxford (Botley Retail Park)
- Clifton Moor
- Bristol (Longwell Green)
- Bristol (Savills Freight)
- London (Waxlow Road)
- Pontefract (Phase II)
- Birmingham (St Philips)
- Coventry (Ryton)
- High Wycombe (Sytner)

Property – shopping centre

- Bury St Edmunds (Arc)

Property – shops

- Glasgow (Buchanan Street)

PRP – supermarket

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

5 Private equity

The Fund has investments in a significant number of private equity holdings, a full listing of which is available on the Fund’s website at wmpfonline.com

ACTUARY'S STATEMENT AS AT 31 MARCH 2018

Actuary's Statement

Introduction

The last full triennial valuation of the West Midlands Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the *Funding Strategy Statement* of the Fund. The results were published in the triennial valuation report dated March 2017.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2016 for valuation purposes was £11,569m which represented 81% of the Fund's accrued liabilities of £14,219m at that date, allowing for future increases in pay and pensions in payment. The deficit at the valuation date was therefore £2,650m.

2016 valuation results

The valuation also showed that a primary rate of contribution of 18.3% of pensionable pay p.a. was required from employers. The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit by no later than 31 March 2036. The total secondary contributions payable by all employers, present in the Fund as at 31 March 2016, over the three years to 31 March 2020 was estimated to be as follows:

Secondary contributions	2017/18	2018/19	2019/20
Average as a % of payroll	9.9%	9.8%	9.7%
Total monetary amounts	£165,305,125	£167,877,425	£168,922,479

In practice, each employer was assessed individually in setting the minimum contributions due from them over the inter-valuation period, details of which can be found in the formal report on the actuarial valuation dated March 2017.

Contribution rates

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

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

Assumptions

The assumptions used to value the benefits at 31 March 2016 are summarised overleaf:

Updated position since the 2016 valuation

Since March 2016, investment returns have been better than assumed at the 2016 triennial valuation. The liabilities will have increased due to the accrual of new benefits as well as a decrease in the real discount rate underlying the valuation funding model. Overall, we expect that the funding level should be higher than at 31 March 2016.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020. We will continue to monitor the financial position of the Fund on a regular basis.

Graeme Muir FFA
Partner
Barnett Waddingham LLP

Actuary's Statement

<table>
<tr><th>Assumption</th><th>31 March 2016</th></tr>
<tr><td>Discount rate</td><td>Non-orphan liabilities: 4.7% pa
Orphan liabilities: 3.3% pa</td></tr>
<tr><td>Consumer price inflation (CPI)</td><td>2.6% pa</td></tr>
<tr><td>Salary increases</td><td>In line with CPI (circa 1% pa) over the period to 31 March 2020 and 3.9% pa thereafter, in addition to a promotional scale set with reference to tables published by the Government Actuary's Department (GAD)</td></tr>
<tr><td>Pension increases on GMP</td><td>Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.</td></tr>
<tr><td>Volatility reserve</td><td>Category two employers – 5% loading on past service liabilities
Category three employers – 10% loading on past service liabilities</td></tr>
<tr><td>Pre-retirement mortality</td><td>Set with reference to GAD tables with a rating of 120% for males and 135% for females</td></tr>
<tr><td>Post-retirement mortality</td><td>CMI self-administered pension schemes (SAPS) tables with scheme and member category specific adjustments:
<table>
<tr><th>Type</th><th>Base table</th><th>Adjustment (M/F)</th></tr>
<tr><td>Pensioners</td><td>S2PA</td><td>110%/105%</td></tr>
<tr><td>Dependants (current)</td><td>S2PMA/S2DFA</td><td>140%/110%</td></tr>
</table>
Life expectancies are assumed to improve in line with the 2015 CMI model with a long-term rate of improvement of 1.5% pa</td></tr>
<tr><td>Retirement</td><td>For each tranche of benefit, the 'tranche retirement age' is the earliest age a member could retire with unreduced benefits. Each member is assumed to retire at the weighted average of these for all tranches of benefit.</td></tr>
<tr><td>Commutation</td><td>Members will convert 50% of the maximum possible amount of pension into cash</td></tr>
</table>

STATEMENT OF ACCOUNTS

Independent Auditor's Report to the Members of City of Wolverhampton Council on the Consistency of the West Midlands Pension Fund Financial Statements Included in the Pension Fund Annual Report and Accounts

Opinion

The pension fund financial statements of the City of Wolverhampton Council ("the Authority") for the year ended 31 March 2018 which comprise the Fund Account, Net Assets Statement and Notes to the Financial Statements, including a summary of significant accounting policies, of West Midlands Pension Fund ("the Pension Fund") are derived from the audited pension fund financial statements for the year ended 31 March 2018 included in the City of Wolverhampton Council's Statement of Accounts (the "Statement of Accounts").

In our opinion, the pension fund financial statements are consistent, in all material respects, with the audited financial statements in accordance with proper practices as defined in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 and applicable law.

Pension Fund Annual Report - Pension fund financial statements

The Pension Fund Annual Report and the pension fund financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the Statement of Accounts. Reading the pension fund financial statements and the auditor's report thereon is not a substitute for reading the audited Statement of Accounts and the auditor's report thereon.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of the Authority those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the pension fund financial statements in the Statement of Accounts in our report dated 31 July 2018.

Director of Finance's responsibilities for the pension fund financial statements in the Pension Fund Annual Report & Accounts

Under the Local Government Pension Scheme Regulations 2013 the Chief Financial Officer of the Authority is responsible for the preparation of the pension fund financial statements, which must include the Fund Account, Net Asset Statement and supporting notes and disclosures prepared in accordance with proper practices. In this authority, that officer is the Director of Finance. Proper practices for the pension fund financial statements in both the Statement of Accounts and the Pension Fund Annual Report are set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.

Auditor's responsibility

Our responsibility is to express an opinion on whether the pension fund financial statements in the Pension Fund Annual Report & Accounts are consistent, in all material respects, with the audited pension fund financial statements in the Statement of Accounts based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

John Gregory
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

28 September 2018

Statement of Responsibilities

The Council's responsibilities

The Council is required to:

i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this Council, that officer is the Director of Finance.

ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

iii) Approve the Statement of Accounts.

The Director of Finance's responsibilities

The Director of Finance is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance has:

i) Selected suitable accounting policies and then applied them consistently.

ii) Made judgements and estimates that were reasonable and prudent.

iii) Complied with the Code.

The Director of Finance has also:

i) Kept proper accounting records which were up to date.

ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

Certification of the Director of Finance

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the Council as at 31 March 2018 and its income and expenditure for the year ended on the same date.

Claire Nye
Director of Finance
27 July 2018

Fund Account

2016/17 £m		Notes	2017/18 £m
	Contributions and benefits		
(529.8)	Contributions receivable	8	(1,205.9)
(16.6)	Transfers in	9	(25.6)
(15.1)	Other income	10	(14.5)
(561.5)	**Total contributions and other income**		**(1,246.0)**
531.3	Benefits payable	11	555.9
27.7	Payments to and on account of leavers	12	41.0
0.4	Other payments		0.7
559.4	**Total benefits and other expenditure**		**597.6**
71.0	**Management expenses**	13	**66.8**
	Returns on investments		
(212.9)	Investment income	14	(248.7)
7.1	Taxes on income		7.7
(2,112.3)	Changes in value of investments		312.8
(384.5)	Profits and losses on disposal of investments		(615.6)
(2,702.6)	**Net return on investments**		**(543.8)**
(2,633.7)	**Net (increase) in the Fund during the year**		**(1,125.4)**
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**		**15,419.8**

Net Assets Statement

31 March 2017 £m		Notes	31 March 2018 £m
	Investment assets (at market value)	15	
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 - 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 withholding tax		45.2
14,252.7	**Investment assets**	**15**	**15,285.5**
	Investment liabilities (at market value)		
-	Other investment liabilities		-
-	**Investment liabilities**		**-**
14,252.7	**Net investment assets**		**15,285.5**
0.1	**Long-term investments**		**2.1**
16.2	**Other long-term assets**	19	**25.1**
58.2	**Current assets**	20	**151.4**
(32.8)	**Current liabilities**	21	**(44.3)**
14,294.4	**Net assets of the Fund at the end of the year**		**15,419.8**

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits is disclosed at note 6.

The notes form part of these financial statements.

Notes to the Accounts

1 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:

i) The Local Government Pension Scheme Regulations 2013 (as amended)

ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)

iii) The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

It is a defined benefit pension scheme. Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ending 31 March 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.

2 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 6 of these accounts.

3 Statement of accounting policies

a) Fund account

In the Fund Account, income and expenditure are accounted for in the year in which they 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 9).

b) Contribution income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions (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.

vi) Stock lending income

Stock lending income is accounted for on a cash received basis.

e) Taxation

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted. Irrecoverable tax is accounted for as an expense as it arises.

f) Benefits payable

Pensions and lump-sum benefits payable include all amounts known to be due as at 31 March 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 IFRS13 (see note 17). 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 Savills Plc, 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 Browns, agricultural valuers, at the same date.

i) Foreign currencies

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

Notes to the Accounts

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 5).

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 acccordance 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 22).

4 Critical judgements in applying accounting policies

Unquoted private equity investments

The valuation of unquoted securities is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports. A discount may be applied by the fund manager where trading restrictions apply to such securities. Where the first investor valuation report has not been received from the fund manager the security is valued at cost. The value of unquoted private equity at 31 March 2018 was £1,191.0 million (£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 6. This estimate is subject to significant variances based on changes to the underlying assumptions.

5 Assumptions made about the future and other major sources of estimation uncertainty

Actuarial present value of promised retirement benefits

Uncertainties

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Barnett Waddingham, the Fund's consulting actuaries, are engaged to provide expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions

The effects on the net pension liability of changes in individual assumptions can be measured. For instance, an increase in the discount rate assumption would result in a decrease in the pension liability; however, an increase in assumed earnings inflation or assumed life expectancy would significantly increase the pension liability as detailed by the Fund's consulting Actuary below:

Change in assumptions – year ended 31 March 2018	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	9%	2,053.1
One-year increase in member life expectancy	4%	822.1
0.5% pa increase in salary increase rate	1%	210.6
0.5% pa increase in CPI inflation	8%	1,836.3

Fair value of investments

Uncertainties

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

The use of estimates for investment values is greatest for those assets classified at Level 3 which means there is a risk that these investments may be over/under stated in the accounts. The total value of Level 3 investments is £3,265.3m at 31 March 2018 (£3,222.2m at 31 March 2017). The assets classed as Level 3 and the sensitivity of the valuation methods employed is described in note 17.

6 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 was 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 (£125.0m)	16.8% plus £61,800,000 (£124.0m)	18.3% plus £61,500,000 (£124.2m)
Coventry City Council	12.7% plus £12,395,000	13.1% plus £15,518,000	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)	16.8% plus £12,000,000 (£31.1m)
Dudley MBC	12.7% plus £9,174,000	13.2% plus £10,931,000	15.4% plus £9,500,000 (£30.2m)	17.0% plus £9,700,000 (£31.3m)	18.6% plus £9,600,000 (£32.3m)
Sandwell MBC	13.1% plus £15,323,200	13.1% plus £19,227,200	14.7% plus £16,900,00 (£16.9m)	16.2% plus £17,000,000 (£17.0m)	17.7% plus £16,900,000 (£16.9m)
Solihull MBC	12.9%	13.5%	14.7% plus £5,000,000 (£15.6m)	16.5% plus £5,100,000 (£16.6m)	18.4% plus £5,100,000 (£17.4m)
Walsall MBC	13.2% plus £14,835,000	13.2% plus £15,518,000	15.4% plus £14,000,000 (£28.0m)	16.9% plus £14,800,000 (£30.2m)	18.3% plus £15,000,000 (£31.5m)
City of Wolverhampton Council	13.1% plus £9,900,000	13.5% plus £10,900,000	15.5% plus £13,300,000 (£29.2m)	16.8% plus £14,000,000	18.1% plus £14,600,000

The amounts shown in brackets are due in the year where a cash payment is being made in advance. These amounts were received by the Fund in April 2017. 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% pa	5.6% pa
Rate of pay increases	3.9% pa	4.35% pa
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4% pa	2.6% pa

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: www.wmpfonline.com/CHttpHandler.ashx?id=12682&p=0

Notes to the Accounts

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% pa	2.55% pa
Rate of pay increases	4.2% pa*	3.85% pa*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.7% pa	2.35% pa

**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.

7 Taxation

i) Value added tax (VAT)

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

ii) Taxation of overseas investment income

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

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

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

8 Contributions receivable

Contributions receivable by type

2016/17 £m		2017/18 £m
	From employers	
228.9	Contributions	619.3
158.2	Past service deficit	440.0
0.1	Augmented membership	0.4
31.9	Additional cost of early retirement	34.6
419.1		**1,094.3**
	From members	
110.1	Basic contributions	111.0
0.6	Additional contributions	0.6
110.7		**111.6**
529.8	**Total contributions**	**1,205.9**

Following the actuarial valuation as at 31 March 2016, some employers chose to pay their full three-year future service and past service deficit contributions as a lump sum in 2017/18. The lump sums paid by the seven councils and accounted for this year are shown in the table in note 6. The additional member 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	55.8
470.5	Scheme employers	1,113.9
26.0	Admitted employers	36.2
529.8		**1,205.9**

9 Transfers in

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

10 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**

11 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	Cohabiting 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:

2016/17 £m		2017/18 £m
45.7	Administering authority	45.0
448.6	Scheme employers	469.7
37.0	Admitted employers	41.2
531.3	**Total**	**555.9**

12 Payments to and on account of leavers

2016/17 £m		2017/18 £m
23.0	Individual transfers	36.4
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**

13 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**

Included in administrative costs of £3.8m above are external audit fees of £48,618. Performance-related fees are negotiated with a number of managers. Included in external management of investments are performance-related fees of £11.4 million 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, the figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

14 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	Stock lending	2.9
1.7	Other investment income	0.9
189.2	**Total dividends and interest**	**230.5**
36.6	Property management income	23.8
(12.9)	Property management expenses	(5.6)
23.7	**Total property management**	**18.2**
212.9	**Total investment income**	**248.7**

Notes to the Accounts

Stock lending

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.

15 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
382.7	Infrastructure	610.0
1,355.1	Private equity	1,191.0
549.1	UK absolute returns	553.2
178.8	Overseas absolute teturns	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	
-	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 withholding tax	45.2
14,252.7	**Total net investment assets**	**15,285.5**

**All leasehold properties are held on long leases*

The restatement of 31 March 2017 relates to infrastructure £382.7m and private equity £1,355.1m. The sum total of £1,737m was reported in the prior year as UK unquoted equities £300.4m and overseas unquoted equities £1,437.4m. The reclassification is necessary to assist comparability with the position disclosed as at 31 March 2018.

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 Market value £m	31 March 2017 % of total market value		31 March 2018 Market value £m	31 March 2018 % of total market value
		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 external managers at the year-end is set out below.

31 March 2017 Market value £m	31 March 2017 % of total market value		31 March 2018 Market value £m	31 March 2018 % of total market value
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 withholding 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 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 2017 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.

Notes to the Accounts

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	0
One to six months	GBP	359.7	JPY	52,636.5	6.2	0
One to six months	GBP	1,993.4	USD	2,767.7	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 2017					0	0
Net forward currency contracts at 31 March 2017					0	0

16 Investment market value movements analysis

	Value as at 31 March 2017 £m	Purchases at cost £m	Sales at book value £m	Investment management fees deducted at source £m	Change in market value £m	Value at 31 March 2018 £m
Bonds	192.4	-	-	-	(3.9)	188.5
UK equities	1,368.4	327.2	(134.2)	-	(69.2)	1,492.2
Overseas equities	5,920.3	983.1	(512.0)	-	(47.9)	6,343.5
Pooled investment vehicles	5,574.4	1,797.5	(1,657.0)	(46.2)	(316.8)	5,351.9
Property	756.4	75.6	(25.8)	(1.5)	58.1	862.8
	13,811.9	**3,183.4**	**(2,329.0)**	**(47.7)**	**(379.7)**	**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
	13,811.9	**20,031.5**	**(19,199.1)**	**(47.7)**	**(312.8)**	**14,283.8**
Broker balances	0.2					0.4
Outstanding dividend entitlement and recoverable withholding tax	24.7					45.2
Foreign currency	111.8					126.0
Cash deposits	304.1					830.1
Total investments	**14,252.7**					**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 seperately provided to the scheme.

31 March 2017 £m		31 March 2018 £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 as at 31 March 2016 £m	Purchases at cost £m	Sales at book value £m	Investment management fees deducted at source £m	Change in market value £m	Value at 31 March 2017 £m
Bonds	180.1	-	-	-	12.3	192.4
UK equities	1,036.2	227.7	(30.1)	-	134.6	1,368.4
Overseas equities	4,137.2	717.8	(167.6)	-	1,232.9	5,920.3
Pooled investment vehicles	4,921.5	496.6	(513.8)	(53.4)	723.5	5,574.4
Property	694.5	68.7	(14.6)	(1.2)	9.0	756.4
	10,969.5	**1,510.8**	**(726.1)**	**(54.6)**	**2,112.3**	**13,811.9**
Broker balances	(2.6)					0.2
Outstanding dividend entitlement and recoverable withholding 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.

16 i) Property holdings

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

2016/17 £m		2017/18 £m
694.5	**Opening balance**	**756.4**
68.7	Additions	75.6
(15.6)	Disposals	(27.1)
8.8	Net change in market value	57.9
756.4	**Closing balance**	**862.8**

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

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

31 March 2017 £m		31 March 2018 £m
41,036	Within one year	50,031
151,339	Between one and five years	192,879
163,801	Later than five years	223,218
356,176	**Total future lease payments due under existing contracts**	**466,128**

17 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 sensitivities
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 2018	n/a	n/a
Unquoted bonds	2	Average of broker prices.	Evaluated price feeds	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.	Net asset value (NAV) based pricing set on a forward pricing basis.	n/a
Forward foreign exchange derivatives	2	Market forward exchange rates at 31 March 2018.	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 (including private equity, infrastructure absolute return/ diversified growth funds	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Could be affected by material events occurring between the date of and the financial statements provided and the Fund's own reporting date and by any differences between unaudited and audited 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 as 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	1,191	1,528.1	853.9
Infrastructure	20.1	610	732.6	487.4
Absolute return/diversified growth	12.6	601.5	677.3	525.7
Total		**3,265.3**	**3,924.2**	**2,606.5**

17 i) Fair value heirarchy

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

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

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

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

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

The values of the 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.

Values 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**

Values 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
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**

17 ii) Reconciliation of fair value measurements within level 3

Period 2017/18	Market value 1 April 2017 £m	Transfers into level 3 £m	Transfers out of level 3 £m	Purchases during the year £m	Sales during the year £m	Unrealised gains/ losses £m	Realised gains/ losses £m	Market value 31 March 2018 £m
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	1,191.0
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**	**3,265.3**

Notes to the Accounts

18 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.

19 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**

20 Current assets

31 March 2017 £m		31 March 2018 £m
	Receivables and prepayments	
	Contributions receivable	
12.6	- Employers' future service	98.0
5.7	- Employers' past service deficit	20.2
5.8	- Members	11.7
25.1	Other receivables	24.8
49.2	**Total receivables and prepayments**	**154.7**
9.0	Cash	(3.3)
58.2	**Total current assets**	**151.4**

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 ten 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 £6.3 million (31 March 2017: £9.6 million).

31 March 2017 £m		31 March 2018 £m
	Analysis of receivables	
3.1	Administering authority	15.6
15.7	Other local authorities	87.5
30.4	Other entities and individuals	51.6
49.2	**Total**	**154.7**

21 Current liabilities

31 March 2017 £m		31 March 2018 £m
	Payables and receipts in advance	
-	Pensions and lump-sum benefits	-
(32.8)	Other payables	(44.3)
(32.8)	**Total**	**(44.3)**
	Analysis of payables	
(3.6)	Central government bodies	(2.8)
(4.6)	Administering authority	(3.6)
(5.7)	Other local authorities	-
(18.9)	Other entities and individuals	(37.9)
(32.8)	**Total**	**(44.3)**

22 Additional voluntary contributions

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

The contributions are not included within the Fund Accounts, in line with regulation 4 (2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 2009. The table below shows the activity for each AVC provider in the year.

31 March 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**

23 Post-year-end transactions

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

24 Financial instruments

Net gains and losses on financial instruments

31 March 2017 £m		31 March 2018 £m
	Financial assets	
(2,103.3)	Fair value through profit and loss	419.3
(2,103.3)	**Total**	**419.3**

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.

Notes to the Accounts

31 March 2017				31 March 2018		
Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m		Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
			Financial assets			
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		
			Derivative contracts	44.9		
	424.9		Cash		952.8	
	41.2		Other investment balances		72.8	
	49.2		Debtors		154.7	
13,055.5	**515.3**	**-**		**13,421.0**	**1,180.3**	**-**
			Financial liabilities			
		(32.8)	Creditors			(44.3)
13,055.5	**515.3**	**(32.8)**		**13,421.0**	**1,180.3**	**(44.3)**
13,538.0				**14,557.0**		

25 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 on 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 below:

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	AAAmmf	-	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

Notes to the Accounts

Liquidity risk
The Fund has a comprehensive daily cash flow management procedure which seeks to ensure that cash is available as needed. Due to the 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 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 stock lending 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 compliance with 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 as 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 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.

Asset type	Value as at 31 March 2017 £m	% Change	Value on increase £m	Value on decrease £m
UK equities	1,522.6	15.8%	1,763.2	1,282.0
Global equities (ex UK)	6,511.3	18.4%	7,709.4	5,313.2
Property	972.0	14.2%	1,110.0	834.0
Fixed interest*	2,340.4	8.3%	2,534.7	2,146.1
Private equity	1,343.6	28.5%	1,726.5	960.7
Alternatives**	1,122.2	15.0%	1,290.5	953.9
Total Fund	**13,812.1**		**16,134.3**	**11,489.9**

*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 (£727.9m) and infrastructure (£394.3m).

Notes to the Accounts

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 (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2018 and 31 March 2017:

Currency risk by asset class

Asset type	Value as at 31 March 2018 £m	% Change	Value on increase £m	Value on decrease £m
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**

Asset type	Value as at 31 March 2017 £m	% Change	Value on increase £m	Value on decrease £m
Global equities (ex UK)	6,511.3	10.0%	7,162.4	5,860.2
Private equity	1,343.6	10.0%	1,478.0	1,209.2
Fixed interest	2,340.4	10.0%	2,574.4	2,106.4
Alternatives	1,122.2	10.0%	1,234.4	1,010.0
Property funds	215.6	10.0%	237.2	194.0
Liquid assets	111.8	10.0%	123.0	100.6
Total	**11,644.9**		**12,809.4**	**10,480.4**

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. One basis point is equivalent to 0.01%.

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 change	**1,624.0**	**(250.6)**	**250.6**

Asset Type	Carrying amount as at 31 March 2017 £m	Change in year in the net assets available to pay benefits +100BPS £m	-100BPS £m
Index-linked gilts	867.0	(199.4)	199.4
Gilts	165.7	(18.1)	18.1
Corporate bonds	580.8	(50.9)	50.9
Total change	**1,613.5**	**(268.4)**	**268.4**

26 Impairment for bad and doubtful debts

The following additions and write-offs of pension payments were reported in this financial year in line with the Fund's policy:

Additions analysis

Individual value	Number	Total £
Less than £100	21	626.07
£100 - £500	2	210.27
Over £500	0	0.00
Total	**23**	**836.34**

Write-off analysis

Individual value	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**

27 Related parties

Pensions administration and certain investment functions are performed by the City of Wolverhampton Council and the costs shown in note 13 above are recharged to the Fund. Contributions of £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 19, 20 and 21.

Pensions Committee

Eight members of the Pensions Committee are also members of the Fund, 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 four 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 2016/17 £000		Contributions receivable 2017/18 £000
3,478	West Midlands Fire and Rescue Service	5,730
4,497	Wolverhampton Homes	4,497
18	Kingswood Trust	18
174	Wolverhampton Girls High School	174

Notes to the Accounts

LGPS Central Limited

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

No services were provided by LGPS Central Limited during 2017/18 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 Limited 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 2018.

LGPS Central Limited is an admitted body and employs staff that are active members of the WMPF. As a result, LGPS Central Limited 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 (2016/17: £536,000). In addition to this, employer's pension contributions of £130,000 (2016/17: £125,000) were met from the Fund in respect of these individuals.

28 Events after the reporting date

LGPS Central Limited
Following guidance from government, local authority investment pools have been created to bring together the investment assets of local authority pension funds into eight Investment Pools. WMPF is a shareholder in LGPS Central Limited. The LGPS Central Limited Pool went live on 1 April 2018 in line with government regulations following FCA authorisation earlier in the year. The first three sub-funds were launched covering passive internal assets and on 3 April 2018 assets to the value of £4.886bn and cash of £247m were transitioned from the West Midlands Pension Fund to LGPS Central Limited 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 Limited to provide a number of advisory, advisory and execution and execution only mandates covering WMPF assets. Work is underway to develop further LGPS Central Limited sub-funds in collaboration with Partner Funds and LGPS Central Limited to transition further assets, subject to approval of the Pensions Committee and the suitability of the LGPS Central Limited sub-funds to meet the strategic asset allocation requirements of WMPF.

PENSIONS ADMINISTRATION STRATEGY 2018

Pension Administration Strategy 2018

1 Introduction and regulatory context

This is the pension administration strategy of West Midlands Pension Fund (the Fund) in relation to the Local Government Pension Scheme (LGPS), which is administered by the City of Wolverhampton Council (the administering authority).

The *Pension Administration Strategy* is kept under review andrevised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved by the Fund and employers to enable provision of a cost-effective and high quality pension administration service.

The LGPS is a statutory scheme and governed by regulations. The current regulations appertaining to administration are the LGPS Regulations 2013 (As Amended). In discharging their roles and responsibilities under these regulations, the Fund and employers are also required to comply with any pertinent overriding legislation and take appropriate recognition of any regulatory guidance or Code of Practice issued by The Pension Regulator.

An efficient and effective scheme administration service requires the following:

- Clear point of contact, roles and responsibility
- Timely exchange of information and payment of contributions
- Complete and accurate notifications and communications
- Early notification of material changes
- Clear and timely responses to requests and queries

This strategy outlines the performance expected and the monitoring in place to support service delivery

2 Aims

In line with the Fund's objectives, the aim of the PAS is to partner with our employers to provide a high quality service to our members delivered through efficient working practices. We do that through detailing the expected performance of the Fund and its employers in meeting both the legal and regulatory duty of scheme administration as set out in the Pension Regulator's Code of Practice.

The efficient delivery of the benefits of the scheme is reliant upon effective administrative procedures being in place between the Fund and scheme employers, most notably the timely exchange of accurate information in relation to scheme members.

The primary method of exchange is via the employer web portal providing a secure link which can be tracked for audit purposes.

This administration strategy sets out the expected levels of performance of the Fund and the scheme employers. The strategy provides details about the monitoring of performance levels and the action(s) that could be taken where standards are not met by employers and/or when persistent non-compliance occurs.

The administration strategy, of which this iteration is effective from June 2018, was introduced in April 2015, with revisions since that date captured in this document. The Fund will continue to keep the strategy and policy document under review and update as required to reflect changes in scheme regulations and Fund working practices.

3 Roles and responsibilities

Overriding legislation dictates minimum standards that pension schemes should meet in providing certain pieces of information to the various parties associated with the LGPS. In addition, regulatory guidance sets out a number of requirements for the Fund and scheme employers to provide information to each other, scheme members and prospective scheme members, dependants, other pension arrangements or other regulatory bodies.

Function/Task		Expectation
1)	**General information**	
1.1	Confirm nominated representative(s) to receive information from the Fund via the submission of a completed contact form via employer web portal	By 30 April each year (to be submitted via employer web portal)
1.2	Appoint a person (the adjudicator) to consider disputes under stage 1 of the pension internal dispute process (IDRP) and provide full up to date contact details to the Fund	Notify Employer Services at the Fund within 30 days of becoming a scheme employer or following the resignation of the current adjudicator
1.3	Formulate, publish and keep under review policies in relation to all areas where the employer may exercise a discretion within the LGPS[1]	A copy of the policy document is to be submitted to the Employer Services team at the Fund within one month of the change in policy
1.4	Distribute any information provided by the Fund to scheme members/potential scheme members (eg, scheme benefits or benefit statement production)	In a timely manner, as required
1.5	Notify the Fund in advance of any employer initiatives, policy decisions or practices which could have an impact on LGPS member benefits	As soon as possible once the decision has been made or initiative/practice has been finalised as a minimum Where possible, earlier contact is preferable to enable the Fund to discuss and understand the implications

Function/Task		Expectation
2)	**Contributions**	
2.1	Remit employer and employee contributions to the Fund	By 19th of the following month
2.2	Implement changes to employer contribution rates as instructed by the Fund at the date specified by the Fund's actuary	In line with the Rates Adjustment Certificate issued by the Actuary following each triennial valuation or on commencement as a scheme employer within the Fund as notified in writing
2.3	Ensure and arrange for the correct deduction of employee contributions from a member's pensionable pay and throughout their membership in the scheme (including any periods of leave)	As required, typically monthly
2.4	Manage the deduction of all additional contributions or amend such deductions, as appropriate	As required
2.5	Arrange for the deduction of AVCs and payment over of contributions to the AVC provider(s) and inform the Fund as required	As required, typically monthly
2.6	Make additional fund payments in relation to early payment of benefits from flexible retirement, redundancy or business efficiency retirement or where a member retires early with employer's consent and a funding strain cost arises	Within 30 days of receipt of invoice from the Fund

[1] For further information on which regulations require a policy, please see Regulation 60 in The Local Government Regulations 2013 (www.lgpsregs.org)

Pension Administration Strategy 2018

Function/Task		Expectation
3)	**Contracting out of services**	
3.1	Notify the Fund of the contracting out of services which will involve a TUPE transfer of staff to another organisation so that information can be provided to assist in the decision	Where possible, three months prior but at latest the point of deciding to tender
3.2	Work with the Fund to arrange for an admission agreement to be put in place when contracting out a service, and assist in ensuring it is complied with	Three months in advance of the date of contract
3.3	Notify the Fund if the employer ceases to admit new scheme members or is considering terminating membership of the Fund	As soon as the decision is made (early discussion with the Fund is encouraged)

Function/Task		Expectation
4)	**General administration and change notifications in relation to active members**	
4.1	Provide the Fund with the following member information on one monthly file (via employer web portal): • new joiners • changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • employee and employer contributions and earnings	On a monthly basis, by the 19th of the following month, as part of the monthly submission upload via the employer web portal
4.2	Notify the Fund (via employer web portal) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	• Notify the Fund when a member is due to retire: - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA)[1] S4 retirement/death in service form (S4RB) to be submitted via employer web portal[2]
4.3	Notify the Fund (via employer web portal) when a member leaves employment including an accurate assessment of final pay details	Within 30 days of month end of date of leaving S4 early leaver form (S4EL/OPT) to be submitted via employer web portal[2]
4.4	Notify the Fund (via employer web portal) of the death of a scheme member	As soon as practicable, but within a maximum of ten days of the employer being notified S4 retirement/death in service form (S4RB) to be submitted via employer web portal[2]

[1] Notification should not be given prior to the final earnings being known to avoid recalculation of member benefits

[2] On receipt of the appropriate S4 notification, where data is incomplete or inaccurate this may lead to delays in processing by the Fund should queries need to be raised

3.1.2 Performance measurements

The table below sets out the areas that employer performance will be routinely measured. The Fund will periodically review other employer responsibilities to ensure performance is in line with the expectations detailed in this strategy.

Performance Area		Measurement (working days where applicable)
1)	**Contributions**	
1.1	Remit employer and employee contributions to the Fund	Payment of monthly employee and employer contributions in full by the 19th of the following month. Under the Pensions Act 2004 and the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014, The Pensions Regulator may be notified if the above measurement is not met.

Performance Area		Measurement (working days where applicable)
2)	**General administration and change notifications in relation to active members**	
2.1	Submission of a monthly data file and web remittance advice via employer web portal which includes the following in month data: • new joiners • changes in employees' circumstances which may impact Fund benefits (eg, movement in and out of the 50/50 scheme, marital or civil partnership status, maternity, paternity, career break, etc.) • employee and employer contributions and earnings paid within that period	By the 19th of the following month
2.2	To ensure optimum accuracy of monthly data files received.	Less than 5% of the active member count as at 1 April to error on import into the pension administration system
2.3	The rectification of an accurate monthly data file where it has been necessary to return the file due to data inaccuracies	Within 20 days of receipt of file.
2.4	Notify the Fund when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	• Notify the Fund when a member is due to retire: - up to one month following the date of retirement if the date of retirement is before normal pension age (NPA) or; - ASAP once final earnings are known, typically three weeks before and no later than one week after the date of leaving, if the member's benefits are payable on or after their normal pension age (NPA) S4 form to be submitted via employer web portal
2.5	Notify the Fund when a member leaves employment including an accurate assessment of final pay details using the method stipulated by the Fund	Within 30 days of month end of date of leaving S4 form to be submitted via employer web portal
2.6	Respond to enquiries from the Fund in regards to member notifications and submitted forms (ie, S15, N15 etc)	Within ten days from receipt of enquiry

Pension Administration Strategy 2018

In line with The Pension Regulator's Code of Practice, the Fund in conjunction with its employers has implemented a two-stage process for dealing with pension disputes when a member is unhappy with the first instance decision.

The table below details the expected timeframe for managing this internal dispute resolution process. Further details can be found in the Fund's *Internal Dispute Resolution Procedure*.

Performance Area		Measurement (working days where applicable)
3)	**IDRP**	
3.1	Notify the Fund's compliance team of the receipt of a complaint under the IDRP process	Within two days of receiving the complaint
3.2	Notify the Fund's compliance team that the first-stage decision has been issued	Within five days of issuing the decision
3.3	Timeframe for resolution of IDRP Notifying if timeframe is not going to be met	Two months Immediately when known not going to meet original timeframe
3.4	Responding to Fund enquiries when Fund dealing with Stage 2	Within five days

3.2 West Midlands Pension Fund

3.2.1 Duties and responsibilities

In setting the expectation of employers, the Fund recognises that the relationship and delivery of services, is also reliant on the Fund's performance and duties to its employers.

The table below outlines the key responsibilities of the Fund, what actions it will take and the timescales of its own performance in delivering the service to members and employers. It is focused on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Function/Task		Expectation
1)	**General information**	
1.1	Regularly review the Fund's pensions administration strategy and consult with all scheme employers	In advance of the policy being adopted. Consultation will take place during the year of the triennial valuation
1.2	Regularly review the Fund's funding strategy statement at each triennial valuation, following consultation with scheme employers and the Fund's actuary	Publish by 31 March following the valuation date or as required
1.3	Regularly review the Fund's communication policy statement	Annual review and publish within 30 days of the policy being agreed by the Pensions Committee
1.4	Regularly review the Fund's termination policy statement and publish	Within 30 days of any changes being made to the policy
1.5	Review and communicate the Fund's publications listed below: • Annual Report • Annual Statement of Accounts • Governance and Compliance Statement	By 31 October following the year-end

Function/Task		Expectation
2)	**Contribution requirements**	
2.1	Consult with employers on the outcomes of the triennial valuation	At least three months in advance of the signing of the final rates and adjustment certificate
2.2	Notify employers of contribution requirements for three years effective from the April following the actuarial valuation date	At least six weeks before the Actuary signs off the rates and adjustment certificate
2.3	Notify new scheme employers of their contribution requirements	Within six weeks of receipt of the notification of admission application or commencement as a scheme employer

Function/Task		Expectation
3)	**Support for employers**	
3.1	Provide support for employers through: • A dedicated helpline • Employer coaching • Employer Peer Group • Employer newsletters • Online support guides • Feedback on data quality • Face-to-face meetings (one-to-one where appropriate) • Employer web portal query support • Email support • Member Services presentations and roadshows	• Dedicated helpline Monday - Thursday 8.30am - 5.00pm, Friday 8.30am - 4.30pm • Employer Forums to be held twice per annum (usually May/June and November/December) • Written communication as per the Fund's communication policy • Newsletters to be issued quarterly • Online support to be reviewed and updated regularly • Employer coaching and peer group content to be reviewed before each session for relevance and benefit. Sessions to be held quarterly for each.
3.2	Organise and provide coaching sessions on the roles and responsibilities of an employer in the Fund	Quarterly and upon request or as required for scheme employers
3.3	Notify scheme employers and scheme members of changes to the scheme rules	As per disclosure requirements with inclusion of an overview in the *Employer Brief*
3.4	Provide a facility (via employer web portal) for employers to calculate estimates and early retirement costs for active members	On an ongoing basis
3.5	Production and maintenance of an IDRP employer guide	On an ongoing basis

Function/Task		Expectation
4)	**General administration and member communications**	
4.1	Produce annual benefit statements for active members as at 31 March and deferred members as at pensions increase date in April	By 31 August following the year-end
4.2	Produce and issue pension savings statements each year to members who have exceeded their annual allowance	By the end of the tax year, 6 October (provided receipt of all relevant information from the scheme employer)
4.3	Publish and keep up to date all forms required for completion by scheme members or employers	Within 30 days from any revision
4.4	Provide feedback on errors contained in monthly data submission files	Within 20 working days of the later of the 19th of each month or the date the file is received by the Fund

Pension Administration Strategy 2018

3.2.2 Performance measurements

The Fund routinely reviews performance across all areas including the Pension Administration Strategy, which is scrutinised by the Pensions Committee and Local Pensions Board. Regular reporting is undertaken, and performance is also reported annually in the Fund's annual report and accounts. The table below sets out the Fund's key performance indicators in relation to processing scheme member records and benefits.

Performance Area		Measurement (working days where applicable)
1)	**New joiners**	
1.1	Set up a new starter and provide statutory notification to the member	Within 20 days of receipt of correct data file from a scheme employer
2)	**Transfers**	
2.1	Transfer in quotations processed	Within ten days of receipt of all the required information
2.2	Transfer notification of transferred in membership to be notified to the scheme member	Within ten days of receipt of payment
2.3	Transfer out quotations processed	Within 20 days
2.4	Transfer out payments processed	Within ten days

Performance Area		Measurement (working days where applicable)
3)	**Additional contributions**	
3.1	Notify the scheme employer of any scheme member's election to pay additional pension contributions (APCs), including all required information to enable deductions to commence	Within ten days of receipt of election from a scheme member
3.2	Process scheme member requests to pay/amend/cease additional voluntary contributions (AVCs)	Within five days of receipt of request from scheme member

Performance Area		Measurement (working days where applicable)
4)	**Leavers**	
4.1	Notify members of their deferred options	Within ten days of receipt of the leaver notification
4.2	Deferred benefits calculated	Within 15 days of receipt of all necessary information
4.3	Deferred benefits processed for payment following receipt of election (and all necessary information)	Within five days
4.4	Refund payments	Within five days from receipt of all necessary information

Performance Area		Measurement (working days where applicable)
5)	**Retirements**	
5.1	Provision of retirement options to members	Within 15 days of receipt of all necessary information
5.2	New retirement benefits processed for payment following receipt of election	Lump-sum payment within five days of receipt of all necessary documentation First pension payment on next available payroll run

Performance Area		Measurement (working days where applicable)
6)	**Deaths**	
6.1	Acknowledgement of a death	Within five days of receiving the notification.
6.2	Notification of benefits payable to dependents will be issued	Within five days of receiving the required information
6.3	Payment of death lump-sum will be made information	Within ten days of receipt of all the required

Performance Area		Measurement (working days where applicable)
7)	**Customer service**	
7.1	85% of calls received to the customer helpline to be answered	85%
7.2	85% of calls received to the employer helpline to be answered	85%
7.3	Provide an answer or acknowledgement to scheme members/ scheme employers/personal representatives/dependents and other authorised persons	Within ten days from receipt of enquiry
7.4	Acknowledge member complaints on initial receipt	Within five days of receipt
7.5	Issue full response to member complaints	Within 20 days of receipt
7.6	Monitor IDRP cases and target completion of stage 1 and stage 2 reviews	Within two months. For further information, please see the Fund's IDRP policy

4 Monitoring performance

4.1 Working with our employers

The Fund recognises that engagement is key to helping us understand our employers' individual circumstances, their challenges and their outcomes. Engaging with employers helps to build positive working relationships and ensures processes create efficiencies and deliver outcomes on both parts. The consistent application of standards across all employers enables fair and value for money service.

The Fund will seek to work closely with employers when identifying areas of poor performance. At the earliest opportunity, the Fund will provide training and development to aid improvement of service levels in the future. Where performance issues are identified, in the first instance, the Fund will work to resolve the issues informally. However, where this is not possible and persistent sub-standards occur (with no measurable improvement demonstrated by the employer), additional steps may be taken by the Fund in line with its powers under the LGPS Regulations 2013.

The Fund aims to meet the training and development needs of its employers using (but not limited to) employer coaching, quarterly bulletins, website guidance and through day-to-day contact via email and telephone. There is also an open invite to visit the Fund's office to meet with a member of the Employer Services team, subject to notice, to discuss any aspect of co-operation, expectations and responsibilities.

4.2 Approach to managing performance

Ensuring compliance with the LGPS regulations and this administration strategy is the responsibility of the Fund and scheme employers. This section describes the ways in which performance and compliance will be monitored.

The Fund and scheme employers are to ensure that all functions and tasks are carried out to the agreed quality standards. On a regular basis, the Fund will monitor, measure and report on both the Fund's and scheme employers' compliance with the agreed service standards outlined in this document.

The Fund will undertake a formal review of performance against the administration strategy on an annual basis and liaise with employers in relation to any concerns on performance. The Fund monitors its own performance against internal key performance indicators. Monitoring occurs on a monthly basis and is reported to the Fund's Pensions Committee on a quarterly basis. The performance of scheme employers against the standards set out in this document are incorporated into the reporting to the Committee, as appropriate, to include data quality.

The Fund will also report back to employers about their individual performance, identifying any areas for improvement including outstanding data items.

Where persistent and ongoing failure occurs in relation to administration requirements and no improvement is demonstrated by an employer, and/or willingness is shown by the employer to resolve the identified issue(s).

Pension Administration Strategy 2018

The following sets out the steps that will be taken in dealing with this situation:

- Write to the scheme employer, setting out area(s) of non-compliance with performance standards and offer support and, where applicable, request attendance at a training/coaching session.
- Where no improvement has been demonstrated by the employer, or where there has been a failure to take agreed action by the scheme employer, or no response is received to the initial letter, the scheme employer will be asked to attend a conference call/meeting with representatives of the Fund to discuss area(s) of non-compliance with performance standards and to agree an action plan to address them. Where appropriate, the originating employer will be informed and expected to work with the Fund to resolve the issues.
- If no improvement is seen within one month or a scheme employer is unwilling to attend a meeting to resolve the issue, the Fund will issue a formal written notice, setting out:
  - the area(s) of non-compliance with performance standards that have been identified;
  - the steps taken to resolve those area(s); and
  - provide notice that the additional costs will now be reclaimed.
- An invoice will be issued detailing the additional cost incurred, taking account of time and resources in resolving the specific area(s) of poor performance and in accordance with the charging scale set out in this document. A report will be presented to the quarterly Committee meeting detailing charges levied against scheme employers and outstanding payments.
- If poor performance continues, impacts the Fund's ability to perform statutory functions and/or measures are not being taken by the employer to address this, the Fund may need to report the employer to The Pension Regulator.

4.3 Policy on charging employers for poor performance

The LGPS regulations provide pension funds with the ability to recover from a scheme employer any additional costs associated with the administration of the scheme incurred as a result of the poor level of performance of that scheme employer. Where any such additional costs are to be recovered by the Fund, written notice will be provided stating:

- the reasons that the scheme employer's poor performance contributed to the additional cost;
- the amount of the additional cost incurred;
- the basis on how the additional cost was calculated; and
- the provisions of the administration strategy relevant to the decision to give notice.

It is the policy of the Fund to recover additional costs incurred in the administration of the scheme as a direct result of the poor performance of any scheme employer (including the administering authority). With the objective of ensuring fairness across employers in avoiding other employers paying more to cover the higher administration costs incurred by others.

Please note that where an employer fails to pay any amount due to the Fund (other than monthly contributions) within 30 days, interest for late payment will be charged accordingly. This includes charges and recharges levied under this policy.

4.4 Charging scales for administration

The table below sets out the charges which the Fund will levy on a scheme employer who fails to meet the standards required. Each item is referred to in the 'Scheme Employer Performance Measurement' section of this document.

Item		Charge
1)	**Payment of future service contributions** Failure to make payment of monthly employee and employer contributions[1] in full by the 19th of the following month (but by the 22nd of the month where payment is made electronically).	£100 per occasion plus interest[2]
2)	**Monthly data collection** Failure to comply with the following requirements: • Submission of the member data file by 22nd of the following month • Submission of the web remittance advice by 22nd of the following month	£50 for each month the data file and/or web remittance advice is received after 22nd (ie, both items must be received so as to incur no penalty). There after for each monthly data file the charge will increase as follows: 5p per member[3] per working day late for the first month following the deadline • 10p per member[3] per working day late for the second month following the deadline • 15p per member[3] per working day late for the third month following the deadline and every month thereafter A minimum daily rate will be set at: • £5 per day for the first 30 days following the deadline • £10 per day for the second 30 days following the deadline • £15 per day for the third 30 days and thereafter following the deadline Assessment of the overall charge will be made in aggregate at year-end of 31 March (final monthly file to be received by 19 April) to include any charges in (3) below. Invoices will subsequently be issued where a charge is applicable.
3)	**Monthly data quality review[4]** Quality of the information provided to be below the acceptable tolerance level set at 5% of the employer active member count[3] (tolerance level will be assessed in aggregate until year-end date of the monitoring period)	The Fund will recover costs for the work involved to resolve these errors. Costs will be based on officer hourly rates, but will be determined based on the resources required to address errors above the tolerance in aggregate over a 12-month period and will be levied to include any charges incurred as a result of (2) above.
4)	**Quality and timeliness of the provision of data** To provide the Fund with accurate data (as detailed in the regulations) in a timely manner as specified in this strategy	The Fund will recover costs for the additional work involved to resolve these issues, in the context of persistent poor performance. Costs will be based on officer hourly rates and will be determined based on the resources required.
5)	**Bulk member record amendments** Correction or amendments of member records en masse as a result of employer initiatives, policy decisions or prior incorrect notifications	The Fund will recover the cost for the work involved. Costs will be based on officer hourly rates.

[1] Future service contributions including additional contributions, eg, APP and APCs

[2] Interest will be charged in accordance with Regulation 44 of the LGPS administration regulations, which states interest should be charged at Bank of England base rate plus one per cent

[3] For the purposes of monitoring and the application of charges the active member count will be set as at 1 April of the monitoring period (ie, based on the monthly data file for the 1 April in the monitoring period)

[4] A file will be rejected for one or more of the following reasons:
- Incorrect file layout
- Data formatting issues, eg, mandatory fields not populated, inclusion of incorrect characters, ie, speech marks, etc.
- The key financials in the data file do not balance with the final statement

Pension Administration Strategy 2018

4.5 Feedback From employers

Employers who wish to provide feedback on the performance of the Fund against the standards in this administration strategy should email comments to wmpfemployerliaison2@wolverhampton.gov.uk

This feedback will be incorporated into the quarterly reports to the Committee.

FUNDING STRATEGY STATEMENT (FSS) 2017

Funding Strategy Statement 2017

The Fund is required to carry out an actuarial valuation every three years and review and set the funding strategy and employer contribution rates for the following three years. The latest actuarial valuation was carried out in March 2016 with the funding strategy review playing an integral role in it. The current version was approved by Pensions Committee in March 2017.

A link to the previous statement can be found here:
http://www.wmpfonline.com/CHttpHandler.ashx?id=4588&p=0

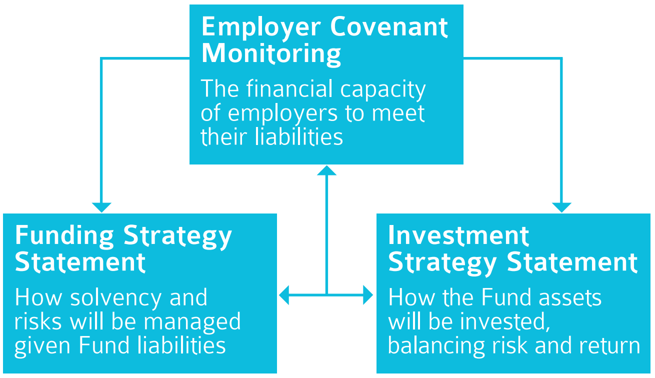
---

1 Introduction

1.1 LGPS regulations require administering authorities to prepare and maintain a *Funding Strategy Statement (FSS)* having regard to the guidance produced by The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Fund's *Statement of Investment Principles (SIP)*. Revised regulations came into effect in 2013 and revised CIPFA guidance was issued in September 2016. This statement has been prepared by the West Midlands Pension Fund in accordance with the latest regulations and guidance and following consultation with appropriate persons. It reflects the shift in focus towards the regulatory requirement for administering authorities to ensure contributions are set at a level to achieve Fund solvency and long-term cost efficiency.

1.2 The FSS is supported by the *Investment Strategy Statement (ISS)*, which replaces the SIP from April 2017, and the Fund's employer covenant monitoring framework. Together these ensure an integrated approach to funding strategy and risk management.

1.3 The statements and framework relate as follows:



1.4 The FSS summarises the Fund's approach ensuring contributions are sufficient to meet its liabilities, and includes reference to the Fund's other policies; it is not an exhaustive statement of policy on all issues. The FSS underpins:

- the rates and adjustments certificate (confirming employer contribution rates for the next three years);
- the Fund's policies on employer admissions and cessations; and
- actuarial factors for valuing individual transfers, early retirement costs and the costs of buying added service.

1.5 The FSS reflects the statutory nature of the Local Government Pension Scheme (LGPS), particularly the defined benefits payable and the benefit guarantee. The FSS sets out how benefits will be funded over the long term through an accountable, transparent process with full disclosure of valuation methodology and assumptions.

1.6 The benefits payable under the LGPS are guaranteed by statute. The scheme is a defined benefit arrangement with a final salary element for service accrued prior to 1 April 2014 and career average revalued earnings ('CARE') benefits accruing on and after this date. There is also a '50:50' option under which members can elect to pay 50% of the contribution rate to accrue 50% of the benefits.

1.7 The Fund, like many other similar public and private sector funded schemes, has a gap between its assets and pension liabilities (a funding shortfall). A number of factors have contributed to the development of the funding gap and increases in contribution rates for employers most notably:

- increases in life expectancy and pensions longevity; and
- falling long-term interest rates and the expectations for future investment returns.

This strategy addresses the recovery of the funding shortfall in addition to setting future contributions to cover the ongoing cost of benefit accrual.

Employer Contributions

The required levels of employee contributions are specified in the regulations. Employer contributions are determined in accordance with the regulations (which require that an actuarial valuation is completed every three years by the actuary and production of a rates and adjustments actuarial certificate specifying the 'primary' and 'secondary' rate of the employer's contribution).

Primary Rate

The 'primary rate' for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

The primary rate for the whole fund is the weighted average (by payroll) of the individual employers' primary rates.

Secondary Rate
The 'secondary rate' is an adjustment to the primary rate to arrive at the total rate of contribution each employer is required to pay. The secondary rate may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation. In line with previous valuations, each employer will have a cash adjustment to the primary rate to reflect their funding level.

Secondary rates for the whole fund in each of the three years shall also be disclosed. These will be the calculated weighted average based on the whole fund payroll in respect of percentage rates and the total amount in respect of cash adjustments.

2 Purpose of the Funding Strategy Statement

2.1 The FSS focuses on how employer liabilities are measured, the pace at which these liabilities are funded, and how employers pay contributions to ensure their own liabilities are fully funded.

The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are best met going forward;
- to take a prudent longer term view of funding those liabilities;
- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met; and
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.

2.2 The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit payments. This framework is designed to ensure the funding strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the funding strategy applicable to individual employers or categories of employers must be reflected in the FSS, its focus should at all times be on those actions that are in the best long-term interests of the Fund. Consequently, the FSS is a single all-employer-encompassing strategy for the administering authority to implement and maintain.

3 Consultation

3.1 LGPS regulations require the administering authority to consult with such persons it considers appropriate in the maintenance and review of the FSS. CIPFA provides further guidance that this must include meaningful dialogue at officer and elected member level, with council tax-raising authorities and with corresponding representatives of participating employers.

3.2 The Fund has undertaken a number of employer briefing sessions and outlined funding strategy at its 2016 AGM. Both covered key changes to the FSS from the prior version dated April 2014. A copy of the FSS has been sent to each employer, the Fund's Pensions Committee (elected members), local Pensions Board (including member and employer representatives), investment advisers and other interested parties including the Fund employer peer group. The Fund has also hosted one-to-one consultation meetings with employers, on request.

3.3 Employers participating in the Fund have been consulted on the contents of this FSS and consideration has been given to their views accordingly. However, the FSS represents a single strategy for the Fund as a whole, adjusted for employer groups/categories based on the advice of the Fund actuary, Barnett Waddingham, who has also been consulted in preparing the content of this FSS.

4 Aims and purposes of the Fund

4.1 The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- seek returns on investment within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations and as required in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (or the equivalent in Scotland and Northern Ireland).

Funding Strategy Statement 2017

5 Responsibilities of the key parties

5.1 The administering authority is required to:

- operate the Fund;
- collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in LGPS regulations;
- pay from the Fund the relevant entitlements as stipulated in the LGPS regulations;
- invest surplus monies in accordance with the LGPS regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain an FSS and an SIP/ISS, both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS accordingly.

The individual employer is required to:

- deduct contributions from employees' pay correctly;
- pay all ongoing contributions, including employer contributions determined by the Fund actuary and set out in the rates and adjustments certificate, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits and early retirement strain;
- notify the administering authority promptly of all changes to active membership which affect future funding; and
- pay any exit payments on ceasing participation in the Fund.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the LGPS regulations;
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- provide advice and valuations on the exiting of employers from the Fund;
- provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations; and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

6 Key changes since 2013

- **Simplification** – single discount rate to cover both past and future service.
- **Employer categorisation** – based on strength of covenant and type of employer, employers have been placed into three categories which then drive the associated funding strategy (funding target and deficit recovery period).
- **Ill-health strain cost insurance** – provision of an option to insure against the employer strain costs which can arise from a member receiving Tier 1 or Tier 2 ill-health early retirement benefits.

7 Solvency issues and target funding levels

7.1 LGPS regulations require each administering authority to achieve Fund solvency and long-term cost efficiency by means of employer contribution rates established by triennial valuation. LGPS administering authorities prudentially seek to achieve an appropriate balance between the income stream from contributions and investments and maintaining the ability to pay pension benefits as and when they fall due over the life of the Fund.

7.2 Securing solvency and long-term cost efficiency is a regulatory requirement whereas a constant as possible a primary contribution rate remains only a desirable outcome. Administering authorities should avoid continually extending deficit recovery periods at each and subsequent actuarial valuations. Over time and given stable market conditions, administering authorities should aim to reduce deficit recovery periods.

7.3 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to cover 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements.

7.4 The Fund recognizes the different characteristics of the variety of participating employer organisations, and will set funding strategy (including funding target and deficit recovery contributions) appropriately having regard to factors such as:

- strength of covenant, and security of future income streams;
- support or guarantee arrangements from Scheme employers; and
- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the Fund to new employees.

7.5 The Fund's policy with regards participation of non-scheduled scheme employers, including termination issues, is set out in the publication *'Policy on Termination Funding for Admission Bodies'*.

7.6 The approach to the actuarial valuation process and key assumptions used at each three-yearly valuation are consulted upon and the valuation forms part of the consultation undertaken with the FSS.

7.7 Under Section 13(4)(c) of the Public Service Pensions Act 2013 The Government Actuary's Department (GAD) (as the person appointed by the responsible authority) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund are set at an appropriate level to ensure the solvency of the Fund and long-term cost efficiency of the LGPS.

7.8 In developing the funding strategy, the administering authority has had regard to the likely outcomes of the subsequent review under Section 13(4)(c) and has considered implications for its key performance indicators as determined by the Scheme Advisory Board where appropriate, ie, in England and Wales.

Determination of the funding target

7.9 The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 1.

7.10 Underlying these assumptions there are two tenets:

- that the scheme is expected to continue for the foreseeable future; and
- favourable investment returns can play a valuable role in achieving adequate funding over the longer term.

This allows the Fund to take a longer term view when assessing the contribution requirements for certain employers.

7.11 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross subsidy between the various employers in the Fund.

In attributing the overall investment performance obtained on the assets of the Fund to each employer, a pro-rata principle is adopted. The general approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole.

7.12 The extent to which the financial health and capacity of employers impacts on their ability to withstand funding risk and increase contributions in the future is taken into account in setting the funding target as is the nature and expected future participation of non-local authority employers in the Fund.

7.13 To reflect the wide range of participating employers, the Fund has applied a past service volatility reserve for employers according to employer risk category. This volatility reserve limits the reliance on future investment returns for employers who are either:

- not government-backed in nature and may not, in the view of the administering authority, be able to withstand the funding risk; or
- are on a path to exiting the Fund.

8 Deficit recovery plan and employer contributions

8.1 The period over which an employer's past service deficit is to be recovered will be dependent on a number of factors, including the type and nature of the employer, any supporting guarantee or other forms of security, such as a charge on assets, where these can be provided.

8.2 In general, a maximum deficit recovery period of 20 years will apply, reduced from 22 years in 2013. Employers can elect a shorter period if they prefer and all contributions paid will be allocated to their individual asset share on future funding review.

A shorter period may be applied in respect of particular employers where the administering authority considers this to be warranted (see below).

8.3 The Fund does not believe it appropriate for the total level of contributions to the Fund to reduce where substantial deficits remain unless there is a compelling reason to do so. A shorter maximum deficit recovery period may therefore apply to individual employers and, the Fund will apply shorter standard deficit recovery periods linked to employer categorisation, following allocation based on covenant and employer structure.

Further detail on employer categorisation and the impact on deficit recovery plan periods is set out in Appendix 2.

Employer contributions will be expressed and certified as two separate elements:

- the **primary rate**: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits
- the **secondary rate**: a schedule of annual lump-sum amounts, payable over the three years to 2019/20 increasing annually in line with the valuation funding assumption for long-term pay growth (unless otherwise noted), in respect of deficit recovery.

Both elements are subject to review from April 2020 based on the results of the 2019 actuarial valuation.

Funding Strategy Statement 2017

Appendix 1 – Actuarial Valuation as at 31 March 2016

Method and assumptions used in calculating the funding target method

The actuarial method to be used in the calculation of the funding target is the 'projected unit' method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service. This method implicitly allows for new entrants to the Fund on the basis that the overall age profile of the active membership will remain stable. As a result, for those employers which are closed to new entrants, an alternative method is adopted (the 'attained age' method), which makes advance allowance for the anticipated future ageing and decline of the current closed membership group in order to maintain a stable rate of contributions.

Financial assumptions

- **Investment return (discount rate)**
  One of the key valuation assumptions is the discount rate. The actuary estimates the future benefit cashflows which will be made to and from the Fund in the future. These cashflows are then discounted to a present day value using the discount rate. This value is essentially the estimated amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using a prudent assumption about future investment returns (discount rate).

  The discount rate assumption is 4.7% pa which has been derived using the Fund's current investment strategy and a weighted set of assumed investment returns. A lower discount rate assumption of 3.3% pa has been used to value orphan liabilities (those no longer linked to an active employer) which are backed by a cashflow matching investment sub fund.

- **Volatility reserve**
  A past service volatility reserve is included for those employers in category 2 or 3. This limits reliance on future investment return and represents an addition to the funding target (5% or 10% of liabilities) for those employers who are either less able to withstand funding risk; are not government-backed in some way; or are on a path to exiting the Fund. In practice, this increases the pace of funding and provides a cushion against future periods of lower than expected investment returns.

- **Inflation (consumer prices index - CPI)**
  The assumption for CPI inflation is derived from the RPI assumption of 3.3% pa, which is based on information published by the Bank of England. A deduction is made to the RPI assumption due to the different ways that the indices are calculated which the Fund actuary has estimated to be 0.9% pa. In addition, the inflation risk premium (often used to reflect any long-term impact of supply/demand distortions in market yields used to estimate future RPI) has been assumed to be zero. This results in a CPI inflation assumption of 2.4% pa.

- **Salary increases**
  The assumption for long-term real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% pa over the inflation assumption as described above. Some allowance for promotional increases has also been included through the application of a salary scale.

  To recognise the relatively low level of general salary increases, many employers have indicated they expect to grant in the near future, and as budgeted for in the short term by many employers, the Fund has applied an assumption of CPI (currently circa 1%) pay growth over the next four years reverting to 3.9% (CPI plus 1.5%) thereafter.

- **Pension increases**
  Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with CPI (eg, guaranteed minimum pensions in respect of service prior to April 1997).

Mortality/life expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity. The mortality tables used are adjusted to reflect the Fund specific experience analysis undertaken to inform current life expectancy. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

Commutation

It has been assumed that, on average, members will take 50% of the additional tax-free cash available to them, as well as their accrued lump-sum entitlement. The option which members have to commute part of their pension at retirement in return for a lump-sum is a rate of £12 cash for each £1 pa of pension given up.

Other demographics

Following an analysis of Fund experience carried out by the actuary and national LGPS carried out by the Government Actuary Department, the proportions married/civil partnership assumption and allowances for withdrawals and early retirements has been modified from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next three years.

Expenses

Expenses are met out the Fund, in accordance with the regulations. For the 2016 valuation, administration expenses have been considered in setting the discount rate. This approach will be reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Appendix 1 - Actuarial Valuation as at 31 March 2016

Discretionary benefits
The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation

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

Employer asset share
The Fund is a multi-employer pension fund that is not formally unitised and so individual employer asset shares are calculated at each actuarial valuation. This means it is necessary to make some approximations in the timing of cashflows and allocation of investment returns when deriving the employer asset share.

In attributing the overall investment performance obtained on the assets of the Fund to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Fund as a whole unless agreed otherwise between the employer and the Fund at the sole discretion of the administering authority.

At each review, cashflows into and out of the Fund relating to each employer, any movement of members between employers within the Fund, along with investment return earned on the asset share, are allowed for when calculating asset shares at each valuation.

Other adjustments are also made on account of the funding positions of orphan bodies which fall to be met by all other active employers in the Fund.

Comparison of key financial assumptions – 2016 and 2013 actuarial valuations

Assumption	2016	2013
Discount rate	4.7% pa	4.6% pa
Volatility reserve	5.0%/10.0% loading on past service liability for 'Category 2' or 'Category 3' employers	n/a
Inflation/pension increases (CPI)	2.4% pa	2.6% pa
Salary increases - Short term - Long term - Salary increments	 1.0% pa for four years 3.9% pa (CPI plus 1.5% pa) Age-related allowance	 1.0% pa for three years 4.35% pa (CPI plus 1.75% pa) No allowance

Funding Strategy Statement 2017

Appendix 1 – Actuarial Valuation as at 31 March 2016

Summary of key whole Fund assumptions used for calculating funding target

Financial assumptions

Discount rate (for non-orphan liabilities)	4.7% per annum
Discount rate (for orphan liabilities)	3.3% per annum
Short-term salary increases	CPI (circa 1% per annum) for four years
Long-term salary increases	3.9% per annum
Inflation/pension increases (CPI)	2.4% per annum
Volatility reserve – category 2 employers	5% loading on past service liability
Volatility reserve – category 3 employers	10% loading on past service liability

Mortality assumptions

<table>
<tr><td>Pre-retirement mortality - base table</td><td>GAD tables (table B8) with a rating of 120% for males and 135% for females. Saved here http://www.lgpsregs.org/index.php/dclg-publications/dclg-other</td></tr>
<tr><td>Post-retirement mortality - base table</td><td>CMI self-administered pension schemes (SAPS) tables with scheme-specific adjustments as appropriate following analysis by Barnett Waddingham's longevity table.
<table>
<tr><th>Type</th><th>Base table</th><th>Adjustments (M/F)</th></tr>
<tr><td>Normal health</td><td>S2PA</td><td>110%/105%</td></tr>
<tr><td>Ill health</td><td>S2PA</td><td>Normal health</td></tr>
<tr><td>Dependants</td><td>S2PMA/S2DFA</td><td>140%/110%</td></tr>
</table></td></tr>
<tr><td>Allowances for improvements in life expectancy</td><td>2015 CMI model with a long-term rate of improvement of 1.5% pa</td></tr>
</table>

Other demographic assumptions

Partner age difference	Males are three years older than females
Proportion married	75% of males and 70% of females have an eligible dependant at retirement or early death
Promotional salary scale	Use GAD table (table b9) saved here: http://www.lgpsregs.org/index.php/dclg-publications/dclg-other
Allowance for withdrawals	Use GAD table (table b7) saved here: http://www.lgpsregs.org/index.php/dclg-publications/dclg-other
Allowance for cash commutation	Members will take an additional 50% of the remaining maximum tax-free cash available after members have taken the standard 3/80ths cash sum for pre-April 2008 service
Allowance for early retirements (non-ill-health)	Each member retires at their weighted average 'tranche retirement age', ie, for each tranche of benefit, the earliest age they could retire with unreduced benefits
Allowance for 50:50 membership	We have assumed that existing members will continue to participate in their current section

Appendix 2

Employer categorisation

The Fund has had in place an employer covenant monitoring framework since 2010, which takes into account a number of financial, funding and structural factors to allocate each individual employer under a risk banding (RAG rated). More information can be found in the Fund's *'Employer Risk Management Framework'* located on our website.

The purpose of this covenant framework, and the associated outcomes in terms of funding strategy, is to ensure that employers who are not as secure are not unduly subsidised by those employers with a strong covenant. Given the wide range of employer covenant strength, the Fund has determined the need for some employers to contribute more in order to mitigate those risks. Such an approach helps to ensure equitable treatment for all participating employers, with all contributions paid by an employer allocated to their asset share.

In addition and overlaying the covenant risk banding, employer type, nature (eg, government-backing), and expected duration in the Fund has been considered in order to allocate employers into a category for funding purposes.

Outlined below are the categories and what these mean in terms of deficit recovery period and funding strategy, in general:

Transferee admission bodies

For transferee admission bodies where admission to the LGPS is via a contract or other arrangement, the maximum recovery period will be aligned to the contract length, capped at the maximum recovery period for category of employer or the maximum recovery period of 20 years (whichever is lower), or as otherwise agreed with the ceding local authority.

For transferee admission bodies where closed to new entrants, the maximum recovery period will be aligned to the future working lifetime of its membership, if less than the contract length, capped at the maximum recovery period for category of employer or the maximum recovery period of 20 years (whichever is lower), or as otherwise agreed with the ceding local authority.

Community admission bodies

For community admission bodies, where closed to new entrants (or deemed to be so based on membership activity over previous six years), the maximum recovery period will be aligned to the future working lifetime of its membership, capped at the maximum recovery period for category of employer or the maximum recovery period of 20 years (whichever is lower), or such other period agreed by the employer and approved by the administering authority.

Allocated category[1]	Fund covenant risk rating	General features
Category 1	Green	Government-backed/guarantee for Government-backed organisation and over 100% funded
Category 2	Green/Amber	Guarantee/strong balance sheet relative to pension liability
Category 3	Red/Critical (Black)	Exiting/weak balance sheet relative to pension liability

- **Category 1**
  - Maximum recovery period of 20 years
- **Category 2**
  - Maximum recovery period of 15 years
  - Volatility reserve of 5% loading on past service liabilities
- **Category 3**
  - Maximum recovery period of 10 years
  - Volatility reserve of 10% loading on past service liabilities

Academies

Academies will be treated in accordance with the factors and legislation that lead to their creation. In July 2013, the Department for Education (DfE) provided a guarantee that in the event of the closure of an academy trust, any outstanding liabilities, where not met from the trust's assets on closure, would be met by the DfE in full. However, the DfE has the right to withdraw the guarantee at any time and in practice has not always (based on limited experience to date which is being explored further with the DfE) paid the full debt to the Fund. Grounds for withdrawing the guarantee include if the contingent liability levels set by the DfE are exceeded or if projected costs are no longer affordable from within the DfE's existing budget or are not approved by Treasury. The Treasury also reserves the right to re-assess the approval of the guarantee at a later date due to spending considerations or policy developments.

---

[1] Note that within the preliminary results issued to employers the category's were labelled 'low', 'medium' and 'high', these correspond to category 1, 2 and 3 respectively in the table above.

Funding Strategy Statement 2017

Appendix 2

Therefore, to reflect the DfE guarantee, to include the potential for it to be withdrawn or amended, all academies will be considered to have the same covenant strength and placed in the employer category 2. However, so as to distinguish the unique nature of academies in terms of the Fund's employer base and reflecting the additional level of security the guarantee provides when compared to bodies with no guarantee, the Fund will adopt a 20-year recovery for all academies. This treatment is consistent with the recovery period applied to district councils from which the academies convert.

Contribution rates for academies will be calculated to meet the broad intentions of ensuring they are in a similar financial position in respect of pension liabilities pre- and post-transfer to academy status at inception. The policy applied to academies will be reviewed from time to time and as and when any further guidance emerges.

Further education colleges

In 2013, the Local Government Association (LGA) provided guidance which confirmed that further education colleges were stand-alone organisations with no backing if they fail and, therefore, of an increased risk profile to the Fund. In addition, in October 2016, the Department for Education (DfE) released the response to a consultation on developing an insolvency regime for the further education and sixth form college sector. Essentially, the main focus of the consultation was to put in place procedures for colleges, broadly in line with those afforded to companies under the Insolvency Act 1986 (IA86), eg, in the private sector, to facilitate the rehabilitation of a college where possible; and where not, an orderly winding-up through voluntary or compulsory liquidation. The primary intention is continuity of service to protect learners via the introduction of a Special Administration Regime (SAR).

Whilst the Fund appreciates there is a robust financial monitoring and intervention regime planned for such organisations post-area review, the new regime could represent a greater degree of risk for the Fund and its other participating employers.

The categorisation of further education colleges represents the financial risk review and nature of employer relative to other employers in the Fund. The Fund will continue to review how the funding strategy applies to this group of employers, as the sector consolidates following the Area Review and the insolvency regime is finalised.

Any pension liability resulting from a college which becomes insolvent falls on the other employers within that Fund and ultimately the taxpayer; therefore, measures need to be in place to ensure that the associated risk is mitigated as much as possible. In line with guidance from CIPFA, the Fund is required to guard against the consequences of the risk of employer default.

INVESTMENT STRATEGY STATEMENT (ISS) 2018

Investment Strategy Statement 2018

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in force from 1 November 2016, require administering authorities to publish their first Investment Strategy Statement (ISS) by 1 April 2017. The ISS replaces the current Statement of Investment Principles (SIP) and, under the new regulations, must be prepared in accordance with the statutory guidance issued by DCLG in September 2016. The current version was approved by Pensions Committee in March 2018.

A link to the previous SIP can be found here:
http://www.wmpfonline.com/CHttpHandler.ashx?id=7813&p=0

---

1 Introduction

This is the Investment Strategy Statement (the 'ISS') of the West Midlands Pension Fund (the Fund) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 'Regulations'). In preparing the ISS, the Pensions Committee has consulted with such persons as it considered appropriate.

The City of Wolverhampton Council is the administering authority for the Fund under the regulations. The City of Wolverhampton Council delegates responsibility for the administration and management of the Fund to the Pensions Committee. The Managing Director of the City of Wolverhampton Council delegates certain responsibilities to the Director of Pensions who, in turn, delegates to the fund managers. The Investment Advisory Panel advises the Director of Pensions on investment issues relating to the Fund.

The Pensions Committee has oversight of the implementation of the management arrangements for the Fund's assets and comprises of representatives from the seven district councils and three local trade unions. The Fund has a statutory Local Pensions Board whose role is to assist in the good governance of the scheme by ensuring compliance with statutory and regulatory duty. Neither the Local Pensions Board nor the Investment Advisory Panel have any decision-making powers. Roles and responsiblibites are set out in more detail in Appendix A.

The Committee's investment objectives are represented by the Strategic Investment Allocation Benchmark (SIAB) included as Appendix B. This reflects the Committee's views on the appropriate balance between generating long-term investment return and taking account of market volatility and the risk and nature of the Fund liabilitites. The Fund's Statement of Investment Beliefs, as adopted by the Pensions Committee, are set out in Appendix C. The ISS is subject to review at least every three years and from time to time on any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which are judged to have a bearing on the stated investment policy. In line with other Fund policies, the ISS will be reviewed annually. In preparing this ISS, the Committee has considered advice from the Fund's investment consultant.

Related Fund policies and statements are as follows and are publicly available on the Fund's website:

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

2 Fund objectives

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

The Committee aims to fund the Fund in such a manner that, in normal market conditions and within a reasonable period, all accrued benefits are fully covered by the value of the Fund's assets and that an appropriate level of contributions is agreed by the employers to meet the cost of future benefits accruing. For employee members, benefits will be based on service completed but will take account of future salary increases. Following the introduction of the career average revalued earnings (CARE) Scheme from April 2014, benefits accrued after this date will be based on the salary in each year of service but will take account of future inflation increases.

In addition, the Fund has the following objectives:

- Partnering for success
- Responsible asset owner, employer and local community partner
- Investing to increase capacity
- Drive efficiency and cost savings
- Engage to improve outcomes for customers

The funding objectives are set out in the *Funding Strategy Statement*.

3 Risk

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

Funding risks

a) The risk of a deterioration in the funding level of the Fund. This could be due to assets failing to grow in line with the developing cost of meeting liabilities or economic factors such as unexpected inflation increasing the pension and benefit payments.

The Fund manages this risk by setting a strategic asset allocation benchmark that seeks to achieve the appropriate balance between generating a satisfactory long-term return, while taking account of market volatility and the nature of the Fund's liabilities. It assesses risk relative to that benchmark by monitoring the Fund's asset allocation and investment returns relative to the benchmark. It also assesses risk relative to liabilities by monitoring the delivery of benchmark returns relative to liabilities.

b) The risk of changing demographics such as improvement in longevity and other demographic factors, increasing the cost of benefits.

The Fund monitors this by reviewing mortality and other demographic experience and assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

c) **Systemic risk**, ie, the possibility of failure of asset classes and/or active investment managers results in an increase in the cost of meeting the liabilities.

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

d) **Inflation risk**
The Fund mitigates inflation risk through holding a portfolio of growth and inflation linked assets. Inflation risk is considered annually in the review of the SIAB and triennially as part of the actuarial valuation.

e) **Future investment returns (discount rate) risk**
The funding and investment strategies are interlinked and discount rate risk is mitigated through derivation based on the underlying long term investment strategy. Discount rates are considered annually in the review of the SIAB and triennially as part of the actuarial valuation.

f) **Currency risk**
The risk that the currency of the Fund's SIAB underperforms relative to sterling (ie, the currency of the liabilities).

The currency risk of the benchmark is considered annually in the review of the SIAB. Recommended changes will be expressed through changes in the benchmark and implemented by the investment managers.

The Fund is aware that investing in overseas equities introduces an element of currency risk, but given the level of diversification within the Fund, it is comfortable taking this risk in general but may take action to mitigate potentially significant risks as and when they are identified.

Asset risks (the portfolio versus the SIAB)

a) Concentration risk that a significant allocation to any single asset category and its underperformance relative to expectation would result in difficulties in achieving funding objectives.

b) Illiquidity risk that the Fund cannot meet its immediate liabilities because it has insufficient liquid assets.

c) Currency risk that the currency of the Fund's assets underperforms relative to the SIAB.

d) Manager underperformance when the Fund managers fail to achieve the rate of investment return assumed in setting their mandates.

e) Responsible investment (RI) risks that are not given due consideration by the Fund or its investment managers.

The Fund manages these asset risks by:

- constraining how far Fund investments deviate from the SIAB by setting diversification guidelines and the SIAB strategic ranges;
- investing in a range of investment mandates, each of which has a defined objective, performance benchmark and manager process which, taken in aggregate, constrain risk within the Fund's expected parameters;
- investing across a range of liquid assets, including quoted equities and bonds. This recognises the Fund's need for some access to liquidity in the short term;
- robust financial planning and clear operating procedures for all significant activities including regular review and monitoring manager performance against their mandate and investment process;
- appointing several investment managers. In doing so the Fund has considered the risk of underperformance by any single investment manager; and
- the Fund actively addresses environmental, social and governance risks through implementation of its *Responsible Investment (RI) Framework* and its *Compliance with the UK Stewardship Code for Institutional Investors*. Both documents are available on the Fund's website.

The Fund invests in accordance with the investment restrictions stipulated by the Local Government Pension Scheme (Management and Investment of Funds) Regulations (as updated).

Investment Strategy Statement 2018

Operational Risk

a) Transition risk of incurring unexpected costs in relation to the transition of assets among managers.

When carrying out significant transitions, the Fund takes professional advice and considers the appointment of specialist transition managers in order to mitigate this risk when it is cost effective to do so.

b) Custody risk of losing economic rights to Fund assets, when held in custody or when being traded.

These risks are managed by:

- the use of a global custodian for custody of assets;
- the use of formal contractual arrangements for all investments; and
- maintaining independent investment accounting records.

c) Credit default with the possibility of default of a counter party in meeting its obligations. The Fund monitors this type of risk by means of:

- maintaining a comprehensive risk register with regular reviews;
- operation of robust internal compliance arrangements;
- in-depth due diligence prior to making any investment; and
- maintaining an approved counterparty list with regular review of credit ratings.

The Fund monitors and manages risks in all areas through a process of regular scrutiny/oversight and reporting of KPIs of its service providers and audit of the operations they conduct for the Fund.

4 Investment strategy

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

The Committee monitors investment strategy relative to the agreed asset allocation benchmark and strategic ranges. If ranges are breached, then appropriate action is taken by the fund manager. In addition to ongoing monitoring, the investment strategy is formally reviewed by Pensions Committee each year. Furthermore, specific consideration is given to investment strategy in the light of information arising from each triennial actuarial valuation.

5 Diversification

The Fund will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund. Appendix B shows the Strategic Investment Allocation Benchmark (SIAB) and strategic ranges.

The Fund will use risk attribution provided by independent advisors to assess diversification benefits.

6 Day-to-day management of the assets

Investment management structure

The Pensions Committee retains responsibility for the investment strategy of the Fund but has delegated oversight of its implementation to the Director of Pensions.
The day-to-day management of the Fund's investments and external managers is delegated to the investment managers. Further details are set out in Appendix A.

Internally-managed assets

A significant amount of investment is carried out by the Fund internally. The majority of quoted equities are managed in-house, both passively and actively. Where appropriate skills are not available internally, external investment managers are used. Internal portfolios are set a clear investment mandate with an accompanied investment process written by the mandate manager. Oversight of performance is the responsibility of the Chief Investment Officer working with the Director of Pensions.

External investment managers

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

Suitable investments

Subject to the LGPS regulations on allowable investments the fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies (including insurance-linked securities and loans), private equity and debt markets, infrastructure and property. Investment may be made in-house, indirectly (via pooled funds or partnership agreements), in physical assets or using derivatives. The Fund will also use external managers to carry out stock lending ensuring suitable controls/risk parameters are put in place to prevent losses. Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it will not be held.

When new asset classes are proposed, approval is sought from the Pensions Committee after receiving advice on their suitability and diversification benefits.

The Fund may make use of contracts for difference and other derivatives either directly or in pooled funds when investing in these products, for the purpose of efficient portfolio management or to hedge specific risks.

The Fund, after seeking appropriate investment advice, has agreed specific benchmarks with each manager so that, in aggregate, they are consistent with the overall asset allocation for the Fund. The Fund's investment managers will hold a mix of investments which reflects their views relative to their respective benchmarks. Within each major market and asset class, the managers will maintain diversified portfolios through direct investment or pooled vehicles and a mix of asset types across a range of geographies in order to provide diversification of returns.

Expected return on the investments
Over the long-term, it is expected that the investment returns will be at least in line with the assumptions underlying the actuarial valuation (the discount rate). The individual mandates are expected to match or exceed the specific targets set for each portfolio over time.

Investment restrictions
Operating within LGPS regulations, the Fund determines investments that are acceptable and approved as such by the Pensions Committee. The valuation of specific investments, from those acceptable, are made using the Fund's due diligence procedures and in accordance with its Investment Compliance Manual.

Additional assets
Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Equitable Life and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked funds and deposit funds.

The Fund monitors, from time to time, the suitability and performance of these vehicles. No new business is being placed with Equitable Life.

Realisation of investments
In general, the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Fund's liquidity characteristics are monitored on a regular basis and the majority of the Fund's investments may be realised quickly, if required. Private equity and a number of the Fund's alternative investments, may be difficult to realise quickly in certain circumstances The Fund will ensure that the liquidity of the investments is suitable to meet future cashflow requirements.

Monitoring the performance of Fund investments
The performance of the internally managed assets and of the external investments is independently measured. In addition, officers of the Fund meet external investment managers (both segregated and pooled) regularly to review their arrangements and the investment performance. The Pensions Committee meets regularly and reviews markets and Fund performance at least annually.

7 Day-to-day custody of the assets

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

8 Securities lending

Securities lending is undertaken in respect of the Fund's quoted equities holdings through the custodian/asset servicer. There is a formal securities lending agreement and approved collateral. Securities lending may also take place in pooled investment vehicles held by the Fund.

9 Pooling

The Fund is entering the LGPS Central pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to more uncorrelated asset classes. As an FCA-registered investment manager, LGPS Central will deliver enhanced governance, transparency and reporting giving the Fund assurance that its investments are being implemented effectively

The Fund intends to invest all its assets into the LGPS Central pool, transitioning over time and maintaining operational cash balances within the Fund. Investment strategy will continue to be set by the Pension Committee who will also continue to oversee impelementation of the investment strategy with the assistance of Fund officers and independent advisors.

10 Responsible investment

The Fund's approach to responsible investment is set out below and further detailed in its Responsible Investment Framework. The Fund believes that effective management of financially material responsible investment (RI) risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate responsible investment factors (adding corporate governance, environmental and social factors to the existing financial factors) into the investment process across all relevant asset classes. The Fund will vote on all investments where possible and engage with companies when engagement will add value to the Fund.

The Fund is a signatory to the Stewardship Code (see www.wmpfonline.com) and the Principles of Responsible Investment. The Fund works with like-minded investors to promote best practice in long-term stewardship of investments. The Fund will not seek to exclude investments that are not barred by UK law.

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

RI integration
The Fund believes that effective management of financially material RI risks should support the Fund's requirement to protect returns over the long term. Investment managers incorporate RI into their investment process. With regard to climate change risk, the Fund recognises that the scale

Investment Strategy Statement 2018

of the potential impact is such that a proactive and precautionary approach is needed in order to address it. RI investments will be considered where any non-financial benefit is aligned with a positive financial benefit. The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.

The Fund recognises the need to operate at a market-wide level to promote improvements that will help it to deliver sustainable long-term growth.

Engagement versus exclusion
Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events. There is risk but also opportunity in holding companies that have weak governance or financially material RI issues. Thus, the Fund prefers to adopt a policy of risk monitoring and engagement in order to positively influence company behaviour and enhance shareholder value, influence that would be lost through a divestment approach. The Fund extends this principle of 'engagement for positive change' to the due diligence, appointment and monitoring of external fund managers who are at an early stage of developing their RI approach.

The Fund believes that it will improve its effectiveness by acting collectively with other like-minded investors because it increases the likelihood that it will be heard by the company, fund manager or other relevant stakeholder compared with acting alone.

Voting
Where practical, the Fund aims to vote in every single market in which it invests in alignment with corporate governance best practice guidelines. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers.

11) Compliance with this statement

The Fund will monitor compliance with this statement. In particular, it will ensure its investment decisions are exercised with a view to giving effect to the principles contained in the statement, so far as is reasonably practicable.

12) Compliance With Myners

Following from the Myners' report of 2000 into institutional investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations identifying investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Myners' principles have since been updated, and the Fund continues to support and comply with them. Full details of compliance are set out in the *Fund's Compliance with Myners' Statement* which can be found on the Fund's website.

List of appendices

- **Appendix A** – Roles and Responsibilities
- **Appendix B** – Strategic Allocation Investment Benchmark (SIAB) and Ranges
- **Appendix C** – Statement of Investment Beliefs

Appendix A: Roles and responsibilities

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

The City of Wolverhampton Council each year at annual council appoints elected councillors to sit on the Pensions Committee and allows nominations from the district councils to sit as full members. These nominations are received each year and are appointed at annual council.

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

The key duties in discharging this role are:

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

The Pensions Committee also has oversight of the implementation of the management arrangements and key duties are:

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

The Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the pensions staff delivering Fund services. The Committee are advised and supported by the Director of Pensions, Independent advisors and Senior Finance and Legal Officers from the City of Wolverhampton Council.

Local Pensions Board

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

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

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

Investment Advisory Panel

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

The Investment Manager

The Investment Manager carries out the investments for the Fund. In April 2018 this will become LGPS Central, who will manage assets on behalf of all partner funds in the Pool.

Delegated responsibility will be governed by an Investment Management and Advisory Agreement.

Investment Strategy Statement 2018

Appendix B: Strategic allocation investment benchmark and ranges

	Medium-term asset allocation March 2018 %	%	Medium-term strategic range %
Growth			
Quoted equities	48.0		
Private equity	10.0		
Special opportunities	2.0		
Total growth		**60**	**50-70**
Income			
Property	10.0		
Emerging market debt	3.5		
Other fixed interest	3.5		
Real assets and infrastructure	6.0		
Insurance-linked	3.0		
Total income		**26**	**16-36**
Stabilising			
UK index-linked	5.0		
UK gilts	2.0		
Corporate bonds	2.0		
Cash/liquid assets	2.0		
Cashflow matching	3.0		
Total stabilising		**14**	**9-19**
Total Fund		**100**	

Appendix C: Statement of Investment Beliefs

The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's exposures to investment risk. They are as follows:

Financial market beliefs

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. As taking calculated risks does not guarantee returns, investment losses or below expected returns are possible outcomes.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for skilled active managers.
- In making investments in illiquid assets, a return premium should be sought.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.
- The Fund believes that investing for the long term can add value to the fund as it allows the Fund manager to focus on long-term value and use short-term volatility to establish favourable investments.
- Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it should not be held.
- Currency risk should be reviewed and managed according to the benchmark set for currency hedging.

Investment strategy/process beliefs

Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.

Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.

- Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty, conflicts of interest and reputational risk need assessment and management, in addition to investment risk.
- Concentrated portfolios (smaller numbers of holdings or fewer external managers) allow for greater investment focus, lower investment costs and enable more focused engagement with responsible investment
- Managing fees and costs matter especially in low-return environments. Fee arrangements with our Fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.

Organisational beliefs

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- Internal asset management benefits the Fund through lower costs, greater transparency, customised responsible investment and increased focus. Management areas where it is difficult or not possible to obtain the right expertise should be managed externally.
- When outperformance of a desired benchmark is not possible, the Fund will use index funds, financial instruments or proxies (investments that share similar characteristics) to gain exposure to the asset class in the most cost-effective way.
- Investment costs are necessary to generate outperformance in asset classes where outperformance is achievable. Investment costs are a certain cost that should be fully transparent and managed by the operator in the best interests of the Fund.

Responsible investment beliefs

- Effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible investment should be integrated into the investment process.
- The Fund will manage responsible investment factors through engagement rather than exclusions.

ADMINISTERING AUTHORITY POLICY STATEMENT 2018

Under the LGPS Regulations, the Fund is required to formally publish its policy on "discretions". Discretions is taken to include where the administering authority is required to carry out a task, but an element of choice is seen to exist as to how the task is completed.

Unless stated otherwise the references to regulations are to the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014, the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007(as amended), the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 and the Local Government Pension Scheme Regulations 1997 (as amended).

The following prefixes will be used in this document to indicate the relevant regulations:

- the Local Government Pension Scheme Regulations 2013 [prefix R]
- the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 [prefix TP]
- the Local Government Pension Scheme (Administration) Regulations 2008 [prefix A]
- the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) [prefix B]
- the Local Government Pension Scheme (Transitional Provisions) Regulations 2008 [prefix T]
- the Local Government Pension Scheme Regulations 1997 (as amended) [prefix L]

Admission of Admission Bodies [Regulation R4, R3(5) RSch2]

The administering authority may make an admission agreement with any admission body. The administering authority can also make admission agreements with a Care Trust, NHS Scheme employing authority or Care Quality Commission.

The Council will usually agree to an admission agreement with an admission body that is regarded as having a community of interest, provided it is satisfied about the long term financial security of the body or it has a public sector guarantee. The administering authority will enter into an admission agreement with other admission bodies provided that any requirements it has set down are met.

Right to Terminate Admission Agreement [RSch2]

The administering authority has the right to terminate an admission agreement in prescribed circumstances.

The Council shall retain the right to terminate an admission agreement in the event of:

a) The insolvency, winding up or liquidation of the admission body,

b) A material breach by the admission body of any of its obligations under the admission agreement or these regulations which has not been remedied within a reasonable time, or

c) A failure by the admission agreement to pay any sums due to the Fund within a reasonable period after receipt of a notice from the administering authority requiring it to do so.

Additional Pension Contributions [R16]

The administering authority may turn down a request to pay an additional pension contribution (APC) or shared-cost additional pension contribution (SCAPC) over a period of time where it would be impractical to allow such a request. The member would still be able to pay via a single lump-sum payment.

Due to the administration costs involved requests to pay additional pension contributions or shared-cost additional pension contributions over a period of time in order to address an absence from work of less than ten working days will be refused unless there are exceptional circumstances.

Medical Examination Required for Purchase of APC/SCAPC [R16]

The administering authority may require the member to undergo a medical at their own expense and may refuse an application if the authority is not satisfied that the member is in reasonably good health.

The Council will require that a member provides satisfactory medical evidence to ensure they can be reasonably expected to complete the contract undertaken and will not retire due to a pre-existing medical condition on health grounds. No medical shall be required if the member is paying for the additional pension by means of a lump-sum payment.

Payment of Additional Voluntary Contributions on the Death of a Member [R17]

The administering authority shall decide to whom to pay any AVC monies, including life assurance monies which are to be paid to on death of a member.

The Council will decide based on the individual circumstances of the case, who should receive payment of the monies having regard to the requirement that it should be paid to or for the benefit of the member's nominee, personal representative or any person appearing to the authority to have been a relative or dependent of the member.

Administering Authority Policy Statement 2018

Provision of Estimates in Relation to Transfers of AVCs/FSAVCs [TP15 and A28]

The administering authority may charge a member for providing an estimate of additional pension that would result from a transfer of in house AVC/SCAVC contributions.

The Council has determined that it will not charge for such estimates.

Pension Accounts [R22]

A pension account may be kept in any form that the administering authority considers appropriate.

The Council will decide the form in which pension accounts are kept based upon any published information or best practice and in an efficient manner.

Concurrent Employment and the Absence of an Election Form [TP10]

The administering authority shall decide in the absence of an election form from the member within 12 months of ceasing a concurrent employment, and where there is more than one ongoing employment which ongoing employment the benefits from the concurrent employment should be aggregated with.

The one with the longest likely lifespan or the ongoing employment that is most similar to the one that has ceased will be selected.

Retirement Benefits [R30]

The administering authority, in cases where the current employer or the former employer has ceased to be a scheme employer, may consent to waive, in whole or in part the actuarial reduction where the member voluntarily draws their pension before normal pension age.

The administering authority may also in cases where the current employer or the former employer has ceased to be a scheme employer may consent to waive, in whole or in part the actuarial reduction on benefits paid on flexible retirement. Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Strain on the Fund [R68]

The administering authority may require an employer who allows a member to retire by reason of flexible retirement, redundancy or business efficiency to pay the additional charge on the Fund. This also includes the cost where the employer has chosen to waive any reduction on flexible retirement or where the member voluntarily draws benefits before normal retirement age.

The Council will require an employer to make the appropriate payment to meet the additional charge where the member has retired early through flexible retirement, redundancy, business efficiency or where the employer has exercised their discretion to waive any reduction as a result of flexible retirement or voluntary retirement.

Switching on the Rule of 85 [TP Sch 2]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to switch on the 85-year rule where the member is voluntarily drawing benefits on or after age 55 and before age 60.

Where a request is received, it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Waiving the Reduction [TP Sch 2 & B30]

In cases where the current employer or former employer has ceased to exist, the administering authority may consent to waive any actuarial reduction on the benefits on pre- and/or post-April 2014 benefits.

Where a request is received it will be considered on an individual basis and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justified.

Strain on the Fund [TP Sch 2]

The administering authority may require an employer to pay any additional costs as a result of the employer waiving the reduction in cases where the employer has consented to the early payment of benefits before age 60 under Benefit Regulation 30.

The Council will normally require the employer to make the additional payment to meet any additional cost.

Extension of the Time Limit to Draw Benefits [R32]

The administering authority shall decide whether to extend the time limits in which a member must give notice of their wish to draw their benefits before normal retirement age or upon flexible retirement.

Where a request is received asking for the time limit to be extended, the individual circumstances will be considered on whether it is appropriate to extend the time limit.

Commutation of Small Pensions [R34 & B39]

The administering authority may commute a small pension into a single lump-sum.

The administering authority will commute small pensions when a member has made a request.

Independent Registered Medical Practitioner – Approval [R36 & A56]

The administering authority shall approve the choice of the medical practitioner used by the employer for ill-health retirement.

A medical practitioner who is registered with the General Medical Council and who has the appropriate qualifications specified in the regulations will be approved.

Certificate Produced by an IRMP Under the 2008 Scheme [TP]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority can use a certificate produced by an IRMP under the 2008 scheme to make a determination under the 2014 scheme.

The certificate will be allowed except in circumstances of a particular case the certificate is not compliant with the requirements of the 2014 scheme.

Early Payment on Ill-Health Grounds – Deferred Member [R38]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority shall decide whether the deferred member meets the criteria of being permanently incapable of carrying out their former job and are unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Early Payment on Ill-Heath Grounds – Deferred Pensioner Member [R38]

In cases where the employer or the former employer has ceased to be a scheme employer, the administering authority can decide whether a deferred pensioner is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Payment of the Death Grant [R40, R43, R46, TP17 & B23, B32, B35]

The administering authority has absolute discretion in determining the recipients of any death grant payable from the scheme.

Normally, the death grant will be paid to the nominated beneficiary or the death grant could be paid to the estate of the deceased. Where either or both of these options are seen to be inappropriate or impossible, the Council shall exercise its absolute discretion as to who should receive the death grant.

No Double Entitlement - Benefits Due Under Two or More Regulations [R49 & B42]

The administering authority may decide, in the absence of an election form from a member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations for the same period of scheme membership.

The member would be notified of the payment of the benefit that would provide the highest level of payment.

Admission Agreement Funds [R54]

The administering authority may establish an admission agreement fund.

The Council has chosen not to set up an admission agreement fund.

Governance Compliance Statement [R55]

The administering authority must prepare a governance policy stating whether the administering authority delegates its functions or part of its functions in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority, and if they do so delegate, state:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings; and
- whether representatives of employing authorities or members are included and if so whether they have voting rights.

  The policy must also state:

- the extent to which a delegation, or the absence of a delegation, complies with Secretary of State guidance and to the extent it does not so comply, state the reasons for not complying; and
- the terms, structure and operational procedures appertaining to the local Pensions Board.

The *Governance Compliance Statement* will be prepared, maintained and published. A copy will be made available on our website at wmpfonline.com

Funding Strategy Statement [R58]

The administering authority must after appropriate consultation prepare maintain and publish a statement setting out its funding strategy. The statement has to be published no later than 31 March 2015.

The Funding Strategy Statement will be prepared, maintained and published. A copy will be made available on our website at wmpfonline.com

Administering Authority Policy Statement 2018

Pension Administration Strategy [R59]

The administering authority may prepare and publish a pension administration policy and the matters it should include.

The administering authority will publish a pension administration strategy after consultation and it will be kept under review.

Communications Policy [R61]

The administering authority must prepare and publish its communication policy. It must set out its policy concerning communication with members, representatives of members, prospective members and scheme employers, as well as the format, frequency and method of communications, and the promotion of the scheme to prospective members and their employers.

The administering authority will publish and maintain a communications policy, a copy of which will be made available on our website at wmpfonline.com

Revision of Employer's Contribution Rate [R64]

The administering authority may obtain from the actuary, a certificate revising the employer contribution rate, if there are circumstances which make it likely a scheme employer will become an exiting employer.

A revised additional rate and adjustments certificates regarding employer contributions will be obtained where it appears to be appropriate.

Aggregate Scheme Costs – Revised Certificates [R65]

The administering authority may obtain a new rates and adjustments certificate if the Secretary of State amends the regulations as part of the 'cost-sharing' arrangements.

A new rates and adjustments certificate will be obtained where it appears to be appropriate.

Employer Contributions – Dates for Payment [R69]

The administering authority shall decide on the dates which contributions are to be paid over to the Fund.

All contributions (apart from additional voluntary contributions) should be credited to the Fund without delay by the 19th of the month following the month in which they fall due.

Information Provided by Employers About Contributions – Frequency and Format [R69]

The administering authority shall decide on the form and frequency of the information to accompany payments to the Fund.

The administering authority will provide to employers the specified formats that employers are to use for their year-end returns. A notification will be issued each year to inform employers of the deadline to submit this data along with any format changes that will be required. The Fund requires this data to be submitted to them no later than 30 April.

Notice to Recover Costs Due to Employer's Performance [R70]

The administering authority will decide to issue the employer with a notice to recover additional costs incurred as a result of the employer's level of performance.

The Council will review from time to time whether to issue an employer with notice to recover additional costs incurred as a result of the employer's level of performance.

Employer Payments – Interest on Overdue Payments [R71]

The administering authority may charge interest on payments by employers which are overdue.

The Council reserves the regulatory-prescribed right to require interest to be paid when payments are overdue by more than one month. Interest must be calculated at one per cent above base rate on a day-to-day basis from the due date to the date of payment and compounded with three monthly rests.

Procedure to be Followed When Exercising Stage 2 Dispute Functions and the Manner in Which Those Functions are to be Exercised. [R76 & A60]

The administering authority will decide how it will exercise its stage-two dispute procedure and the procedure to be followed.

The review would be undertaken by a person not involved in the first-stage decision and by a person appointed to deal with disputes referred to it under stage 2. The Council will ensure suitable procedures are in place.

Appeal to the Secretary of State Against Employer Decision [R79 &A63]

The administering authority may appeal to the Secretary of State against an employer decision or lack of an employer decision.

The Council will appeal to the Secretary of State if it believes an employer has made (or failed to make) a decision that is both wrong in law and material and where we have been unable to persuade the employer to alter its actions.

Exchange of Information [R80]

The administering authority shall specify the information to be supplied by employers to enable the administering authority to discharge its function.

The Council will specify the information that is to be supplied by employers having regard to the regulatory requirements and best practice.

Making Payments in Respect of Deceased Person Without Probate/Letters of Administration [R82 & A52]

The administering authority may pay the whole or part of the amount due from the Fund to the personal representatives or any person appearing to be beneficially entitled to the estate without the production of probate or letters of administration where the amounts due are less the amount specified in section 6 of the Administration of Estates (Small Payments) Act 1965.

Payment will normally be made without the production of probate or letters of administration where the amount is below the specified amount.

Payments for Persons Incapable of Managing Their Affairs [R83 & A52]

The administering authority may decide where a person (other than an eligible child) appears incapable of managing their affairs, to pay the whole or part of that person's pension benefits to another person to be applied for the benefit of the member.

Where, in the Council's opinion, a member is unable to manage their own affairs then, having considered the individual circumstances of the particular case, they may decide to pay some or all of the benefits to someone else to be applied for the benefit of the member.

Date to Which Benefits Shown on Annual Benefits Statement are Calculated [R89]

The administering authority will decide the date to which benefits shown on the annual benefits statement are calculated.

The date will be selected having had regard to regulatory requirement and best practice.

Bulk Transfer (Transfer of Undertakings) [R98]

The administering authority must agree any bulk transfer payment.

The terms of the bulk transfer will be discussed with the Fund's actuary and, once all parties are in agreement, payment will be made.

Transfers into the Fund and Extension of 12-Month Time Limit [R100]

The administering authority may accept a transfer value of pension rights into the Fund and may also extend the time limit of 12 months from the date the member first became an active member in their current employment.

The Council will accept a transfer value where a request is made. The Council will only agree to extend the time limit where the appropriate employer has agreed to extend the time limit.

Final Pay Reductions [TP]

The administering authority will decide whether to use an average of three years pay for final pay purposes where the member has died before making an election.

The pay figure which provides the highest overall level of benefits will be selected.

Permanent Reductions in Pay- Certificates of Protection [TP & TSch1 &L23(9)]

The administering authority will decide for a member who has a certificate of protection who has died before making an election which pay figure should be used for final pay purposes.

The pay figure which provides the highest overall level of benefits will be selected.

Eligible Child – Ignoring Breaks [RSch1 & TP]

The administering authority may treat a child as being in continuous educational or vocational training despite a break.

The Council will accept short breaks and also gap years as being breaks in education, and will restart a suspended child's pension at the end of such a break or gap.

Financial Dependence/Interdependence of Cohabiting Partner [RSch &TP& B25]

The administering authority will decide upon the evidence required to determine the financial dependence or financial interdependence of the cohabiting partner and the scheme member.

The Council will provide details of the evidence required taking account of any guidance provided.

Abatement of pre-1 April 2014 Pension [TP & A70]

The administering authority shall decide whether and how to abate the pre-1 April 2014 pension element following re-employment of a scheme pensioner by a local government employer.

In the event of a scheme pensioner obtaining further employment with a scheme employer, the pension will not be abated. The Fund resolved from 1 September 2006 not to abate pension on re-employment.

Extension of Time Period for Capitalisation of Added Years Contract [TP & TSch1 & L83(5)]

The administering authority may extend the time allowed to a member who has an added-years contract and who is made redundant to decide whether to pay a capital payment.

The Council will apply the prescribed three-month time limit, unless there are individual circumstances which need to be considered in deciding whether to grant an extension of the time limit.

Administering Authority Policy Statement 2018

Recovery of Unpaid Employee Contributions as Debt/From Benefits [A45]

The administering authority may recover any outstanding employee contributions as a debt or as a deduction from the benefits.

The Council will, where practical deduct any unpaid employee contributions from the benefits relating to the membership to which the unpaid contributions relate.

Consent for Early Payment and Waiving of Reduction [B30]

The administering authority may consent to the early payment of deferred benefits for a member aged between 55 and 60 where the former employer has ceased to be a scheme employer, it may also consent to waive the reduction on compassionate grounds.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justifiable.

Application for Early Payment of a Suspended Tier 3 Ill-Health Pension and Waiving Reduction [B30]

The administering authority may consent to the request for the early payment of pension for a member, who left with a tier-3 ill-health pension that is suspended and who now is aged between 55 and 60 where the former employer has ceased to be a scheme employer.
The administering authority may also waive any reduction.

Where a request is received, it will be considered individually and on its own merit. However, where there is a cost, as this cost will have to be spread across all employers, the cost has to be justifiable.

Request for Early Payment of Deferred Benefits on Ill-Health Grounds [B31]

The administering authority may decide to agree to a request from a deferred member for early payment of benefits on ill-health grounds where the former employer has ceased to exist.

The Council will obtain an opinion from an IRMP as to whether the member meets the criteria of permanent ill health and reduced likelihood of gainful employment.

Spouses' Pensions Arising Under the 1995 Regulations Payable for Life

The administering authority shall decide to pay spouse's pensions for life for pre-1 April 1998 retirees/pre-1 April 1998 deferreds who die on or after 1 April 1998, rather than ceasing the pension during any period of marriage or cohabitation.

The Council has deemed that any spouses' pension that comes into payment is payable for life. This does not apply to spouses' pensions that ceased prior to 1 April 1998.

FURTHER INFORMATION

Participating Employers in the Fund as at 31 March 2018

Participating Employers in the Fund

Scheduled bodies

District councils

- Birmingham City Council
- City of Wolverhampton Council
- Coventry City Council
- Dudley Metropolitan Borough Council
- Sandwell Metropolitan Borough Council
- Solihull Metropolitan Borough Council
- Walsall Metropolitan Borough Council

Major employers

- The Chief Constable for West Midlands Police
- West Midlands Combined Authority
- West Midlands Fire and Civil Defence Authority

Universities

- Birmingham City University
- Coventry University
- University of Wolverhampton (The)
- University College Birmingham

Colleges of further education and higher education

- Birmingham Metropolitan College
- Cadbury Sixth Form College
- City of Wolverhampton College
- Coventry College
- Dudley College of Technology
- Halesowen College
- Hereward College
- Joseph Chamberlain College
- King Edward VI College
- Sandwell College
- Solihull College
- South and City College Birmingham
- Walsall College

Colleges of further education and higher education

Without active members

- Bournville College of Further Education
- Henley College
- City College Coventry
- Solihull Sixth Form College (The)

Other bodies

- Academy Transformation Trust
- Ace Academy - Education Central MAT
- Acocks Green Primary Academy
- Albert Bradbeer Junior School - Education Central MAT

Participating Employers in the Fund

- Alderbrook School
- Aldersley High School - Amethyst Academy Trust
- Aldridge School - A Science College
- All Saints National Academy - St Chads Academy Trust
- Alston Primary School - Leigh Trust
- Arden Academy - Arden MAT
- ARK Boulton Academy
- ARK Chamberlain Academy
- ARK Kings Academy
- ARK St Albans Academy
- ARK Tindal Primary Academy
- Arthur Terry Learning Partnership
- Aston Manor Academy
- Aston Tower Community Primary School - Aston Tower MAT
- Aston University Engineering Academy Birmingham
- Audley Primary School - DRB Ignite MAT
- Balsall Common Primary Academy - Central Schools Trust
- Barr Beacon School - Matrix Academy Trust
- Barr's Hill School - The Futures Trust
- Bartley Green School
- Beechwood C of E Primary School – DRB Ignite MAT
- Bentley Heath Church of England Primary School
- Berrybrook Academy- Perry Hall MAT
- Bickenhill & Marston Green Parish Council
- Billesley Primary Academy - The Elliot Foundation Academies Trust
- Birchills Academy - St Chads Academies Trust
- Birmingham Diocesan Academies Trust
- Birmingham Museums Limited
- Birmingham Ormiston Academy
- Bishop Milner Academy - St John Bosco CAT
- Bishop Vesey's Grammar School
- Bishop Walsh - John Paul II Multi-Academy
- Bloxwich Academy – Matrix Academy Trust
- Blue Coat Church of England (Walsall) Trust
- Blue Coat Church of England Academy Limited (The)
- Bordesley Village Primary School - Cromwell Community Learning Trust
- Bournville School and Sixth Form Centre - Fairfax MAT
- Bramford Primary - Griffin Schools Trust
- Brays School - Forward Education Trust
- Bristnall Hall Academy - Academy Transformation Trust
- British Sikh School (The) - The Khalsa Academies Trust
- Broadmeadow Special School - Central Learning Partnership Trust
- Broadway Academy
- Bromley-Pensnett Primary School (The) - DRB Ignite MAT
- Brownmead Primary Academy - Washwood Heath MAT
- Calthorpe Academy
- Calthorpe Vocational Centre - Calthorpe Vocational Trust
- Caludon Castle School

Participating Employers in the Fund

- Canterbury Cross Primary School - Canterbury Cross Educational Trust
- Cardinal Wiseman Catholic School - Romero MAC
- Castle Bromwich Parish Council
- Castle High School - Dudley Academies Trust
- Cedars Academy - Robin Hood MAT
- Chandos Primary School - The Elliot Foundation Academies Trust
- Chelmsley Wood Town Council
- Cheswick Green Parish Council
- Chilwell Croft Academy - Equitas Academies Trust
- Chivenor Primary School - Griffin Schools Trust
- City Road Academy - Birmingham City University Academies Trust
- Clifford Bridge Academy - Inspire Education Trust
- Cockshut Hill School - Ninestiles Academy Trust
- Colley Lane Primary Academy - Windsor Academy Trust
- Conway Primary School- Create Partnership Trust
- Corngreaves Primary - United Learning Academies
- Corpus Christi Catholic Primary - Pope John XXIII MAC
- Corpus Christi Catholic Primary School - Romero MAC
- Cottesbrooke Infant and Nursery School
- Coundon Court Academy
- Courthouse Green Primary School- Triumph Multi-Academy Trust
- Coventry and Solihull Waste Disposal Company Limited (The)
- Coventry University Enterprises Limited
- Crestwood School (The) - Invictus Education Trust
- Croft Primary Academy - The Elliot Foundation Academies Trust
- Cromwell Primary School - Cromwell Learning Community Academy Trust
- CTC Kingshurst Academy
- Damson Wood Infant Academy - Central Schools Trust
- Deanery Church of England School
- Devonshire Infant Academy - Victoria Academies Trust
- Devonshire Junior Academy - Victoria Academies Trust
- Dickens Heath Parish Council
- Dorrington Academy Trust
- Dudley Wood Primary School - Learning Link MAT
- Dunstall Hill Primary School - Perry Hall MAT
- D'Eyncourt Primary School - Central Learning Partnership Trust
- Earls High School (The)
- East Park Academy - Manor MAT
- EBN Free School
- Edgar Stammers Academy - Education Central MAT
- Edge Academy (The)
- Education Central MAT
- Edward the Elder Primary School - Elston Hall MAT
- Ellowes Hall Sports Academy - Invictus Education Trust
- Elston Hall Primary School - Elston Hall MAT
- Erdington Academy - Fairfax MAT
- Erdington Hall Primary Academy - Ninestiles Academy Trust
- Ernesford Grange Community Academy - Sidney Stringer Academy Trust

Participating Employers in the Fund

- Fairfax School - Fairfax MAT
- Fairway Primary Academy - Education Central MAT
- Fibbersley Park Academy - Victoria Academies Trust
- Field View Primary School - St. Martin's MAT
- Finham Park 2 - Finham Park MAT
- Finham Park School - Finham Park MAT
- Firs Primary School - Community Education Partnership Trust
- Fordbridge Parish Council
- Four Dwellings Academy - Academies Enterprise Trust
- Four Dwellings Primary Academy - Academies Enterprise Trust
- Futurelets Limited
- George Betts Academy - The Elliot Foundation Academies Trust
- George Dixon Academy
- Goldsmith Primary Academy - Windsor Academy Trust
- Good Shepherd Primary School - Romero MAC
- Goldthorn Park Primary - Elston Hall MAT
- Gossey Lane Academy - Washwood Heath MAT
- Grace Academy
- Great Barr Academy - The Shaw Education Trust
- Great Barr Primary School
- Green Meadow Primary School
- Greenholm Primary School
- Greenwich Leisure Limited
- Greenwood Academy - Academies Enterprise Trust
- Greet Primary School - Create Partnership Trust
- Grestone Primary Academy - Hamstead Hall Academy Trust
- Grove Primary School - St Martin's MAT
- Hall Green Secondary School
- Hallmoor School - Forward Education Trust
- Hamstead Hall Academy - Hamstead Hall Academy Trust
- Handsworth Wood Girls' Academy
- Harborne Academy
- Hawkesley Church Primary Academy
- Health Futures UTC
- Hearsall Community Academy - Inspire Education Trust
- Heart of England School
- Heartlands E-ACT Academy
- Heath Park Academy - Central Learning Partnership Trust
- Heathfield Primary School - Prince Albert Community Trust
- Heathlands Academy - Education Central MAT
- High Arcal School Academy Trust (The)
- Highfield Junior and Infant School - Prince Albert Community Trust
- Highfields School
- Hill Avenue Academy - Manor MAT
- Hill Farm Academy - Castle Phoenix Trust
- Hillcrest School and Sixth Form Centre
- Hillstone Junior and Infants Academy
- Hob Green Primary School - DRB Ignite MAT

Participating Employers in the Fund

- Hockley Heath Academy
- Hodge Hill School - Create Partnership Trust
- Holyhead Primary Academy - Shireland Collegiate Academy Trust
- Holly Hall Academy
- Holy Cross - John Paul II Multi-Academy
- Holy Rosary Catholic Primary - Pope John XXIII MAC
- Holy Trinity C of E Primary Academy (Handsworth)
- Holyhead School
- Hurst Hill Primary School - Hales Valley MAT
- Inspire Education Trust
- James Brindley School
- Jervoise School - DRB Ignite MAT
- John Henry Newman Catholic College
- Joseph Leckie Academy
- Jubilee Academy Mossley - Academy Transformation Trust
- Jubilee Park Academy Trust
- Kates Hill Primary School - Learning Link MAT
- Keresley Grange Primary Academy - The Futures Trust
- King Edward VI Handsworth Grammar School For Boys - King Edward VI Academy Trust
- King Edward VI Aston School (Academy)
- King Edward VI Camp Hill School for Boys (Academy)
- King Edward VI Camp Hill School for Girls (Academy)
- King Edward VI Five Ways School (Academy)
- King Edward VI Handsworth School (Academy)
- King Edward VI Sheldon Heath Academy
- King Solomon International Business School (The)
- Kings Norton Girls' School and Language College
- Kings Rise Academy - The Elliot Foundation Academies Trust
- Kingshurst Parish Council
- Kingswinford School and Science College (The)
- Knowle C of E Primary Academy
- Langley School
- Lapal Primary School - Hales Valley MAT
- Lea Forest Primary Academy - Academies Enterprise Trust
- Leasowes High School - Invictus Education Trust
- Leigh COE Primary Academy - Diocese of Coventry MAT
- Leigh Primary School - Leigh Trust
- LGPS Central Limited
- Light Hall School
- Lode Heath School
- Lodge Farm Primary School - Northwood Park Educational Trust
- Lordswood Boys School - Lordswood Academies Trust
- Lordswood Girls School and Sixth Form Centre - Lordswood Academies Trust
- Lutley Primary School - Hales Valley MAT
- Lyndon Academy - Ninestiles Academy Trust
- Lyng Hall School - Finham Park MAT
- Manor Park Primary Academy - REAch2 Academy Trust
- Manor Primary School - Manor MAT

Participating Employers in the Fund

- Manor Way Primary Academy - Windsor Academy Trust
- Mansfield Green E-ACT Primary Academy
- Marston Green Infant Academy
- Matrix Academy Trust
- Olive Hill Primary School - Stour Vale Academy Trust
- Meriden Parish Council
- Merritts Brook E-ACT Primary Academy
- Mesty Croft Academy
- Montgomery Primary Academy - Academies Enterprise Trust
- Moor Green Primary Academy - HTI MAT
- Moor Green Primary Academy - REAch2 MAT
- Moreton School - Amethyst Academy Trust
- Moseley Park School - Central Learning Partnership Trust
- Nansen Primary School - The Core Education Trust (formerly called Park View Educational Trust)
- Nechells Primary E-ACT Academy
- Netherbrook Primary School - Learning Link MAT
- Netherton COE Primary School - Diocese of Worcester MAT
- Ninestiles Academy Trust
- Nishkam School Trust
- Nonsuch Primary School - Barchelai MAT
- North Birmingham E-ACT Academy
- Northern House School (City of Wolverhampton) - Northern House School Academy Trust
- Northern House School (City of Wolverhampton) Primary PRU
- Northern House School Academy Trust
- Northfield Manor Primary Academy - Victoria Academies Trust
- Northwood Park Primary Academy
- Oaklands Primary - Ninestiles Academy Trust
- Oasis Community Learning - Blakenhale Infants
- Oasis Community Learning - Blakenhale Junior
- Oasis Community Learning - Foundry Primary
- Oasis Community Learning - Hobmoor Primary
- Oasis Community Learning - Matthew Boulton
- Oasis Community Learning - Short Heath Primary
- Oasis Community Learning - Woodview School
- Ocker Hill Junior Academy - Ocker Hill Academy Trust
- Oldbury Academy
- Oldknow Academy
- Orchards Primary Academy (The) - Education Central MAT
- Ormiston Academies Trust
- Ormiston NEW Academy
- Ormiston SWB Academy
- Ormiston Forge Academy
- Ormiston George Salter Academy
- Ormiston Sandwell Community Academy
- Ormiston Shelfield Community Academy
- Our Lady & St. Chad's Catholic Sports College - Pope John XXIII MAC
- Our Lady and St Hubert's Catholic Primary Academy - St Catherine of Siena MAC
- Our Lady of Fatima Catholic Primary Schoo l - St Nicholas Owen Catholic MAC

Participating Employers in the Fund

- Oval School (The) - DRB Ignite MAT
- Oxley Primary School - Reach2 Academy Trust
- Palmers Cross Primary Academy - Elston Hall MAT
- Park Hall Academy – Arden MAT
- Park Hall Infant Academy
- Park Hall Junior Academy
- Parkfield Academy Trust
- Parkfield Primary School - St Stephen's Church of England MAT
- Parkgate Primary School - The Futures Trust
- Pegasus Academy - Ninestiles Academy Trust
- Percy Shurmer Primary School
- Perry Beeches - The Academy
- Perry Hall Primary School
- Phoenix Academy - Academy Transformation Trust
- Places for People Leisure Limited (Sparkhill)
- Plantsbrook School – Plantsbrook Learning Trust
- Police and Crime Commissioner West Midlands
- Pool Hayes Academy - Academy Transformation Trust
- President Kennedy School – The Futures Trust
- Prince Albert Primary School – Prince Albert Community Trust
- Princethorpe Infant School- DRB Ignite MAT
- Priory Primary School - Hales Valley MAT
- Q3 Academy
- Queen Mary's Grammar School (Walsall)
- Queen Mary's High School (Walsall)
- Quinton Church Primary School - Barchelai MAT
- Radford Primary Academy - Sidney Stringer Academy Trust
- Reach Free School
- Reaside Academy - Education Central MAT
- Redhill School
- Reedswood E-ACT Primary Academy
- Ridgewood High School - A King Edward's and Halesowen Colleges' Academy Trust
- Riverbank Academy - Sidney Stringer Academy Trust
- Rivers Primary Academy - Windsor Academy Trust
- Robin Hood Academy
- Rockwood Academy - The Core Education Trust
- Romero Catholic Academy (The)
- Rookery School
- Rough Hay Primary School - The Elliot Foundation Academies Trust
- RSA Academy
- Ryder Hayes Academy Trust
- Sacred Heart Academy - Romero MAC
- Saltley Academy - Washwood Heath MAT
- Sandwell Academy
- Seva Free School - Sevak Educational Trust
- Shenley E-ACT Academy
- Shire Oak Academy Trust
- Shireland Collegiate Academy - The Collegiate Academy Trust

- Shireland Hall Academy - The Elliot Foundation Academies Trust
- Shirestone Community Academy - The Elliot Foundation Academies Trust
- Sidney Stringer Academy Trust
- Sidney Stringer Free Primary School - Sidney Stringer Academy Trust
- Silvertrees Academy Trust
- Sledmere Primary School - Learning Link MAT
- Small Heath Leadership Academy - Tauheedul Education Trust
- Smestow School - Education Central MAT
- Smith's Wood Academy- Fairfax MAT
- Smith's Wood Parish Council
- Smith's Wood Primary Academy
- Solihull Community Housing
- SS Mary and John's Catholic Primary Academy - Bishop Cleary Catholic MAC
- SS Peter and Paul Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
- SS Peter and Paul Catholic Primary School - Romero MAC
- St Bartholomew's C of E Primary Academy - Diocese of Coventry MAT
- St Bartholomew's C of E Primary School - St Batholomew's CE Multi Academy Trust
- St Brigid's Catholic Primary School - Lumen Christi Catholic MAT
- St Chad's Academy - The St John Bosco CAT
- St Clement's C of E Academy Nechells
- St Columba's Catholic Primary School - Lumen Christi Catholic MAT
- St Edmund's Catholic Academy - Bishop Cleary Catholic MAC
- St Francis CE Primary School and Nursery - Fioretti Trust
- St Francis Xavier Primary Academy - St Catherine of Siena MAC
- St George's Academy Newtown
- St George's C of E Primary School
- St Gregory's Academy - St Catherine of Siena MAC
- St Gregory's School Coventry - Romero MAC
- St James' Catholic Primary School - Lumen Christi Catholic MAT
- St John Fisher Primary School - Romero MAC
- St John's and St Peters C of E Academy - All Saints MAT
- St John's C of E Primary Academy - Diocese of Coventry MAT
- St John's C of E Primary Academy - St. Chad's Academy Trust
- St John's C of E Primary School
- St Joseph's Catholic Primary School - Lumen Christi Catholic MAT
- St Joseph's - John Paul II Multi-Academy
- St Joseph's Academy - The St John Bosco CAT
- St Josephs' Catholic Primary School - St Nicholas Owen Catholic MAC
- St Jude's Academy - The Wulfrun Academies Trust
- St Laurence's Primary Academy - Diocese of Coventry MAT
- St Martin's C of E Primary School - St. Martin's MAT
- St Mary's C of E Primary Academy and Nursery
- St Mary's Catholic Primary - Pope John XXIII MAT
- St Mary's Catholic Primary School - St Nicholas Owen Catholic MAC
- St Michael's C of E Primary Academy Handsworth
- St Michael's C of E Primary School - Barchelai MAT
- St Michael's Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
- St Nicholas' - John Paul II Multi-Academy

Participating Employers in the Fund

- St Patrick's Catholic Primary School - Romero MAC
- St Patrick's Church of England Primary Academy
- St Paul's C of E Primary Academy
- St Paul's Catholic Primary School - Lumen Christi Catholic MAT
- St Peter's Church of England Academy Trust
- St Philip's Catholic Primary Academy - St Catherine of Siena MAC
- St Stephen's Church of England Primary School - St Stephen's Church of England M
- St Teresa's Catholic Primary Academy - Bishop Cleary Catholic MAC
- St Thomas Aquinas Catholic Primary School - Lumen Christi Catholic MAT
- St Thomas CE Academy - All Saints MAT
- Stanton Bridge Primary School - Stanton Bridge MAT
- Stirchley Primary School - Evolve Education Trust
- Stoke Park School - The Futures Trust
- Streetly Academy (The)
- Streetsbrook Infant and Early Years Academy - Streetsbrook Academy Trust
- Stretton Primary Academy - Diocese of Coventry MAT
- Summerhill Primary Academy- Summer Park MAT
- Sutton Coldfield Grammar School for Girls Academy Trust
- Tame Valley Academy - Education Central MAT
- Tenterfields Primary Academy
- The Bridge School - Forward Education Trust
- The Hillcrest School and Community College - Dudley Academies Trust
- The Sixth Form College Solihull - Ninestiles Academy Trust
- The University of Birmingham School
- Thorns Collegiate Academy - Shireland Collegiate Academy Trust
- Tile Cross Academy - Washwood Heath MAT
- Three Spires Academy - RNIB Specialist Learning Trust
- Tile Hill Wood School and Language College
- Timberley Academy Trust
- Timbertree Primary - United Learning Academies
- Tiverton Academy - The Elliot Foundation Academies Trust
- Topcliffe School - Community Education Partnership Trust
- Town Junior School - Plantsbrook Academy Trust
- Tudor Grange Academy Solihull - Tudor Grange Academies Trust
- Tudor Grange Primary Academy St James - Tudor Grange Academies Trust
- Turves Green Primary School - Excelsior Multi Academy Trust
- Twickenham Primary Academy
- Urban Enterprises (Bournville) Limited
- Victoria Park Academy - Victoria Academies Trust
- Walsall City Academy Trust Limited
- Walsall Studio School - The Vine Trust
- Walsgrave C of E Academy - Inspire Education Trust
- Warren Farm Primary School
- Washwood Heath Academy - Washwood Heath MAT
- Waverley School - The Waverley Education Foundation Limited
- Waverley Studio College
- Wednesbury Oak Primary Academy
- Wednesfield High Specialist Engineering Academy - Education Central MAT

- West Midlands Construction UTC Trust
- West Walsall E-ACT Academy
- Westcroft Sport & Vocational College - Central Learning Partnership Trust
- Westminster Primary School - Westminster Academy Trust
- Westwood Academy (Coventry) (The)
- Whitley Academy
- Whittle Academy - Inspire Education Trust
- Willenhall E-ACT Academy
- Wilson Stuart School
- Windsor High School - Windsor Academy Trust
- WMG Academy for Young Engineers
- Woden Primary - Central Learning Partnership Trust
- Wodensborough Ormiston Academy - Ormiston Academies Trust
- Wolverhampton Girls High School
- Wolverhampton Homes
- Wolverhampton Vocational Training Centre - Central Learning Partnership Trust
- Wood Green Academy Trust
- Woodfield Infant School - St Bartholomew's COE MAT
- Woodfield Junior School - St Bartholomew's COE MAT
- Woodhouse Primary Academy - Education Central MAT
- Woodlands Academy of Learning
- Woodside Community School and Little Bears Nursery - Hales Valley Multi-Academy
- Wychall Primary School - DRB Ignite MAT
- Wyndcliffe Primary School - Leigh Trust
- Yardleys School
- Yarnfield Academy - Ninestiles Academy Trust
- Yew Tree Community Junior and Infant School - Inspire Education Community Trust

Other bodies with no active members

- ARK Rose Primary Academy
- Balsall Parish Council
- Baverstock Academy - The Leap Academy Trust
- Bickenhill Parish Council
- Black Country University Technical College
- Charles Coddy Walker Academy
- City of Wolverhampton Academy Trust
- Golden Hillock
- Mirus Academy - Walsall College Academies Trust
- Sandwell Homes Limited
- Walsall Adult Community College
- Woodlands Academy

Community of interest admission bodies - admitted bodies

With active members

- 4 Towers TMO Limited
- Acivico (Building Consultancy)
- Acivico (Design Construction and Facilities Management)
- Action Indoor Sports Birmingham CIC Limited

Participating Employers in the Fund

- Age Concern Birmingham
- Age Concern Birmingham (VSOP)
- Birmingham Institute for the Deaf
- Black Country Consortium Limited
- Black Country Museum Trust Limited (The)
- Black Country Partnership NHS Foundation Trust
- Bloomsbury Local Management Organisation Limited
- BME United Limited
- Brownhills Community Association Limited
- Bushbury Hill Estate Management Board Limited
- Chuckery Tenant Management Organisation Limited
- Central England Law Centre
- Coventry Sports Trust Limited
- CUL Academy Trust Limited
- Culture Coventry
- Delves East Estate Management Limited
- Dovecotes TMO
- Friendship Care and Housing Limited
- Home Start (Stockland Green/Erdington)
- Home Start (Walsall)
- Kingswood Trust
- Leamore Residents Association Limited
- Lieutenancy Services (West Midlands) Limited
- Lighthouse Media Centre
- Manor Farm Community Association
- Marketing Birmingham Limited
- Midland Heart Limited
- Murray Hall Community Trust Limited
- Murray Hall Community Trust Limited (Rowley and Tipton)
- Mytime Active
- New Heritage Regeneration Limited
- New Park Village Tenant Management Organisation
- Northern Housing Consortium Limited
- Optima Community Association
- Palfrey Community Association
- Penderels Trust Limited (The)
- S4E Limited
- Sandbank Tenant Management Organisation Limited
- Sandwell Community Caring Trust (The)
- Sandwell Community Caring Trust (The) (Sandwell Care Homes)
- Sandwell Children's Social Care Trust
- SIPS Education Limited
- Sandwell Leisure Trust
- Sickle Cell and Thalassaemia Support Project (Wolverhampton)
- St Columba's Church Day Centre
- Steps to Work (Walsall) Limited
- Titan Partnership Limited
- Voyage Care Limited

- Walsall Housing Group Limited
- WATMOS Community Homes
- Whitefriars Housing Group Limited
- Wildside Activity Centre
- Wolverhampton Grammar School
- Wolverhampton Voluntary Sector Council

Without active members

- Adoption Support
- Age Concern Wolverhampton
- Aston University
- All Saints Haque Centre
- Aquarius Action Projects
- Asian Welfare Centre
- Asian Women's Adhikar Association (AWAAZ)
- Belgrade Theatre Trust (Coventry) Limited
- Bilston and Ettingshall SureStart
- Birmingham and Solihull Connexions Services
- Birmingham and Solihull Learning Exchange (The)
- Birmingham Heartlands Development Corporation
- Black Business in Birmingham
- Black Country Connexions
- Black Country Museum Development Trust (The)
- Broadening Choices for Older People - terminated 16 May 2016
- Burrowes Street Tenant Management Organisations Limited
- BXL
- Cannon Hill Trust (now Midlands Arts Council)
- Cerebral Palsy Midlands
- Community Justice National Training Organisation
- Coventry Heritage and Arts Trust
- Coventry Voluntary Service Council
- CV One Limited
- Druids Heath TMO
- Dudley Zoo Development Trust
- East Birmingham Family Service Unit
- Family Care Trust
- Heath Town Estate Management Board
- Heart of England Care
- Home Start (Birmingham South)
- Job Change Limited
- Leisure and Community Partnership Limited
- Life Education Centres West Midlands
- Metropolitan Authorities Recruitment Agency (METRA)
- Millennium Point Trust
- Millennium Point Trust
- Moor Green Primary Academy - HTI MAT
- Moseley and District Churches Housing Association Limited
- Murray Hall Community Trust (Oldbury)

Participating Employers in the Fund

- Murray Hall Community Trust (Rowley)
- Murray Hall Community Trust (Wednesbury)
- Museum of British Road Transport Trust (Coventry) Limited
- National Urban Forestry Unit
- National Windows (Homes Improvements) Limited
- Newman College
- Priory Family Centre CIC Limited
- Relate
- Rightstepcareers Ltd (formally CSW Partnership Limited)
- Roman Way Estate CIC
- Sandwell Arts Trust
- Sandwell Regeneration Company Limited
- Selly Oak Nursery
- Smethwick Asra Limited
- Solihull Care Limited
- Solihull Care Trust
- Solihull Community Caring Trust
- South Birmingham Family Services Unit
- South Warwickshire Tourism Limited
- Springfield/Horseshoe Housing Management Co-operative Limited
- St Basil's Centre
- Sunderland ARC Limited
- The Chris Laws Day Care Centre for Older People
- Three Tuns Neighbourhood Project
- TSB Bank plc (formerly Birmingham Municipal Bank)
- University of Birmingham
- University of Warwick
- Valuation Tribunal Service
- Walsall Enterprise Agency Limited
- Walsall Regeneration Company Limited
- Wednesbury Action Zone
- West Bromwich Afro-Caribbean Resource Centre
- West Midlands Councils (formerly West Midlands Leaders Board)
- West Midlands (West) Valuation Tribunal
- West Midlands Examinations Board (The)
- West Midlands Local Authorities Employers' Organisation
- West Midlands Transport Information Services Limited
- Wolverhampton Community Safety Partnership
- Wolverhampton Development Corporation Limited
- Wolverhampton Family Information Service Limited
- Wolverhampton Network Consortium
- Wolverhampton Race Equality Council

Transferee admission bodies

With active members

- ABM Catering Limited (Aldermoor Farm Primary School)
- ABM Catering Limited (Allesley)
- ABM Catering Limited (Bordesley Green School)

Participating Employers in the Fund

- ABM Catering Limited (John Shelton Community Primary School)
- ABM Catering Limited (St Andrews CE Infant School)
- Agilisys Limited (Rowley/Smethwick)
- Agilisys Limited (OCOS/WODO/Tipton)
- Alliance in Partnership Limited (Broadway)
- Alliance in Partnership Limited (Brownhills School)
- Alliance in Partnership Limited (Camp Hill)
- Alliance in Partnership Limited (Christ the King Primary School)
- Alliance in Partnership Limited (Coventry South Cluster Group)
- Alliance in Partnership Limited (Greenfields Primary School)
- Alliance in Partnership Limited (Harborne Primary School)
- Alliance in Partnership Limited (Holy Family Catholic Primary School)
- Alliance in Partnership Limited (King Edward VI Sheldon Heath)
- Alliance in Partnership Limited (Pedmore Primary School)
- Alliance in Partnership Limited (Unity Cluster)
- Amey Highways Limited
- Amey LG Limited
- APCOA Parking (UK) Limited (Wolverhampton)
- Aspens Services Limited (Aldridge School)
- Aspens Services Limited (Bartley Green)
- Aspens-Services Limited (Cannon Hill Primary School)
- Aspens Services Limited (Courthouse Green Primary School)
- Aspens-Services Limited (Heartlands Academy)
- Aspens-Services Limited (Hillcrest School)
- Aspens-Services Limited (Mansfield Green Academy)
- Aspens-Services Limited (Merritts Brook Academy)
- Aspens Services Limited (Old Church School)
- Aspens Services Limited (Phoenix Collegiate)
- Aspens Services Limited (Pinfold Street Primary)
- Aspens Services Limited (Rough Hays School)
- Aspens Services Limited (Salisbury)
- Aspens-Services Limited (Shenley Academy)
- Aspens-Services Limited (St George's C of E Academy)
- Aspens-Services Ltd (St Martin's MAT)
- Aspens-Services Limited (St Peters Collegiate)
- Aspens-Services Limited (South Wolverhampton and Bilston Academy)
- Aspens-Services Limited (West Walsall E-ACT Academy)
- Aspens-Services Limited (Whitgreave Junior School)
- Balfour Beatty Living Places (Coventry)
- BAM Construct UK Limited
- Bespoke Cleaning Services Limited (Wolverhampton College)
- Bespoke Cleaning Services Limited (Westwood Academy)
- Birmingham Community Leisure Trust (North East Contract)
- Birmingham Community Leisure Trust (South West Contract)
- Birmingham Solihull Mental Health NHS Foundation Trust
- Catering Academy Limited (John Gulson)
- Catering Academy Limited (Synergy Schools)
- Carillion plc (Highfield & Pennfields)

Participating Employers in the Fund

- Carillion (AMBS) Limited (Heath Park Academy)
- Carillion (AMBS) Limited (St Mathias)
- Change, Grow, Live Limited
- Churchill Contract Services Ltd (Stoke Park School and Community Technology Coll)
- Churchill Contract Services Limited (Walsall College)
- Churchill Contract Services Limited (Whitehall School)
- Compass Contract Services (UK) Limited (Hall Green Secondary School)
- Creative Support Limited
- Dodd Group (Midlands) Limited
- Engie Services Limited
- Engie FM Limited (Broadway School)
- Engie FM Limited (George Dixon School)
- Engie FM Limited (HM and Stockland Green School)
- Engie FM Limited (International School)
- Engie FM Limited (Moseley School)
- Engie FM Limited (Park View School)
- Engie FM Limited (Saltley School)
- Engie FM Limited (Waverley School)
- Enterprise Managed Services Limited (Solihull)
- Enterprise Managed Services Limited (Wolverhampton)
- Enterprise AOL Limited (Telford/Wrekin)
- Elite Cleaning and Environmental Services Limited (Bloxwich Academy)
- Elite Cleaning and Environmental Services Limited (Walsall)
- Elite Cleaning and Environmental Services Limited (Hereward College)
- Fortem Solutions Limited (Birmingham South)
- Galliford (UK) Limited
- Housing and Care 21 Limited
- Interserve Catering Services Limited (Rowley)
- Interserve Catering Services Limited (Smethwick)
- Integral UK Limited (Coventry)
- Interserve FM Limited (Rowley Campus)
- Interserve FM Limited (OCOS/Wodo/Tipton)
- Keepmoat Regeneration Limited
- KGB Cleaning & Support Services Limited (Bishop Ulathorne School)
- Lawrence Cleaning Limited (Parkfield School)
- Lawrence Cleaning Limited (St Stephen’s School)
- Lend Lease Construction (Europe) Limited (Four Dwellings School)
- Lend Lease Construction (Europe) Limited (George Dixon School)
- Lend Lease Construction (Europe) Limited (Moseley School)
- Lend Lease Construction (Europe) Limited (Park View & International School)
- Lend Lease Construction (Europe) Limited (HML Stockland Green Broadway School)
- Lend Lease Construction (Europe) Limited (The Sixth Form College Solihul)
- Lend Lease Construction (Europe) Limited (Waverley School)
- Mazars Limited (Walsall MBC)
- Mitie PFI Limited
- NSL Limited (BCC)
- NSL Limited (Solihull)
- Pell Frischman Consultants Limited

Participating Employers in the Fund

- Pendergate Limited
- Places For People Leisure Limited (Wolverhampton)
- Places For People Leisure Limited (Harborne Pool)
- Premier Support Services Limited (Alumwell Junior School)
- Premier Support Services Limited (Alumwell Infant School)
- Prospects Services (Coventry and Warwickshire)
- Quadron Services Limited
- Regent Office Care Limited (Ormiston Shelfield Academy)
- Serco Limited (Sandwell)
- Service Birmingham Limited
- Tarmac Limited
- Taylor Shaw Limited (Great Barr Birmingham)
- T(n)S Catering Management Limited (Potters Green School)
- T(n)S Catering Management Limited (Moat House School)

Without active members

- ABM Catering Limited (Cannon Park)
- ABM Catering Limited (St Johns C of E Academy)
- Accord Operations (Birmingham)
- Action for Children (Smethwick)
- Action for Children (West Bromwich)
- ACUA Limited
- Alliance in Partnership Limited (Aston)
- Alliance in Partnership Limited (Ernesford Grange)
- Alliance in Partnership Limited (Joseph Leckie)
- Alliance in Partnership Limited (President Kennedy)
- Alliance in Partnership Limited (Stoke Park)
- APCOA Parking (UK) Limited (Solihull)
- Aspen Services Limted (Gosford Park)
- AWG Facilities Services Limited
- Barnardos (Sandwell)
- Birmingham Accord Limited
- Black Country Housing Group (New Bradley Hall)
- Bovis Lend Lease Management Services
- British Telecom plc
- Call First Cleaning
- Capita IT Services Limited
- Churchill Contract Catering Limited (Calthorpe School)
- Churchill Contract Services Limited (Cottesbrook Junior School)
- Catering Academy Limited (Walsall)
- Central Parking Systems
- Civica UK Limited (ARK Schools)
- DRB Contract Cleaning Limited (Yew Tree Primary)
- DRB Contract Cleaning Limited (Wychall Primary School)
- Edith Cadbury Nursery School
- Engie FM Limited (Sheldon Heath School)
- Enterprise (AOL) Limited (Shrewsbury)
- Enterprise (AOL) Limited (Shropshire)

Participating Employers in the Fund

- European Electronique Limited (Tile Hill Wood School)
- Forest Community Association
- GF Tomlinson Birmingham Limited
- Harrison Catering Services Limited (Shenley Academy)
- Holroyd Howe (Wolverhampton Grammar School)
- Icare GB Limited
- Integral UK Limited (Queensbridge School)
- Interserve Construction Limited (Smethwick Campus)
- Interserve Construction Limited (OCOS/WODO/Tipton Schools)
- Interserve Construction Limited (Rowley Campus)
- Interserve Facilities Management Limited (Smethwick)
- JDM Accord Limited (Shrewsbury & Atcham)
- JDM Accord Limited (Shropshire)
- JDM Accord Limited (Tamworth)
- JDM Accord Limited (Telford & Wrekin)
- KCLS Limited (Alderbrook School)
- KCLS Limited (Coventry)
- KCLS Limited (Manor Park Primary School)
- KGB Cleaning and Support Services Limited (Alderbrook)
- KGB Cleaning and Support Services Limited (Lyndon School)
- Kite Food Services Limited
- Lawrence Cleaning Limited (Woodthorne School)
- Leisure Living Limited
- Lend Lease Construction (Europe) Limited (E-ACT)
- Lend Lease Construction (EMEA) Limited (Saltley School)
- Liberata UK Limited
- Mears Group plc
- Mears Limited
- Methodist Homes for the Aged
- Mitie Cleaning (Midlands) Limited - Birmingham City Council
- Mitie Managed Services (S&SW) Limited
- Mitie Managed Services (S&SW) Limited - Coventry
- Mitie Cleaning (Midlands) Limited - Wednesfield
- Mitie Property Services (UK) Limited
- MLA West Midlands
- Morrison Facilities Services Limited
- Mouchel Limited
- NSL Limited (Birmingham)
- Premier Security Services Limited
- Premier Support Services Limited (Hodge Hill School)
- Premier Support Services Limited (Holy Trinity RC)
- Premier Support Services Limited (Streetly School)
- Premier Support Services Limited (St Edmund Campion School)
- Pool Hayes Community Association
- Redcliffe Catering Limited (Bordesley Green Girls School)
- Redcliffe Catering Limited (Camp Hill School)
- Regent Office Care Limited (COWAT)
- Regent Office Care Limited (Henley College)

Participating Employers in the Fund

- Regent Office Care Limited (Hereward)
- Regent Office Care Limited (City College, Coventry)
- Regent Office Care Limited (Whitefriars)
- Regent Office Care Limited (Willenhall)
- Research Machines plc
- RM Education plc
- Revenue Management Services
- Schools Plus Limited (John Henry Newman Catholic College)
- Select Windows (Homes Improvements) Limited
- Serco Limited (Stoke)
- Serco Limited (Walsall)
- Service Team Limited
- Sodexo Limited
- Strand Limited
- Superclean Services
- Superclean Services Wolthorpe Limited (Finham Park)
- Superclean Services Wolthorpe Limited (Fordbridge Community Primary School)
- Target Excel plc (Magistrates Courts)
- Target Excel plc (Solihull MBC)
- Target Excel plc (Walsall MBC)
- Taylor Shaw Limited (Brownhills)
- Taylor Shaw Limited (Colton Hills School)
- Taylor Shaw Limited (COWAT)
- Taylor Shaw Limited (Great Barr School)
- Taylor Shaw Limited (Hodge Hill)
- Taylor Shaw Limited (St Albans)
- Technology Innovation Centre
- Temple Security Limited
- Thomas Vale Construction plc
- Veolia Environmental Serviced Cleanaway (UK) Limited
- Vertex Data Science Limited
- Wates Construction Limited (Birmingham)
- Wates Construction Limited (East)
- Wates Construction Limited (West-Central)
- West Midlands E-Learning Company
- Willmott Dixon Partnership Limited (North Contract)
- Willmott Dixon Partnership Limited (South Contract)

Other major employers who have participated in the Fund

- Birmingham International Airport plc
- Department of Transport
- Department of Health and Social Security
- Severn Trent Water Authority
- Staffordshire and West Midlands Probation Trust
- West Midlands Magistrates Courts Committee

WEST MIDLANDS ITA PENSION FUND MANAGEMENT AND FINANCIAL PERFORMANCE

Fund Highlights

4,997
Total scheme members

£492.0m
Net assets of the Fund

£11.4m
Total contributions

2
Active scheme employers

£29.1m
Total benefit payments

352
Contributing members

722*
Deferred members

*includes unpaid/unclaimed refunds

3,923**
Pensioner members

** includes beneficiaries

Scheme Management and Advisors as at 31 March 2018

Officers administering the Fund

- R Brothwood
  Director of Pensions
- J Davys
  Assistant Director – Investments and Finance
- S Taylor
  Head of Pensions
- R Howe
  Head of Governance and Corporate Services
- A Regler
  Head of Operations
- G Hill
  (until 20 May 2018)
  Interim Head of Finance

Investment managers

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

AVC provider

- Prudential and Equitable Life

Actuary

- Barnett Waddingham LLP

Banker

- NatWest

Auditor

- Grant Thornton LLP

West Midlands Combined Authority Finance officers

- Sean Pearce
  Director of Finance
- Linda Horne
  Head of Finance & Business Planning

Scheme administering authority

- West Midlands Combined Authority

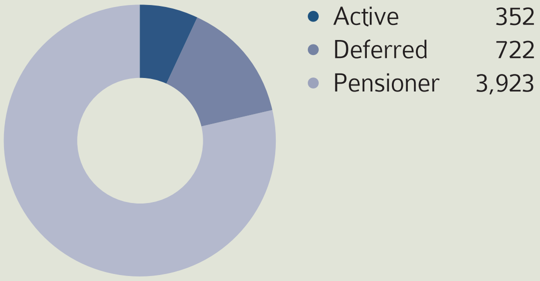
Independent investment consultant

- Hymans Robertson

Administrative Management Performance

Administration and Key Operation Data

Fund members by type



Number of processes

Processes outstanding as at 31 March 2017	Processes completed 2017/18	Processes outstanding as at 31 March 2018
141	2,225	120

Five-year detail

	Employer name	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
2014	West Midlands Travel Ltd	586	895	17	3,103	483	5,084
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	26	0	92	22	140
	Total	**586**	**921**	**17**	**3,197**	**505**	**5,226**
2015	West Midlands Travel Ltd	518	849	16	3,160	499	5,042
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	22	0	92	23	137
	Total	**518**	**871**	**16**	**3,253**	**522**	**5,180**
2016	West Midlands Travel Ltd	470	782	16	3,201	525	4,994
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	16	0	94	24	134
	Total	**470**	**798**	**16**	**3,296**	**549**	**5,129**
2017	West Midlands Travel Ltd	402	748	16	3,220	552	4,938
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	15	0	94	24	133
	Total	**402**	**763**	**16**	**3,315**	**576**	**5,072**
2018	West Midlands Travel Ltd	352	680	16	3,221	587	4,856
	Preston Borough Transport	0	0	0	1	0	1
	Preston Bus Ltd	0	26	0	91	23	140
	Total	**352**	**706**	**16**	**3,313**	**610**	**4,997**

Administrative Management Performance

Administration and Key Operation Data

Number of members

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active	0	0	0	0	0	0	0	0	3	36	109
Beneficiary pensioner	0	0	3	3	2	0	0	3	1	7	6
Deferred	0	0	0	0	0	0	0	0	27	107	242
Deferred ex-spouse	0	0	0	0	0	0	0	0	0	1	2
Pensioner	0	0	0	0	0	0	0	0	0	5	22
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Preserved refund	0	0	0	0	0	0	0	0	6	5	3
Total	**0**	**0**	**3**	**3**	**2**	**0**	**0**	**3**	**37**	**161**	**384**

Status (age in years)	55-59	60-64	65-69	70-74	75-79	80-84	85-89	90-94	95-99	100+	Total
Active	126	34	34	10	0	0	0	0	0	0	352
Beneficiary pensioner	36	41	89	139	145	101	31	3	0	0	610
Deferred	272	36	9	0	0	0	0	0	0	0	693
Deferred ex-spouse	7	2	1	0	0	0	0	0	0	0	13
Pensioner	52	461	723	920	697	337	89	5	0	0	3,311
Pensioner ex-spouse	0	0	2	0	0	0	0	0	0	0	2
Preserved refund	2	0	0	0	0	0	0	0	0	0	16
Total	**495**	**574**	**858**	**1,069**	**842**	**438**	**120**	**8**	**0**	**0**	**4,997**

Active members

The Fund has a total active membership of **352**. Since 31 March 2017, the number of contributing employees in membership has reduced by **50**.

Deferred members

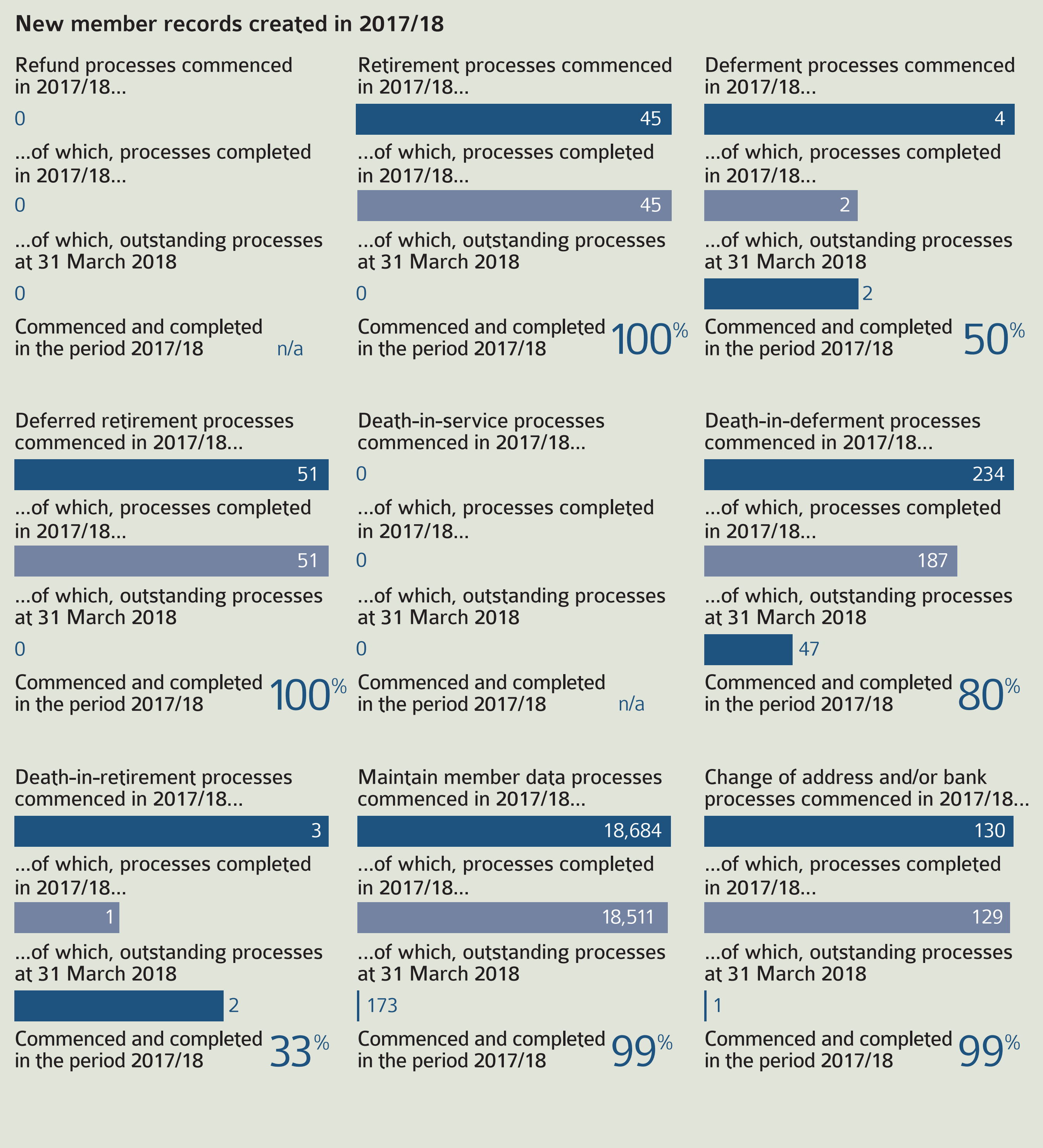
These are former contributors who have left their pension rights with the Fund until they become payable at normal retirement date.

Pensioner members

Pensions and other benefits amounting to **£29.1m** were paid in the year to beneficiary retired members.

Administrative Management Performance

Administration and Key Operation Data



New member records created in 2017/18

Refund processes commenced in 2017/18... 0
...of which, processes completed in 2017/18... 0
...of which, outstanding processes at 31 March 2018 0
Commenced and completed in the period 2017/18 n/a

Retirement processes commenced in 2017/18... 45
...of which, processes completed in 2017/18... 45
...of which, outstanding processes at 31 March 2018 0
Commenced and completed in the period 2017/18 100%

Deferment processes commenced in 2017/18... 4
...of which, processes completed in 2017/18... 2
...of which, outstanding processes at 31 March 2018 2
Commenced and completed in the period 2017/18 50%

Deferred retirement processes commenced in 2017/18... 51
...of which, processes completed in 2017/18... 51
...of which, outstanding processes at 31 March 2018 0
Commenced and completed in the period 2017/18 100%

Death-in-service processes commenced in 2017/18... 0
...of which, processes completed in 2017/18... 0
...of which, outstanding processes at 31 March 2018 0
Commenced and completed in the period 2017/18 n/a

Death-in-deferment processes commenced in 2017/18... 234
...of which, processes completed in 2017/18... 187
...of which, outstanding processes at 31 March 2018 47
Commenced and completed in the period 2017/18 80%

Death-in-retirement processes commenced in 2017/18... 3
...of which, processes completed in 2017/18... 1
...of which, outstanding processes at 31 March 2018 2
Commenced and completed in the period 2017/18 33%

Maintain member data processes commenced in 2017/18... 18,684
...of which, processes completed in 2017/18... 18,511
...of which, outstanding processes at 31 March 2018 173
Commenced and completed in the period 2017/18 99%

Change of address and/or bank processes commenced in 2017/18... 130
...of which, processes completed in 2017/18... 129
...of which, outstanding processes at 31 March 2018 1
Commenced and completed in the period 2017/18 99%

WEST MIDLANDS ITA PENSION FUND INVESTMENT POLICY AND PERFORMANCE

Investment Report

The investment strategy of the Fund is carried out in accordance with the *Investment Strategy Statement* and the Fund's investment beliefs. The core objectives are to achieve target returns, ensure the solvency of the fund and its ability to pay pensions.

1 Investment managers

At 31 March 2018, the market value of the ITA Pension Fund was £492.0m. The largest component of this was an insurance policy value at £238.2m, and a further £250.6m was invested with three Fund managers. £154.5m was invested with Legal & General Investment Management, £49.8m with Baillie Gifford and £46.3m with Newton. The balance of the Fund was held in liquid investments. Legal & General managed equities, gilts and corporate bonds, while Baillie Gifford and Newton managed diversified growth funds. The returns by managers and asset class are detailed below for 2016/17 and 2017/18.

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

31 March 2017			**31 March 2018**	
Market value £m	**% of total market value**		**Market value £m**	**% of total market value**
152.6	62	Legal & General Investment Management	154.5	62
47.3	19	Baillie Gifford	49.8	20
47.3	19	Newton	46.3	18
247.2	**100**		**250.6**	**100**

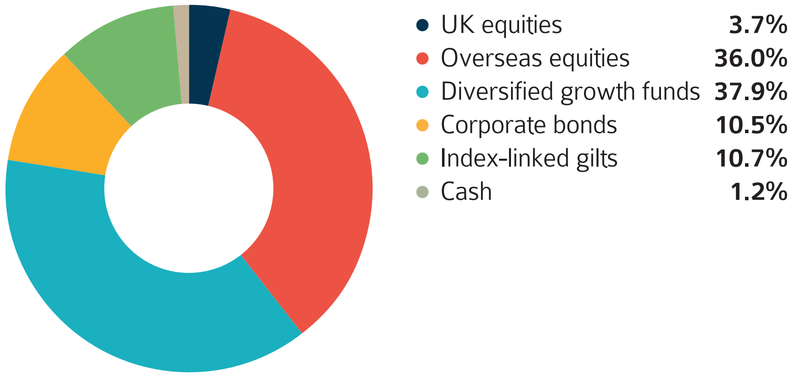
2 Investment Strategy Statement (ISS)

The Local Government Pension Scheme (Management & Investment of Funds) Regulations 2016, in force from 1 November 2016, require Administering Authorities to publish their first *Investment Strategy Statement (ISS)* by 1 April 2017 in accordance with statutory guidance issued by DCLG in September 2016. The first such statement was approved by the Pensions Committee in March 2017, with an updated ISS being approved by the Pensions Committee in March 2018.

A copy of the current *Investment Strategy Statement* can be found on the Fund's website at www.wmpfonline.com/wmita

3 Asset allocation

The asset allocation of the WMITA as at 31 March 2018 is shown in the chart below:



Investment Report

4 Review of investment performance

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

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

	Year ending 31 March				
	2014	**2015**	**2016**	**2017**	**2018**
Fund	+3.0%	+12.7%	-0.7%	+18.2%	+2.4%
Benchmark	+3.8%	+11.5%	+0.9%	+17.2%	+3.3%
Relative	-0.8%	+1.2%	-1.6%	+1.0%	-0.9%

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

	One year	**Three years**	**Five years**	**Ten years**
Fund	18.2%	9.8%	9.0%	7.3%
Benchmark	17.2%	9.6%	9.0%	7.3%
Relative	1.0%	0.2%	0.0%	0.0%

During the year to 31 March 2018, the Fund underperformed the benchmark by 0.9%. The underperformance was attributable to the diversified growth funds which returned +1.6% against a target of +4.1% for the 12-month period, with Baillie Gifford's outperformance being offset by that of Newton. The equity portfolio marginally outperformed its benchmark returning +3.9% compared to +3.8% for the benchmark. The fixed income sector produced a return of +1.2% outperforming the benchmark which delivered a return of +0.9%.

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

5 Custodial and accounting arrangements

The ITA Pension Fund is composed of two employers that have different member profiles and funding levels, each with its own tailored investment strategy. A unitisation approach is taken to facilitate the requirements of both employers. HSBC provide the fund accounting services.

As the membership profile of the Fund advances towards maturity, its cashflow profile has changed due to falling receipts of pension contributions and rising pension payments. To mitigate this reduction in cash, three of the L&G funds (UK equities, index linked gilts, and corporate bonds) are distributing funds from which income is received on a monthly basis.

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

Where direct investments are held by the ITA Pension Fund these are held by its Custodian, HSBC. Assets are held in the name of: HSBC Global Custody Nominee (UK) Ltd.

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

HSBC

2017/2018 gross returns

	Legal & General		Baillie Gifford		Newton	
	Actual	Index	Actual	Index	Actual	Index
UK equities	1.4%	1.3%	-	-	-	-
Overseas equities:						
- North America	1.4%	1.3%	-	-	-	-
- Europe	4.1%	4.1%	-	-	-	-
- Japan	7.7%	7.5%	-	-	-	-
- Pacific Basin ex Japan	2.1%	1.9%	-	-	-	-
- Emerging markets	8.8%	8.8%	-	-	-	-
Index-linked gilts	0.5%	0.5%	-	-	-	-
Non-government bonds	1.8%	1.3%	-	-	-	-
Diversified growth funds	-	-	5.4%	3.9%	(2.2%)	4.4%
Total	3.9%	3.8%	5.4%	3.9%	(2.2%)	4.4%

2016/2017 gross returns

	Legal & General		Baillie Gifford		Newton	
	Actual	Index	Actual	Index	Actual	Index
UK equities	22.5%	22.0%	-	-	-	-
Overseas equities:						
- North America	35.1%	35.0%	-	-	-	-
- Europe	28.1%	28.3%	-	-	-	-
- Japan	33.0%	32.8%	-	-	-	-
- Pacific Basin ex Japan	37.9%	37.4%	-	-	-	-
- Emerging markets	36.1%	35.6%	-	-	-	-
Index-linked gilts	20.0%	19.9%	-	-	-	-
Non-government bonds	9.2%	9.2%	-	-	-	-
Diversified growth funds	-	-	11.0%	3.9%	2.2%	4.4%
Total	32.5%	32.4%	11.0%	3.9%	2.2%	4.4%

Investment Report

Asset allocation benchmark and actual – 31 March 2018

	31 March 2018 Benchmark %		31 March 2018 Actual %	
UK equities		3.9		3.7
Overseas equities:		34.5		36.0
- Europe	9.6		10.1	
- North America	11.5		11.6	
- Japan	3.8		4.0	
- Pacific Basin	3.8		3.9	
- Emerging markets	5.8		6.4	
Diversified growth funds		38.6		37.9
Total growth		**77.0**		**77.6**
Index-linked gilts		10.9		10.7
Corporate bonds		11.5		10.5
Cash		0.6		1.2
Total defensive		**23.0**		**22.4**
Total assets		**100.0**		**100.0**

Largest Holdings

The Fund, as part of its risk management arrangements, now uses pooled vehicles only and has no direct shareholdings in companies (see note 13 of the accounts).

Asset allocation benchmark and actual – 31 March 2017

	31 March 2017 Benchmark %		31 March 2017 Actual %	
UK equities		3.9		3.9
Overseas equities:		34.5		35.3
- Europe	9.6		9.9	
- North America	11.5		11.7	
- Japan	3.8		3.7	
- Pacific Basin	3.8		4.0	
- Emerging markets	5.8		6.0	
Diversified growth funds		38.6		38.1
Total growth		**77.0**		**77.3**
Index-linked gilts		11.3		11.3
Corporate bonds		11.3		11.0
Cash		0.4		0.4
Total defensive		**23.0**		**22.7**
Total assets		**100.0**		**100.0**

WEST MIDLANDS ITA PENSION FUND ACTUARY’S STATEMENT AS AT 31 MARCH 2018

Actuary's Statement

Introduction

The last full triennial valuation of the West Midlands Integrated Transport Authority Pension Fund was carried out as at 31 March 2016 as required under Regulation 62 of the Local Government Pension Scheme Regulations 2013 and in accordance with the *Funding Strategy Statement* of the Fund. The results were published in the triennial valuation report dated March 2017.

Asset value and funding level

The smoothed market value of the Fund's assets as at 31 March 2016 including the value of the insurance policy held with Prudential in relation to certain pension payments from the Fund was £463.9m. The value of the Fund's accrued liabilities was £568.6m at that date, allowing for future increases in pay and pensions in payment, resulting in a deficit of £104.7m. This corresponded to a funding level of 82%.

The deficit of £104.7m was taken into account when considering the deficit contribution requirements for employers.

2016 valuation results

The valuation also showed that a primary rate of contribution of 25.1% of pensionable pay p.a. was required from employers. The primary rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allowed for the new LGPS benefit structure which became effective from 1 April 2014.

In addition, further "secondary" contributions were required in order to pay off the Fund's deficit. The total secondary contributions payable by the employers over the three years to 31 March 2020 was estimated to be as follows:

Secondary contributions	2017/18	2018/19	2019/20
Total monetary amounts	£7,625,000	£7,792,900	£7,639,700

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2017.

In addition to the certified contributions, payments to cover additional liabilities arising from early retirements (both ill health and non-ill health retirements) will be made to the Fund by the employers.

Contribution rates

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

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

Assumptions

The assumptions used to value the benefits at 31 March 2016 are summarised overleaf (split between the two employers).

Updated position since the 2016 valuation

As at 31 March 2018, the financial position of the Fund is estimated to be similar to that at the 2016 valuation.

The next actuarial valuation is due as at 31 March 2019 and the resulting contribution rates required by the employers will take effect from 1 April 2020. We will continue to monitor the financial position of the Fund on a regular basis.

Graeme Muir FFA
Partner
Barnett Waddingham LLP

BARNETT WADDINGHAM
beyond the expected

Discount rate (West Midlands Travel Ltd)	Non-buy-in-pensioners – 4.5% pa Buy-in pensioners – 1.9% pa Buy-in asset valuation – 1.9% pa
Discount rate (Preston Bus Ltd)	2.8% pa
Consumer price inflation (CPI)	2.3% pa
Salary increases	2.3% pa in addition to a promotional scale set with reference to tables published by the Government Actuary's Department (GAD).
Pension increases on GMP	Funds will pay limited increases for members that have reached SPA by 6 April 2016, with the Government providing the remainder of the inflationary increase. For members that reach SPA after this date, we have assumed that Funds will be required to pay the entire inflationary increases.
Pre-retirement mortality	Set with reference to GAD tables
Post-retirement mortality	S2PA tables with a multiplier of 110% for current pensioners and future dependants. 140% of the S2PMA tables for current male dependants and 120% of the S2DFA tables for current female dependants.
Retirement	Each member retires at their weighted average 'tranche retirement age' ie, for each tranche of benefit, the earliest age they could retire with unreduced benefits plus three years for active members of WMTL and plus two years for deferred members of WMTL. The future service rate has been calculated using the retirement assumption above plus one year rather than three years for active members.
Commutation	Members will convert 50% of the maximum possible amount of pension into cash.

Further details regarding the assumptions are contained in the formal report on the actuarial valuation dated March 2017.

The Fund's invested assets were assessed at market value. The buy-in asset valuation was derived based on the assumptions set out in the report which are consistent with the assumptions to calculate the liabilities allowing for the profile of payments expected from the buy-in asset.

WEST MIDLANDS ITA PENSION FUND STATEMENT OF ACCOUNTS

Explanatory Foreword

The following statements comprise the Financial Report for the West Midlands Integrated Transport Authority ('ITA') Pension Fund ('the Fund'). The accounts cover the financial year from 1 April 2017 to 31 March 2018.

This report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2017/18 published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

- **Introduction** which provides general information on the background of the Fund, management and advisors and officers of the Fund, and actuarial position.
- **Fund Account** which discloses the size and character of financial additions to, withdrawals from and changes to the value of the Fund during the accounting period, analysed between contributions and benefits, and returns on investments.
- **Net Assets Statement** which discloses the size and disposition of the net assets of the scheme at the end of the year.
- **Notes to the Fund Accounts** which gives supporting details and analysis concerning the contents of the financial statements.

Explanatory Foreword

Introduction

1 History of the Fund

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

The West Midlands Integrated Transport Authority (ITA) was responsible for the administration of the Fund until 16 June 2016 when the responsibility passed to the West Midlands Combined Authority (WMCA) when it was established on 17 June 2016 under Statutory Instrument 2016 No 653 in exercise of the Local Democracy, Economic Development and Construction Act 2009. The effect of the order was that the WMCA was substituted for the ITA as the administering authority of the Fund. The City of Wolverhampton Council was appointed by the then ITA as agent to administer the Fund on its behalf. The name of the Fund remains unchanged. The scheme is governed by the Public Services Pensions Act 2013. The Fund is administered in accordance with the following secondary legislation:

i) The Local Government Pension Scheme Regulations 2013 (as amended)

ii) The Local Government Pension Scheme (Transitional Provisions, Saving and Amendments) Regulations 2014 (as amended)

iii) The Local Government Pensions Scheme (Management and Investment of Funds) Regulations 2016.

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

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

2 Management of the Fund

The West Midlands Pension Fund (WMPF) Pensions Committee is responsible for the strategic management of the assets of the Fund. The role of the Committee is to:

- Discharge functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands ITA Pension Fund;
- Put in place and monitor administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits;
- Determine and review the provision of resources made available for discharge of the function of administrating authority.

3 Membership

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

31 March 2017 No.		31 March 2018 No.
402	Active members	352
3,891	Pensioner members	3,923
779	Deferred members	722
5,072	**Total members**	**4,997**

4 Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2013 and range from 5.5% to 12.5% of pensionable pay for the financial year ended 31 March 2018 depending on the level of pay.

In addition to employee contributions, employers' contributions are paid as set based on triennial actuarial funding valuations. The last such valuation was as at 31 March 2016.

5 Benefits

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

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

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

6 Bulk annuity insurance arrangement

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

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

7 Annual report

A separate annual report, which is available on http://www.wmpfonline.com/wmita is produced for the Fund and provides more details about the Fund's management, financial and investment performance. The report also sets out the Fund's funding and investment strategy.

On behalf of the West Midlands Combined Authority Board

Sean Pearce
Director of Finance
Date: 20 July 2018

Independent Auditor's Report to the Members of West Midlands Combined Authority on the Pension Fund Financial Statements

Opinion

We have audited the pension fund (entitled "West Midlands Integrated Transport Authority Pension Fund") financial statements of West Midlands Combined Authority (the 'Authority') for the year ended 31 March 2018 set out on pages 9 to 28 in Appendix 1 to the Authority's Statement of Accounts which comprise the Fund Account, the Net Assets Statement and Notes to the Accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the pension fund financial statements:

- give a true and fair view of the financial transactions of the pension fund during the year ended 31 March 2018 and of the amount and disposition at that date of the fund's assets and liabilities,
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the pension fund of the Authority in accordance with the ethical requirements that are relevant to our audit of the pension fund financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance's use of the going concern basis of accounting in the preparation of the pension fund financial statements is not appropriate; or
- the Director of Finance has not disclosed in the pension fund financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the pension fund financial statements are authorised for issue.

Other information

The Director of Finance is responsible for the other information. The other information comprises the information included in the Authority's Statement of Accounts set out on pages 2 to 76 and Appendix 1 other than the West Midlands Integrated Transport Authority Pension Fund financial statements, our auditor's report thereon and our auditor's report on the Authority's financial statements. Our opinion on the pension fund financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the pension fund financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the pension fund financial statements or our knowledge of the pension fund of the Authority obtained in the course of our work or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the pension fund financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice)

In our opinion, based on the work undertaken in the course of the audit of the pension fund financial statements the other information published together with the pension fund financial statements in the Authority's Statement of Accounts set out on pages 2 to 76 and Appendix 1, for the financial year for which the pension fund financial statements are prepared is consistent with the pension fund financial statements.

Independent Auditor's Report to the Members of West Midlands Combined Authority on the Pension Fund Financial Statements

Matters on which we are required to report by exception
Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance. The Director of Finance is responsible for the preparation of the Statement of Accounts, which includes the pension fund financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair view, and for such internal control as the Director of Finance determines is necessary to enable the preparation of pension fund financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the pension fund financial statements, the Director of Finance is responsible for assessing the pension fund's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the pension fund lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the pension fund.

The Audit, Risk and Assurance Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the pension fund financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these pension fund financial statements.

A further description of our responsibilities for the audit of the pension fund financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Patterson
for and on behalf of Grant Thornton UK LLP,
Appointed Auditor

The Colmore Building
20 Colmore Circus
Birmingham, B4 6AT
Date: 20 July 2018

Fund Account and Net Assets Statement

Fund account

2016/17 £'000		Notes	2017/18 £'000
	Dealings with members, employers and others directly involved in the fund		
(9,504)	Contributions	5	(11,434)
(59)	Transfers in from other pension funds	6	-
(2,654)	Other employer contributions	7	(2,756)
(12,217)			(14,190)
28,769	Benefits	8	29,093
147	Payments to and on account of leavers	9	882
8	Other payments	10	3
28,924			29,978
16,707	**Net withdrawals from dealing with members**		**15,788**
866	Management expenses	11	951
17,573	**Net withdrawals including fund management expenses**		**16,739**
	Returns on investments		
(18,326)	Investment income	12	(17,843)
(37,118)	(Profits) and losses on disposal of investments and changes in the market value of investments	13	(4,740)
(4,148)	(Increase)/decrease in value of bulk annuity insurance buy-in	14	16,689
(59,592)	**Net return on investments**		**(5,894)**
(42,019)	**Net (increase)/decrease in the net assets available for benefits during the year**		**10,845**
460,865	Net assets of the Fund brought forward		502,884
502,884	**Net assets of the Fund carried forward**		**492,039**

Net assets statement

2017 £'000		Notes	2018 £'000
247,173	Investment assets	13	250,593
255,022	Bulk annuity insurance buy-in	14	238,333
1,190	Current assets	15	3,453
(501)	Current liabilities	16	(340)
502,884	**Net assets of the Fund available to fund benefits at the period end**		**492,039**

These financial statements replaced the unaudited financial statements certified by Sean Pearce on 18 May 2018. They were considered by the Audit, Risk & Assurance Committee on 21 June 2018 and approved for issue by the West Midlands Combined Authority Board on 20 July 2018. Events after the Balance Sheet have been considered up to the date of approval.

1 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 in note 22 of these accounts.

2 Summary of significant accounting policies

Fund account – revenue recognition

a) Contribution income

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

Employers' augmentation contributions and pensions strain contributions are accounted for in the period in which the liability arises. Any amount due in year but unpaid will be classed as a current financial asset. Amounts not due until future years are classed as long-term financial assets.

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

b) Transfers to and from other schemes

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

c) Investment income

i) Interest income

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

ii) Distributions from pooled funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iii) Movement in the net market value of investments

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

iv) Benefits underwritten

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

v) Dividend income

Dividend income is recognised on the date of the cancellation of units at the mid-price in the pooled UK investments held with investment fund managers.

Fund account – expense items

d) Benefits payable

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

e) Taxation

i) Value Added Tax

The Fund pays VAT collected on income in excess of VAT payable on expenditure to HMRC. The accounts are shown exclusive of VAT.

ii) Income Tax

The Fund is a registered public service scheme under section 1(1) of Schedule 36 of the Finance Act 2004 and as such is exempt from UK income tax on interest received and from capital gains tax on the proceeds of investments sold. Income from overseas investments suffers withholding tax in the country of origin, unless exemption is permitted.

f) Administration expenses

All administration expenses are accounted for on an accruals basis.

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

g) Investment management expenses

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

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

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

Notes to the Accounts

h) Oversight and governance costs

All oversight and governance expenses are accounted for on an accruals basis. The costs include actuarial fees and professional fees relating to the unitisation exercise.

Net assets statement

i) Financial assets

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

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

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

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

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 IFRS13 (see note 18). 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).

j) Financial liabilities

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

k) Foreign currency transactions

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

l) Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under IAS 26, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (note 22).

m) Additional voluntary contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential Assurance Company and Equitable Life as its AVC providers (new AVCs only with Prudential Assurance Company). AVCs collected are paid to the AVC providers by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (note 17).

3 Critical judgements in applying accounting policies

Pension fund liability

The pension fund liability is calculated every three years by the appointed actuary, with annual updates in the intervening years. The methodology used is in line with accepted guidelines and in accordance with IAS 19. Assumptions underpinning the valuations are agreed with the actuary and are summarised in note 21. This estimate is subject to significant variances based on changes to the underlying assumptions.

4 Assumptions made about the future and other major sources of estimation and uncertainty

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

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

Bulk annuity insurance buy-in

The bulk annuity insurance buy-in is included in the Net Assets Statement as an asset and is valued by the Fund's actuaries. The assumptions used can be found in note 18.

Pension fund liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

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

31 March 2017	Assumptions used	31 March 2018
2.40%	Discount rate	2.50%
2.50%	Salary increases	2.35%
2.50%	Pensions increases	2.35%

31 March 2017	Life expectancy from age 65 (years)	31 March 2018
	Retiring today:	
21.8	Males	21.9
23.8	Females	24.0
	Retiring in 20 years:	
23.9	Males	24.0
26.1	Females	26.3

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

Change in assumptions – year ended 31 March 2018	Increase/(decrease in pension liability	
Adjustment to discount rate	0.5%	-0.5%
Present value of total obligation	(£42.1m)	£45.4m
Adjustment to long-term salary increase	0.5%	-0.5%
Present value of total obligation	£2.9m	(£2.8m)
Adjustment to pension increases and deferred revaluation	0.5%	-0.5%
Present value of total obligation	£42.3m	(£39.5m)
Adjustment to life expectancy assumptions	+1 year	- 1 year
Present value of total obligation	£25.9m	(£24.8m)

5 Contributions receivable

2016/17 £'000		2017/18 £'000
	Employers	
2,767	Normal contributions	2,813
5,850	Deficit funding	7,625
26	Early retirement costs	248
8,643		10,686
	Members	
859	Normal contributions	748
2	Additional contributions	-
861		748
9,504	**Total by category**	**11,434**
	Analysed by member body:	
9,504	Admitted bodies	11,434
9,504	**Total by authority**	**11,434**

Employers' contribution rates following the 31 March 2016 valuation for the period 1 April 2017 to 31 March 2020 are detailed in note 21.

6 Transfers in from other pension funds

2016/17 £'000		2017/18 £'000
	Transfers in	
59	Individual transfers	-
59	**Total**	**-**

7 Other employer contributions

Pre-October 1986 pension increase liabilities are the responsibility of the West Midlands Combined Authority. The West Midlands Combined Authority makes monthly payments to the West Midlands Pension Fund who then transfers the payments into the Fund. During the year, payments of £2.757m (2017: £2.654m) were made.

8 Benefits payable

2016/17 £'000		2017/18 £'000
	Pensions	
22,946	Retirement pensions	23,350
2,005	Widows' pensions	2,141
12	Children's pensions	10
22	Widowers' pensions	17
24,985		25,518
3,167	Commutation and lump-sum retirement benefits	3,538
617	Lump-sum death benefits	37
28,769	**Total by category**	**29,093**
	Analysed by member body:	
28,769	Admitted bodies	29,093
28,769	**Total by authority**	**29,093**

9 Payments to and on account of leavers

2016/17 £'000		2017/18 £'000
	Transfers in	
147	Individual transfers out to other schemes and personal pensions	882
147	**Total**	**882**

During the year, there were eight (2017: one) members who transferred their pensions into other schemes and personal pensions.

10 Other payments

2016/17 £'000		2017/18 £'000
8	Interest on late payments	3
8	**Total**	**3**

Notes to the Accounts

11 Management expenses

2016/17 £'000		2017/18 £'000
	Administration expenses	
120	Administration - City of Wolverhampton Council	120
120		120
	Investment management expenses	
615	Management fees - external	668
30	Management fees - internal	30
645		698
	Oversight and governance costs	
22	Administration and accountancy - WMCA	22
8	Subscriptions	8
3	Actuarial fees	31
21	Audit fees - external auditor	21
-	Audit fees - PSAA refund	(5)
25	Performance monitoring service	22
-	Legal fees	9
20	Professional advisors' fees	23
2	Bank charges and interest	2
101		133
866	**Total**	**951**

12 Investment income

2016/17 £'000		2017/18 £'000
7	Interest on cash deposits	6
16,865	Benefits underwritten	16,337
1,454	Dividend income	1,500
18,326	**Total**	**17,843**

Benefits underwritten relates to income received from the insurance contract with Prudential meeting the liabilities relating to West Midlands Travel Limited pensioners.

Dividend income relates to the notional dividend income payment (NDIP) which enables a policyholder to draw a regular income from the investment funds. The NDIP is based on the underlying yields from UK investments held by the relevant investment funds and is made available through cancellation of units of the investment funds at the mid-price.

13 Investment assets

Reconciliation of movements in investments:

Movements during 2017/18	Market value 1 April 2017 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2018 £'000
Pooled investment vehicles						
Quoted:						
UK - unitised insurance policies	65,028	-	(999)	-	(727)	63,302
Overseas - unitised insurance policies	87,586	-	(13)	-	3,630	91,203
Unquoted:						
Diversified growth funds	94,559	-	-	(308)	1,837	96,088
Total investments	**247,173**	**-**	**(1,012)**	**(308)**	**4,740**	**250,593**

Prior year comparatives:

Movements during 2016/17	Market value 1 April 2016 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2017 £'000
Pooled investment vehicles						
Quoted:						
UK - unitised insurance policies	54,410	3,900	(400)	-	7,118	65,028
Overseas - unitised insurance policies	74,033	-	(10,800)	-	24,353	87,586
Unquoted:						
Diversified growth funds	79,288	9,900	-	(276)	5,647	94,559
Total investments	**207,731**	**13,800**	**(11,200)**	**(276)**	**37,118**	**247,173**

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

Investments analysed by fund manager:

31 March 2017			31 March 2018	
Market value £m	% of total market value		Market value £m	% of total market value
152,614	62%	Legal & General Investment Management	154,505	62%
47,281	19%	Baillie Gifford	49,832	20%
47,278	19%	Newton	46,256	18%
247,173	100%		**250,593**	100%

Investments analysed by security:

31 March 2017 Market value £m	31 March 2017 % of total market value		31 March 2018 Market value £m	31 March 2018 % of total market value
		UK equities		
9,697	4%	UK Equity Index	9,488	4%
9,697	4%		9,488	4%
		Overseas equities		
24,584	10%	Europe (ex UK) Equity Index	25,601	10%
29,002	12%	North America Equity Index	29,381	12%
9,323	4%	Japan Equity Index	10,035	4%
14,870	6%	World Emerging Markets Equity Index	16,173	6%
9,807	4%	Asia Pacific (ex Japan) Dev Equity Index	10,013	4%
87,586	36%		91,203	36%
		Gilts and bonds		
28,122	11%	All Stocks Index-Linked Gilts	27,122	11%
27,209	11%	Active Corporate Bond - All Stocks	26,692	11%
55,331	22%		53,814	22%
		Diversified growth funds*		
47,281	19%	Baillie Gifford	49,832	20%
47,278	19%	Newton	46,256	18%
94,559	38%		96,088	38%
247,173	**100%**	**Total market value**	**250,593**	**100%**

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

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

14 Bulk annuity insurance buy-in

As an integral part of the Fund's risk management and reduction strategy, a bulk annuity insurance buy-in was put in place during 2012/13. The insurance cover provides that the insurer underwrites the risk for meeting the liabilities relating to West Midland Travel Limited pensioners on the pension payroll at 11 August 2011 in return for the payment of a one-off premium.

Benefits recharged to Prudential during the year have been credited to the Fund account and the value of the buy-in recalculated at each year end by the consulting actuary (see note 18 for methodology) and recognised in the Net Assets Statement as follows:

31 March 2017 £'000		31 March 2018 £'000
250,874	**Opening market value**	**255,022**
	Movements in the year:	
4,801	Interest on buy-in	3,572
(16,854)	Level pensions paid	(16,337)
(2,064)	Experience - actuarial loss	-
18,265	Change in actuarial assumptions	(3,924)
4,148		**(16,689)**
255,022	**Closing market value**	**238,333**

The decrease during the year is mainly due to the change in the discount rate which is set with reference to the market conditions as at 31 March 2018. Prior year's gain of £18.2m was the result of the 2016 triennial valuation.

15 Current assets

31 March 2017 £'000		31 March 2018 £'000
	Debtors	
247	Contributions due - employers	240
65	Contributions due - members	57
2	Other debtors	138
314		435
876	Cash balances	3,018
1,190	**Total**	**3,453**
	Analysis of debtors:	
29	Other local authorities and pension funds	164
285	Other entities and indivduals	271
314	**Total**	**435**

Included within cash balances is £2.960m (2017: £0.815m) placed in the West Midlands Pension Fund's STIC Global STG Portfolio.

Notes to the Accounts

16 Current liabilities

31 March 2017 £'000		31 March 2018 £'000
91	Benefits payable	-
410	Sundry creditors	340
501	**Total**	**340**
	Analysis of creditors:	
242	Central government bodies	232
259	Other entities and individuals	108
501	**Total**	**340**

17 Additional voluntary contributions

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

The contributions and the investments are not included within the Fund accounts, in line with regulation 4 (1) (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.

2016/17			2017/18	
Equitable Life £'000	Prudential £'000		Equitable Life £'000	Prudential £'000
157	**696**	**Opening value of the Fund**	**172**	**719**
1	119	Income	1	119
-	(141)	Expenditure	(100)	(157)
14	45	Change in market value	3	21
172	**719**	**Closing value of the Fund**	**76**	**702**

18 Fair value – basis of valuation

The basis of the valuation of each class of investment is set out 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 sensitivities
Pooled investment vehicles - quoted unitised insurance policies	1	Closing bid price if both bid and offer prices are published.	Not required	Not required
Pooled investment vehicles - diversified growth funds	2	Diversified growth funds invest in a variety of liquid assets. Values are derived from several sources including the use of quoted market prices and valuation techniques used by external managers based on significantly observable market data.	NAV based pricing set on a forward pricing basis.	Not required
Bulk annuity insurance buy-in	3	Provided by the Fund's actuary based on a roll-forward of the value placed on the buy-in as part of the 2016 triennial actuarial valuation, allowing for estimated level pensions paid and the change in the discount rate used to value the buy-in.	Key underlying inputs for the valuation are the discount rate and life expectancy. Discount rate has been set at 1.60% with reference to the 13-year point of the Bank of England nominal gilt yield curve, consistent with the 2016 valuation of the Fund.	Adjustments to discount rate and life expectancy

Sensitivity of assets valued at level 3

The key underlying inputs for the buy-in valuation are the discount rate and life expectancy. The impact of changes as calculated by the Fund’s actuary is shown below:

Change in assumptions – year ended 31 March 2018	Increase/(decrease in value of buy-in	
Adjustment to discount rate Value of buy-in	+0.5% (£12.0m)	-0.5% £12.7m
Adjustment to life expectancy assumptions Value of buy-in	+1 year £11.0m	-1 year (£10.5m)

Fair value hierarchy

Asset and liability valuations have been classified into three levels, according to the quality and reliability of information used to determine fair values. Transfers between levels are recognised in the year in which they occur.

Level 1

Assets and liabilities 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.

Level 2

Assets and liabilities 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.

Level 3

Assets and liabilities 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.

The following table provides an analysis of the financial assets and liabilities of the Fund grouped into Levels 1 to 3, based on the level at which the fair value is observable. There have been no transfers between levels during the year.

Notes to the Accounts

Values at 31 March 2018	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	154,505	96,088	238,333	488,926
Net investment assets	**154,505**	**96,088**	**238,333**	**488,926**

Values at 31 March 2017	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets at fair value through profit and loss	152,614	94,559	255,022	502,195
Net investment assets	**152,614**	**94,559**	**255,022**	**502,195**

A reconciliation of fair value measurements within level 3 is shown in note 14.

19 Financial instruments

The following table analyses the carrying amounts of financial instruments by category and Net Assets Statement heading. No financial instruments were reclassified during the accounting period.

31 March 2017				31 March 2018		
Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m		Fair value through profit and loss £m	Loans and receivables £m	Financial liabilities at amortised cost £m
			Financial assets			
247,173	-	-	Investment assets	250,593	-	-
255,022	-	-	Bulk annuity insurance buy-in	238,333	-	-
-	876	-	Cash balances	-	3,018	-
-	314	-	Debtors	-	435	-
502,195	**1,190**	**-**		**488,926**	**3,453**	**-**
			Financial liabilities			
-	-	(259)	Creditors	-	-	(108)
502,195	**1,190**	**(259)**		**488,926**	**3,453**	**(108)**

Net gains and losses on financial instruments

31 March 2017 £m		31 March 2018 £m
	Financial assets	
	Designated at fair value through profit and loss:	
(37,118)	Investment assets	(4,740)
(4,148)	Bulk annuity insurance buy-in	16,689
(41,266)		11,949
(7)	Loans and receivables	(6)
(41,273)	**Total**	**11,943**

20 Nature and extent of risks arising from financial instruments

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

Responsibility for the Fund's risk management strategy rests with the West Midlands Pension Fund Pensions Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's activities. Policies are reviewed regularly to reflect changes in activity and in market conditions. Policies covering specific areas relating to the 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 matching assets to liabilities through the triennial actuarial valuation and an appropriate asset allocation.

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

Counterparty risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorized and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting,relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund-specific requirements.

Credit risk

The Fund's deposits with financial institutions as at 1 April 2017 or the 31 March 2018 are disclosed in note 15. The Fund's surplus cash may be placed with an approved financial institution on a short-term basis and in accordance with the cash management policy and restrictions set out in the Compliance Manual. The policy specifies the cash deposit limit with each approved counterparty, as determined by a comprehensive scoring exercise undertaken by fund officers using specialist rating and market research data, which is reviewed on a regular basis.

Liquidity risk

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

Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. Even though the Fund has no financial assets denominated in foreign currencies, it is exposed to currency risk on its overseas equity portfolio as the movement in value takes account of changes in exchange rates of the underlying investments.

The aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level.

Notes to the Accounts

Price risk sensitivity analysis

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market. Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on the Fund's asset allocations. In consultation with the Fund's performance advisors, the Fund has determined that the following future movements in market price risk are reasonably possible based on 2017/18 closing values:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	9,488	16.8%	11,082	7,894
Overseas equities	91,203	17.9%	107,528	74,878
Total bonds	26,692	8.7%	29,014	24,370
Index linked	27,122	8.3%	29,373	24,871
Diversified growth funds	96,088	12.6%	108,195	83,981
Cash	3,018	0.5%	3,033	3,003
Total assets	**253,611**		**288,225**	**218,997**

The potential price changes on the 2016/2017 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	9,697	15.8%	11,229	8,165
Overseas equities	87,586	18.4%	103,702	71,470
Total bonds	27,209	10.9%	30,175	24,243
Index linked	28,122	23.0%	34,590	21,654
Diversified growth funds	94,559	12.5%	106,379	82,739
Cash	876	0.0%	876	876
Total assets	**248,049**		**286,951**	**209,147**

Interest rate risk and sensitivity analysis

The Fund's investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2017 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Carrying amount as at 31 March 2017 £'000	Change in year in the net assets available to pay benefits £'000	£'000	Asset type	Carrying amount as at 31 March 2018 £'000	Change in year in the net assets available to pay benefits £'000	£'000
	+100BPS*	-100BPS*			+100BPS*	-100BPS*
876	9	(9)	Cash and cash equivalents	3,018	30	(30)
55,331	553	(553)	Fixed interest securities	53,814	538	(538)
56,207	**562**	**(562)**	**Total change in assets**	**56,831**	**568**	**(568)**

*BPS – basis points

Regulatory risk

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

21 Funding arrangements

In line with the Local Government Pension Scheme Regulations 2013, the Fund's actuary undertakes a funding valuation every three years for the purpose of setting employer contribution rates for the forthcoming triennial period. The last such valuation took place as at 31 March 2016. As a result, employers' contributions have been adjusted from 1 April 2017.

The key elements of the funding policy are:

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

The results of the valuation as at 31 March 2013 and 31 March 2016 and the actuarial assumptions used are shown below.

Valuation results	31 March 2016 valuation	31 March 2013 valuation
Funding target as % of existing and prospective liabilities	100%	100%
Common rate of employer's contributions (calculated using the attained age method)	25.1%	21.5%
Market value of the Fund	£464m	£449m
Actuarial value of the Fund	£569m	£563m
Funding level in relation to past service liabilities	82%	84%
Offset to allow for market changes after the valuation date*	n/a	(£28m)
Deficit in relation to past service	(£105m)	(£86m)

*allows for impact on assets and liabilities

Notes to the Accounts

Valuation assumptions	2016 valuation	2013 valuation
Discount rate - West Midlands Travel Limited		
Pre-retirement (non-retired members)	4.5% pa	5.5% pa
Post-retirement (non-retired members)	As above	3.5% pa
Post retirement (retired members - non buy-in)	As above	3.5% pa
Post retirement (retired members - buy-in)	1.9% pa	3.0% pa
Buy-in asset valuation	1.9% pa	2.5% pa
Discount rate - Preston Bus Limited		
Pre-retirement	2.8% pa	5.0% pa
Post-retirement	As above	3.0% pa
Salary increases	2.3% pa	2.6% pa
Pension increases in payment	2.3% pa	2.6% pa
Retired members' mortality - base tables	S2PA tables with a multiplier of 110% for current pensioners (both normal and ill-health) and future dependants	CMI self administered pensions schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality - future improvements	CMI 2015 model methodology with 1.5% pa long-term trend	CMI 2013 model methodology with 1.25% pa long-term trend
Commutation assumption	Members will commute pension to provide a lump sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump sum for £1 of pension	50% of retiring members will take the maximum tax-free lump available and 50% will take the standard 3/80ths cash sum for pre-April 2008 service

Key:
CMI: The Continuous Mortality Investigation
S2PA: Post-retirement mortability tables

Following the 31 March 2016 valuation, employers' contribution rates for the period from 1 April 2017 to 31 March 2020 have been set at 25.1% per annum plus £7,300,000 (2017/18), £7,467,900 (2018/19) and £7,639,700 (2019/20) for West Midlands Travel Limited. The contributions have taken into consideration the support of the Group guarantee which has been extended following discussions as part of the valuation process. The contributions certified are conditional on the guarantee remaining in place for the employer relating to its participation in the Fund.

A rate of 0% plus £325,000 per annum was determined as the appropriate rate for Preston Bus Limited following the 31 March 2016 valuation. This followed the decision by Preston Bus Limited to opt out of the scheme in February 2006. The annual lump-sum only payment will continue to be paid in order to cover the past service default that has accrued.

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

The Fund's assets at 31 March 2016 valuation was £464m, of this £256m was in respect of the buy-in asset value with the remaining representing the Fund's invested assets.

22 Actuarial present value of promised retirement benefits

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

In order to assess the value of the benefits on this basis, the actuary has updated the actuarial assumptions (set out below) from those used for funding purposes (see note 21). The actuary has also used valued ill health and death benefits in line with IAS 19. Demographic assumptions are the same as those used for funding purposes.

The actuarial present value of promised retirement benefits at 31 March 2018 was £619.3m (2017: £650.6m). The Fund accounts do not take account of liabilities to pay pensions and other benefits in the future.

The liabilities above are calculated on an IAS 19 basis and therefore differ from the results of the 2016 triennial funding valuation because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2017	Assumptions used	31 March 2018
2.40%	Discount rate	2.50%
2.50%	Salary increases	2.35%
2.50%	Pensions increases	2.35%

23 Related party transactions

The West Midlands Combined Authority recharges administrative costs incurred to the Fund. The recharges for the year ended 31 March 2018 are £22,000 (2017: £22,000), as detailed in note 11. There are no other related party disclosures, as none of the members of the West Midlands Pension Fund Pensions Committee or the employees of the Fund's advisors and officers who hold key positions are members of the Fund.

24 Events after the reporting date

Following guidance from Central Government, local authority investment pools have been created to bring together the investment assets of local authority pension funds into eight investment pools across England and Wales. Authorities across the Central region joined together to form LGPS Central which was set up in October 2016 to manage one of these eight national investment pools. LGPS Central Limited, an FCA-regulated company, began trading on 1 April 2018 in line with government regulations following FCA authorisation earlier in the year. The Fund and eight other LGPS funds across the Midlands are the participating funds in the LGPS Central investment pool. Whilst the Fund participates in LGPS Central Limited, it is not a shareholder. No assets in the Fund have been transitioned to date and proposals to transition future assets will be given full consideration to ascertain the suitability of the offering by the company to meet the strategic requirements of the Fund.

WEST MIDLANDS ITA PENSION FUND FUNDING STRATEGY STATEMENT (FSS) 2017

Funding Strategy Statement 2017

The Fund is required to carry out an actuarial valuation every three years and review and set the funding strategy and employer contribution rates for the following three years. The latest actuarial valuation was carried out in March 2016 with the funding strategy review playing an integral role in it. The current version was approved by Pensions Committee in March 2017.

A link to the previous statement can be found here:
http://www.wmpfonline.com/CHttpHandler.ashx?id=4588&p=0

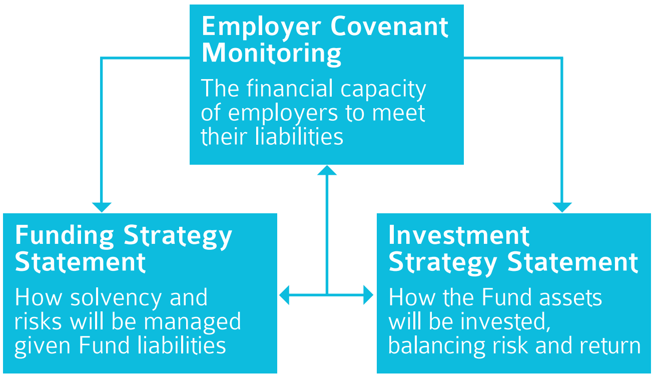
---

1 Introduction

1.1 The LGPS regulations require administering authorities to produce a Funding Strategy Statement (FSS) having regard to the guidance produced by The Chartered Institute of Public Finance and Accountancy (CIPFA). Revised regulations came into effect in 2013 and revised CIPFA guidance was issued in September 2016. This statement has been prepared in accordance with the regulations and following consultation with appropriate persons. It reflects the shift in focus towards the regulatory requirement for administering authorities to ensure contributions are set at a level to achieve Fund solvency and long-term cost efficiency.

1.2 The FSS is supported by the Investment Strategy Statement (ISS), which replaces the SIP from April 2017, and the Fund's approach to employer covenant monitoring. Together these ensure an integrated approach to funding strategy and risk management.

1.3 The statements relate as follows:



1.4 The Fund's actuary takes account of the FSS in his actuarial work for the Fund, most notably the actuarial valuation process. The FSS summarises the Fund's approach ensuring contributions are sufficient to meet its liabilities.

1.5 The FSS reflects the statutory nature of the Local Government Pension Scheme (LGPS), particularly the defined benefit nature and the benefit payable guarantee. The FSS sets out how benefits will be funded over the long-term through an accountable, transparent process with full disclosure of relevant details and assumptions.

1.6 The scheme is a defined benefit arrangement with principally final salary-related benefits from contributing members up to 1 April 2014 and career-averaged revalued earnings (CARE) benefits earned thereafter. There is also the introduction of a '50/50 scheme option', where members can elect to accrue 50% of the full scheme benefits and pay 50% of the normal member contribution.

1.7 Against this background, the key considerations in determining the funding strategy, taking advice from the actuary, are:

a) the appropriate time period for targeting funding recovery taking into account the closed nature of the scheme, but also the ongoing nature of the sponsoring organisations; and

b) the strength of covenant of the sponsoring organisations, their funding sources, and any guarantee arrangements in place.

1.8 The Fund, like many other similar public and private sector funded schemes, has a gap between its assets and pension liabilities (a funding shortfall). A number of factors have contributed to the development of the funding gap and increases in contribution rates for employers most notably:

- increases in life expectancy and pensions longevity; and
- falling long-term interest rates and the expectations for future investment returns.

This strategy addresses the recovery of the funding shortfall in addition to setting future contributions to cover the ongoing cost of benefit accrual.

Employer contributions

The required levels of employee contributions are specified in the regulations. Employer contributions are determined in accordance with the regulations (which require that an actuarial valuation is completed every three years by the actuary and production of a rates and adjustments actuarial certificate specifying the 'primary' and 'secondary' rate of the employer's contribution).

Funding Strategy Statement 2017

Primary rate
The 'primary rate' for an employer is the contribution rate required to meet the cost of the future accrual of benefits, ignoring any past service surplus or deficit, but allowing for any employer-specific circumstances, such as its membership profile, the funding strategy adopted for that employer, the actuarial method used and/or the employer's covenant.

Secondary rate
The 'secondary rate' is an adjustment to the primary rate to arrive at the total rate of contribution each employer is required to pay. The secondary rate may be expressed as a percentage adjustment to the primary rate, and/or a cash adjustment in each of the three years beginning 1 April in the year following the actuarial valuation. In line with previous valuations, each employer will have a cash adjustment to the primary rate to reflect their funding level.

Secondary rates for the whole Fund in each of the three years shall also be disclosed.

2 Purpose of the Funding Strategy Statement in policy terms

2.1 The purpose of this FSS is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' liabilities are best met going forward;
- to take a prudent longer term view of funding those liabilities;
- to ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met; and
- to support the desirability of maintaining as nearly constant a primary contribution rate as possible, as defined in Regulation 62(5) of the LGPS Regulations 2013.

2.2 The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit payments. This framework is designed to ensure the funding strategy is both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives that need to be balanced and reconciled. Whilst the funding strategy applicable to individual employers must be reflected in the FSS, its focus should at all times be on those actions that are in the best long-term interests of the Fund. Consequently, the FSS is a single all-employer encompassing strategy for the administering authority to implement and maintain.

3 Consultation

3.1 LGPS regulations require the administering authority to consult with such persons it considers appropriate in the maintenance and review of the FSS. CIPFA provides further guidance that this must include meaningful dialogue at officer and elected member level, with council tax raising authorities and with corresponding representatives of participating employers.

3.2 Employers participating in the Fund have been consulted on the principles of this FSS and consideration has been given to their views accordingly. However, the FSS represents a single strategy for the Fund as a whole, adjusted for individual employers based on the advice of the Fund actuary, Barnett Waddingham, who has also been consulted

4 Aims and purposes of the Fund

4.1 The aims of the Fund are to:

- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due;
- enable primary contribution rates to be kept as nearly constant as possible and (subject to the administering authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies, while achieving and maintaining Fund solvency and long-term cost efficiency, which should be assessed in light of the risk profile of the Fund and employers, and the risk appetite of the administering authority and employers alike; and
- seek returns on investment within reasonable risk parameters.

4.2 The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income; and
- pay out monies in respect of Fund benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme Regulations and as required in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (or the equivalent in Scotland and Northern Ireland).

5 Responsibilities of the key parties

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

The administering authority is required to:

- operate the Fund;
- collect employer and employee contributions, investment income and other amounts due to the Fund as stipulated in LGPS regulations;
- pay from the Fund the relevant entitlements as stipulated in the LGPS regulations;

- invest surplus monies in accordance with the LGPS regulations;
- ensure that cash is available to meet liabilities as and when they fall due;
- take measures as set out in the regulations to safeguard the Fund against the consequences of employer default;
- manage the valuation process in consultation with the Fund's actuary;
- prepare and maintain an FSS and an SIP/ISS, both after proper consultation with interested parties;
- monitor all aspects of the Fund's performance and funding and amend the FSS/ISS accordingly.

The administering authority discharges its responsibilities in consultation with the two employers and through delegation to the Pensions Committee of the West Midlands Pension Fund.

5.2 The individual employer is required to:

- deduct contributions from employees' pay correctly;
- pay all ongoing contributions, including employer contributions determined by the Fund actuary and set out in the rates and adjustments certificate, promptly by the due date;
- develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, augmentation of Fund benefits and early retirement strain;
- notify the administering authority promptly of all changes to active membership which affect future funding; and
- pay any exit payments on ceasing participation in the Fund.

5.3 The Fund's actuary:

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates at a level to ensure Fund solvency and long-term cost efficiency after agreeing assumptions with the administering authority and having regard to the FSS and the LGPS regulations;
- prepare advice and calculations in connection with bulk transfers and the funding aspects of individual benefit-related matters such as pension strain costs, ill-health retirement costs, compensatory added years costs, etc;
- provide advice and valuations on the exiting of employers from the Fund;
- provide advice to the administering authority on bonds or other forms of security against the financial effect on the Fund of employer default;
- assist the administering authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations; and
- ensure that the administering authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

6 Solvency issues and target funding levels

6.1 LGPS regulations require each administering authority to achieve Fund solvency and long-term cost efficiency by means of employer contribution rates established by triennial valuation. LGPS administering authorities prudentially seek to achieve an appropriate balance between the income stream from contributions and investments and maintaining the ability to pay pension benefits as and when they fall due over the life of the Fund.

6.2 Securing solvency and long-term cost efficiency is a regulatory requirement whereas a constant as possible a primary contribution rate remains only a desirable outcome. Administering authorities should avoid continually extending deficit recovery periods at each and subsequent actuarial valuations. Over time and given stable market conditions, administering authorities should aim to reduce deficit recovery periods.

6.3 The Fund is mature and has a funding gap. It takes an appropriate cautious view on determining employing body contribution rates to meet future liabilities through operating a fund with individual employer investment strategies that reflect this view. It aims to allow shortterm investment market volatility to be managed, so as not to cause volatility in employing body contribution rates.

6.4 The LGPS regulations require the long-term funding objectives to achieve and maintain assets sufficient to cover 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used, is an important feature in determining the funding requirements.

The Fund recognizes the different characteristics of the variety of participating employer organisations, and will set funding strategy (including funding target and deficit recovery contributions) appropriately having regard to factors such as:

- strength of covenant, and security of future income streams;
- support or guarantee arrangements provided; and

- prospective period of participation in the Fund, and specifically the implications if the employer has closed membership of the Fund to new employees.

Under Section 13(4)(c) of the Public Service Pensions Act 2013 the Government Actuary's Department (GAD) (as the person appointed by the responsible authority) must, following an actuarial valuation, report on whether the rate of employer contributions to the Fund are set at an appropriate level to ensure the solvency of the Fund and long-term cost efficiency of the LGPS.

6.5 In developing the funding strategy, the administering authority has had regard to the likely outcomes of the subsequent review under Section 13(4)(c) and has considered implications for its key performance indicators as determined by the Scheme Advisory Board where appropriate, ie, in England and Wales.

Determination of the funding target and recovery period

6.6 The principle method and assumptions to be used in the calculation of the funding target and cost of future accrual are set out in the Appendix.

6.7 Underlying these assumptions are the following three tenets:

- That the scheme is expected to continue for the foreseeable future over the run-off of the liabilities for current and former members.
- Favourable investment performance can play a valuable role in achieving adequate funding over the longer term.
- The contributions reflect the employers' current financial strength including any separate guarantees in place, subject to the agreement of the guarantor.

6.8 As part of each valuation, separate employer contribution rates are assessed by the actuary for each participating employer. These rates are assessed, taking into account the experience and circumstances of each employer, following a principle of no cross subsidy between the employers in the scheme. Fund assets have been unitised, with units allocated to each employer and the two employers have different underlying investment strategies.

The period over which an employer's past service deficit is to be recovered will be dependent on a number of factors, including the nature of the employer, any supporting guarantee or other forms of security.

The administering authority, following consultation with the participating employers as part of the 2016 actuarial valuation, has adopted the following principles.

- The deficit recovery plan for Preston Bus will be based on an overall recovery period of around three years. This reflects an acceleration of the funding plan agreed in 2013, following an improvement in the funding level for this employer.
- The deficit recovery plan for West Midlands Travel Limited (WMTL) will extend over 15 years to 31 March 2032, as long as a suitable financial guarantee remains in place to the satisfaction of the administering authority.
- All early retirements (including those on the grounds of ill health) from the Fund will give rise to an additional charge to the employer, calculated on a case-by-case basis for each retirement.
- Employer contributions payable to the Fund include an element to cover the expected administrative costs involved, incurred by the administering authority. This expenses allowance will be expressed as annual £s amounts, allocated to each employer by reference to total membership.
- Deficit contributions will continue to be assessed and expressed as annual £s amounts.
- In addition to any deficit contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the 'primary' rate).

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

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

Employer contributions will be expressed and certified as two separate elements:

- The primary rate: a percentage of pensionable payroll in respect of the cost of the future accrual of benefits.
- The secondary rate: a schedule of annual lumpsum amounts, payable over the three years to 2019/20. For WMTL these amounts (together with the amount due to cover expected administration costs) will increase annually in line with the valuation funding assumption for long-term pay growth (2.3% pa).

Both elements are subject to review from April 2020 based on the results of the 2019 actuarial valuation.

7 Links to investment policy set out in the Statement of Investment Principles (SIP)

7.1 The Fund's investment strategy has been considered and reviewed in conjunction with the valuation and the FSS. In particular, the future return expectations of the main asset classes in which the Fund invests have been considered in determining the prudent allowance for future investment returns and extent of reliance on these by employers is outlined in this FSS. It will continue to be monitored by the Investment and Funding Strategy Panel which includes representatives from the authority and employers.

8 The identification of risks and countermeasures

8.1 Evaluating risks that may impact on the funding strategy and expectations of future solvency is crucial to determining the appropriate measures to mitigate those risks. The FSS identifies those key risks specific to the Fund and the measures being taken or assumptions made to counter those risks.

8.2 Some of the key risks taken into account and responses are:

Financial

- Changes to the employers' ability to make pension contributions to the Fund.
- Investment markets fail to perform in line with expectations.
- Investment fund managers fail to achieve performance targets over the longer term.
- Pay and price inflation significantly more or less than anticipated.
- The effect of a possible increase in employer's contribution rate on the employers' business outlook.
- Failure of Prudential to fulfil obligations under the buy-in policy.

Employer covenant is monitored and formally independently assessed as part of each triennial actuarial valuation. The Fund undertakes a three-yearly review of its investment strategy taking into account investment risk and future benefit payments to determine a bespoke investment strategy that for a variety of future economic outcomes gives a higher degree of certainty that the investment objectives will be achieved. Investment strategy and beliefs are set out in the ISS, with managers and their benchmarks chosen to reflect and implement the ISS. Investment management briefs reflect the importance of capturing at least a market rate of return and minimising the risk of significantly underperforming an investment market.

Demographic

- The longevity horizon of beneficiaries continues to expand.
- Cost of early retirements.

The Fund has in place policies and procedures to identify for employing bodies the impact of these factors and agrees how they will be managed in terms of annual contribution rates and/or as special additional contributions.

Regulatory

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

These changes agreed and proposed are evaluated and taken into account in the actuarial valuation and closely monitored between valuations in case any action is required.

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

Governance

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

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

The Fund's approach to the outcome of the 2016 valuation has had regard to balancing the needs of funding the liabilities and the cost to the employers, taking into account the following:

- provision of any financial guarantees
- financial standing of the body
- known activities and working activities
- maturity of workforce
- de-risking of liabilities through the bulk annuity policy
- risk management through changes to the investment strategy

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

Funding Strategy Statement 2017

Appendix

Actuarial valuation as at 31 March 2016

Method and assumptions used in calculating the funding target method

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

Financial assumptions

Investment return (discount rate)

One of the key valuation assumptions is the discount rate. The actuary estimates the future benefit cashflows which will be made to and from the Fund in the future. These cashflows are then discounted to a present day value using the discount rate. This value is essentially the estimated amount of money which, if invested now would be sufficient together with the income and growth in the accumulating assets to make these payments in future, using a prudent assumption about future investment returns (discount rate).

The discount rate assumptions for each employer have been derived using the employer's current investment strategy and a weighted set of assumed investment returns, adjusted for prudence and to reflect the employer's liability profile and employer covenant. The discount rate, in respect of buy-in pensioner members, reflects the buy-in policy backing these liabilities.

Inflation (consumer prices index)

The assumption for CPI inflation is derived from the RPI assumption of 3.2% pa, which is based on information published by the Bank of England. A deduction is made to the RPI assumption due to the different ways that the indices are calculated which the Fund actuary has estimated to be 0.9% pa. In addition, the inflation risk premium (often used to reflect any long term impact of supply/demand distortions in market yields used to estimate future RPI) has been assumed to be zero. This results in a CPI inflation assumption of 2.3% pa.

Salary increases

The assumption for salary increases including allowance for promotional increases, will be set as the CPI inflation assumption described.

Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption described above. This is modified appropriately to reflect any benefits which are not fully indexed in line with CPI (eg, guaranteed minimum pensions in respect of service prior to April 1997).

Mortality/life expectancy

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity.

The mortality tables used are adjusted to reflect the Fund specific experience analysis undertaken to inform current life expectancy. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

Commutation

It has been assumed that, on average, members will take 50% of the additional tax-free cash available to them, as well as their accrued lump-sum entitlement. The option which members have to commute part of their pension at retirement in return for a lump-sum is a rate of £12 cash for each £1 pa of pension given up.

Other demographics

Following an analysis of Fund experience carried out by the actuary and national LGPS carried out by the Government Actuary Department, the proportions married/civil partnership assumption and allowances for withdrawals and early retirements has been modified from the last valuation. No allowance will be made for the future take-up of the 50:50 option. Where any member has actually opted for the 50:50 scheme, this will be allowed for in the assessment of the rate for the next three years.

Expenses

Expenses are met out the Fund, in accordance with the regulations. In line with the 2013 valuation, an explicit allowance and additional contributions will be made to cover expected administration expenses. This approach will be reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary benefits

The costs of any discretion exercised by an employer in order to enhance benefits for a member through the Fund will be subject to additional contributions from the employer as required by the regulations as and when the event occurs. As a result, no allowance for such discretionary benefits has been made in the valuation.

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

Summary of Key Whole Fund Assumptions Used for Calculating Funding Target

Financial assumptions	31 March 2016
Discount rate - West Midlands Travel Ltd	
Pre-retirement (non-pensioners)	4.5% pa Derived using returns on individual asset classes combined with an allowance for prudence.
Post-retirement (non-pensioners)	As above.
Post-retirement (non-buy-in pensioners)	As above.
Post-retirement (buy-in pensioners)	Based on 13-year yield, 1.9% pa (smoothed).
Buy-in asset valuation	Based on 13-year yield,1.9% pa (smoothed).
Discount rate - Preston Bus Ltd	
Pre-retirement	2.8% pa Derived using returns on individual asset classes combined with an allowance for prudence.
Post-retirement	As above.
Retail price inflation (RPI)	Based on 18-year yield,3.2% pa (smoothed).
Consumer price inflation (CPI)	2.3% pa (deduction of 0.9% from RPI assumption).
Salary inflation	2.3% pa (in line with CPI).
Mortality assumptions	
Pre-retirement mortality - base table	Set with reference to GAD tables.
Post-retirement mortality - base table	S2PA tables with a multiplier of 110% for current pensioners (both normal and ill-health) and future dependants. 140% of the S2PMA tables for current male dependants and 120% of the S2DFA table for current female dependants.
Allowance for improvements in life expectancy	2015 CMI model with a long-term rate of improvement of 1.5% pa.
Other demographic assumptions	
Partner age difference	Males are three years older than their spouse and females are three years younger than their spouse.
Proportion married	85% of members have an eligible dependant at retirement or earlier death.
Allowance for withdrawals	Same as used by Government Actuary's Department when LGPS reforms were designed and based on analysis of incidence of death, retirement and withdrawal for local authority funds.
Promotional salary scale	Set with reference to GAD tables.
Allowance for cash commutation	Members will commute pension at retirement to provide a lump-sum of 50% of the additional maximum allowed under HMRC rules and this will be at a rate of £12 lump-sum for £1 of pension.
Allowance for expenses	Expenses of administration are allowed for by each employer paying an explicit additional contribution. Investment expenses are met by an implicit assumption made in the derivation of the discount rate assumption.

Funding Strategy Statement 2017

Financial assumptions	31 March 2016
Allowance for early retirements (non-ill health)	Each member retires at their weighted average 'tranche retirement age' ie, for each tranche of benefit, the earliest age they could retire with unreduced benefits plus three years for active members of WMTL and plus two years for deferred members of WMTL.
	The future service rate has been calculated using the retirement assumption above plus one year rather than three years for active members.
Allowance for early retirements (ill health)	Additional capital contributions will be paid by the employer in respect of the cost of these retirements.
Allowance for 50:50 membership	It is assumed that opted-in active members will continue to pay 50% of contributions for 50% of benefits under the new scheme.
Allowance for discretionary benefits	No allowance.

WEST MIDLANDS ITA PENSION FUND INVESTMENT STRATEGY STATEMENT (ISS) 2018

Investment Strategy Statement 2018

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, in force from 1 November 2016, require administering authorities to publish their first Investment Strategy Statement (ISS) by 1 April 2017. The ISS replaces the current Statement of Investment Principles (SIP) and, under the new regulations, must be prepared in accordance with the statutory guidance issued by DCLG in September 2016. The current version was approved by Pensions Committee in March 2018.

A link to the previous SIP can be found here:
http://www.wmpfonline.com/CHttpHandler.ashx?id=4542&p=0

1 Introduction

This is the Investment Strategy Statement (the 'Statement') of the West Midlands Integrated Transport Authority Pension Fund (the Fund) as required by regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (the 'Regulations'). This statement is available to anyone with an interest in the Fund and the public generally.

The overall investment policy for the West Midlands Integrated Transport Authority falls into two parts.

- The strategic management of the assets which rests with the Integrated Transport Authority (the administering authority), now part of the West Midlands Combined Authority, who have delegated this responsibility to the Pensions Committee of the West Midlands Pension Fund (the Committee). The Committee has representation from all district councils within the West Midlands. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives as set out in Section 2 below.
- The remaining elements of policy are part of the day-to day management of the assets which is delegated to the external managers and the Strategic Director responsible for the West Midlands Pension Fund at the City of Wolverhampton Council and described in Section 6.

The Committee will review this statement in response to any material changes to any aspects of the Fund, its liabilities, finances and its attitude to risk which they judge to have a bearing on the stated investment policy. This review will occur no less frequently than every three years to coincide with the actuarial valuation.

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

2 Investment objectives

The Committee has set the following objectives:

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

3 Risk

The risk tolerance of the Fund is gauged working with the Pensions committee, the Investment and Funding Strategy Panel and independent advisors through the setting of investment beliefs, funding and investment objectives which sets the strategic asset allocation, band and benchmarks. The Investment and Funding Strategy Panel, Fund investment officers and advisors monitor the risk of the Fund liabilities versus the benchmark. Risk taken against that benchmark is monitored using a risk register and risk management tools.

The Fund is exposed to Investment, operational, governance and funding risks. These risks are identified, measured, monitored and then managed.

The principal risks affecting the Committee are as follows:

a) The risk of a deterioration in the funding level of the Fund due to investment markets not performing as forecast. The diversification of the investments balances this risk against the objective of seeking the better performing markets in which there is relatively good liquidity.

b) The risk that the investment managers, in their day-to-day management of the assets, will not achieve the rate of investment return expected by the Committee. To limit their exposure to the risk of significantly underperforming, the Committee invests the Fund's investments in diversified core holdings, a mixture of equities, bonds and diversified growth funds producing a high level of probability of achieving near market rates of return at a relatively low cost. The Fund is also invested in actively managed non-government fixed interest arrangements.

c) Any investment decision carries with it risks of different types (for example, risk of underperformance, risk from mismatching, risk from underfunding etc). The Committee recognises these different types of risk and seeks to minimise them as far as possible by regular monitoring of the performance of the Fund managers, seeking advice from the actuary on the suitability of the assets with regard to the Fund's liabilities, regularly receiving advice from a range of professional advisors and ensuring that the Fund's portfolio is suitably diversified.

d) Inflation risk
The Fund mitigates inflation risk through holding a portfolio of growth and inflation-linked assets. Inflation risk is considered triennially as part of the actuarial valuation.

e) Changing demographics
The risk of changing demographics such as improvement in longevity and other demographic factors, increasing the cost of benefits.

The Committee monitors this by reviewing mortality and other demographic experience and assumptions which could influence the cost of the benefits. These assumptions are considered formally at the triennial valuation.

Buy-in strategy

During 2012, the Fund arranged an insurance 'buy-in' of part of the current liabilities for pensions in payment to more effectively manage the investment, interest and longevity risks.

4 Investment strategy

The Committee sets a long-term investment strategy (the mix of asset types) in regard to the Fund's liability structure and the investment objectives set out in section 2. This is reviewed at least every three years, after each actuarial valuation. It will not make tactical asset allocation decisions unless market movements or related issues suggest otherwise.

As a result of the buy-in impacting the liabilities of only one of the underlying employers, a separate 'non-buy-in' investment strategy has been implemented for the participating employer that was not involved in the buy-in. This strategy, together with the 'post-buy-in' strategy (for the employer that was involved in the buy-in) is outlined in Appendix A. As at 31 December 2016, the 'buy-in' policy represented 51% of the total Fund assets (53% of total NX assets).

In 2015, the assets attributable to the Fund's two employers were unitised so that they are now separately identified. There is a governance benefit from unitisation – it is the best method of providing the level of robustness required when Fund assets are formally assigned to individual employers. It also provides greater flexibility for the future, facilitating bespoke investment strategy and management arrangements for each employer segment.

5 Diversification

The Fund will be diversified across multiple asset classes with different risk return expectations and correlations to deliver the targeted return of the Fund.

The Fund will use risk attribution provided by independent advisors to assess diversification benefits.

6 Day-to-day management of the assets

Investment management structure

The Fund invests its main assets in portfolios operated by three external investment managers, all of whom are authorised under the Financial Services and Markets Act 2000 to undertake investment business. The investment managers are required to comply with LGPS investment regulations. The Committee is satisfied that the spread of assets by type and the investment managers' policies on investing in individual securities within each type provides adequate diversification of investments.

Suitable investments

Subject to the LGPS regulations on allowable investments the Fund may invest in a wide range of assets and strategies including quoted equity, government and non-government bonds, currencies, money markets, commodities, traded options, financial futures and derivatives, alternative strategies (including insurance linked securities and loans), private equity and debt markets, infrastructure and property. Investment may be made in physical assets or using derivatives.

The Fund may also use external managers to carry out stocklending ensuring suitable controls/risk parameters are put in place to prevent losses. Where an asset class/strategy is not expected to help in delivering the risk-adjusted investment return required it will not be held.

When new asset classes are discovered not listed above, then approval will be sought from the Committee after receiving advice on its suitability and diversification benefits.

Expected return on the investments

Appendix A shows the benchmark asset allocations for the fund and its two sub-funds, the Fund is rebalanced back to target allocations periodically when it moves outside tolerance ranges or the level of cash make it prudent to do so.

Over the long term, it is expected that the investment returns will be at least in line with the assumptions underlying the triennial actuarial valuation. The individual portfolios should match or exceed the specific market benchmarks set for each portfolio over time.

Investment restrictions

The investment management arrangements prohibit the holding of investments not defined as 'investments' in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. Operating within the investment regulations, the Fund determines investments that are acceptable and approved as such by the Committee.

Investment Strategy Statement 2018

Additional assets
Assets in respect of members' additional voluntary contributions are held separately from the main Fund assets. These assets are held with Equitable Life and the Prudential Assurance Company Limited. Members have the option to invest in with-profits funds, unit-linked funds and deposit funds.

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

Realisation of investments
In general, the Fund's investment managers have discretion in the timing of realisations of investments and in considerations relating to the liquidity of those investments. The Fund is mature in terms of benefit liabilities and has a strong cash outflow on a regular basis. The need to realise investments is reviewed as appropriate by the Investment and Funding Strategy Panel.

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

7 Pooling

TThe Fund is entering the LGPS Central pool with the understanding that the pooled investments will benefit from lower investment costs, greater investment capability and access to more uncorrelated asset classes. Becoming an FCA-registered investment manager will lead to improved governance, transparency and reporting giving the Fund assurance that it's investments are being carried out effectively.

The Fund intends to invest all its assets into the LGPS pool with the exception of the buy-in strategy and some cash balances that will remain with the Fund.

8 Responsible investment

The Fund's approach to responsible Investment is set out below and further detailed in our Responsible Investment Framework. The Fund believes that effective management of financially material responsible investment risks should support the Fund's requirement to protect returns over the long term. The Fund will seek to further integrate responsible investment factors (adding corporate governance, environmental and social factors to the existing financial factors) into the investment process across all relevant asset classes. The Fund will vote on all investments where possible and engage with companies when engagement will add value to the Fund. The Fund is a signatory to the Stewardship Code and the Principles of Responsible Investment.

The Fund works with like-minded investors to promote best practice in long term stewardship of investments. The Fund will not seek to exclude investments that are not barred by UK law.

Where assets are managed by external managers in pooled vehicles, the internal manager expects (in selection and monitoring) the manager to meet the same responsible investment standards as internally managed funds.

Corporate governance
The Fund recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Fund considers that good corporate governance can contribute to business prosperity by encouraging accountability between boards, shareholders and other stakeholders. Good corporate governance also plays a major role in encouraging corporate responsibility to shareholders, employees and wider society.

The Fund supports good corporate governance in the companies in which it invests and the challenging of companies who do not meet the standards or reasonable expectations set by their peers.

Socially responsible investment
Socially responsible investment is taken as giving consideration to issues that give risk to social concerns – for example, employment practices, human rights, use of natural resources, environmental issues and external business standards. This links to, and covers, the issues around sustainability that have a rapidly growing significance for companies from a legislative, reputational and practical operational standpoint. Lack of good governance interferes with a company's ability to function effectively and is a threat to the Fund's financial interest in that company.

RI investments will be considered where any non-financial benefit is aligned with a positive financial benefit.

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

9 Compliance With This Statement

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

The Fund intends to invest all its assets into the LGPS Central pool, transitioning over time and maintaining operational cash balances within the Fund. Investment strategy will continue to be set by the Pension Committee who will also continue to oversee impelementation of the investment strategy with the assistance of Fund officers and independent advisors.

10 Compliance With Myners

Following from the Myners' report of 2000 into Institutional Investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations and identified ten investment principles to apply to pension schemes.

These principles cover the arrangements for effective investment management decision-making, setting and monitoring clear investment objectives, focus on asset allocation, arrangements to receive appropriate expert advice, explicit manager mandates, shareholder activism, use of appropriate investment benchmarks, measurement of performance, transparency in investment management arrangements and regular reporting.

The Myners' principles have since been updated and consolidated into six. The Fund supports the principles and complies with the principles. Full details of compliance are set out in the Fund's Myners' Compliance Statement which can be found on the Fund's website.

List of appendices

- **Appendix A** – Target Asset Allocation
- **Appendix B** – Roles and Responsibilities
- **Appendix C** – List of Advisers
- **Appendix D** – Statement of Investment Beliefs

Investment Strategy Statement 2018

Appendix A: Target asset allocation

Asset class	Total Fund %	National Express % (post-buy-in)*	Preston Bus % (non-buy-in)
Growth			
Quoted equities	27.6	28.0	22.5
Diversified growth funds	37.0	38.3	22.5
Total growth	**64.6**	**66.3**	**45.0**
Income and stabilising			
Fixed income	22.3	19.7	54.4
LDI	13.0	14.0	0.0
Cash	0.1	0.0	0.6
Total income and stabilising	**35.4**	**33.7**	**55.0**

*The buy-in represented 50% of NX assets as of 31 December 2017.

The tolerance ranges for the combined fund are as follows:

60% - 70% Growth
30% - 40% Defensive

Appendix B: Roles and responsibilities

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

The City of Wolverhampton Council each year at annual council appoints elected councillors to sit on the Pensions Committee and allows nominations from the district councils to sit as full members. These nominations are received each year and are appointed at annual council.

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

Role of Pensions Committee

- To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands ITA Pension Fund.
- To put in place and monitor the administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits.
- To determine and review the provision of resources made available for the discharge of the function of administrating authority.

Key Duties:

Pensions Committee

- Monitor compliance with the legislation and best practice.
- Determine investment policy based on recommendation:
  - benchmark (medium-term)
  - monitor policy
- Appoint Committee advisers.

Investment and Funding Strategy Panel

- Monitor investment management arrangements.
- Review strategic investment opportunities.
- Monitor implementation of investment policy.
- Monitor investment activity and performance of the Fund.
- Oversee the administration of investment management functions of the Fund

Investment Strategy Statement 2018

Appendix C: List of advisers

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

Hymans Robertson
Investment advice and selection of investment managers.

Barnett Waddingham
Actuarial matters and investment matters relative to liabilities.

HSBC
Performance measurement, unitisation.

City of Wolverhampton Council Officers of West Midlands Pension Fund
Day-to-day oversight of investment arrangements, management of cashflows, and pension administration.

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

Appendix D: Statement of Investment Beliefs

The Fund's investment beliefs outline key aspects of how it sets and manages the Fund's exposures to investment risk. They are as follows:

Financial market beliefs

- There exists a relationship between the level of investment risk taken and the rate of expected investment return. As taking calculated risks does not guarantee returns, investment losses or below expected returns are possible outcomes.
- Markets are dynamic and are not always efficient, and therefore offer opportunities for skilled active managers.
- In making investments in illiquid assets, a return premium should be sought.
- Diversification is a key technique available to institutional investors for improving risk-adjusted returns.
- The Fund believes that investing for the long term can add value to the fund as it allows the Fund manager to focus on long-term value and use short-term volatility to establish favourable investments.
- Where an asset class/strategy is not expected to help in delivering the risk adjusted investment return required it should not be held.
- Currency risk should be reviewed and managed according to the benchmark set for currency hedging.

Investment strategy/process beliefs

Clear investment objectives are essential. Return and risk should be considered relative to the Fund's liabilities, funding position and contribution strategy.

Risk should be viewed both qualitatively and quantitatively. Particular focus should be given to the risk of loss and also to the nature and likelihood of extreme events so that the Fund is not a forced seller of assets.

- Strategic asset allocation is a key determinant of risk and return, and thus is typically more important than manager or stock selection.
- Equities are expected to generate superior long-term returns relative to government bonds.
- Alternative asset class investments are designed to further diversify the portfolio and improve its risk-return characteristics.
- Active management can add value over time but it is not guaranteed and can be hard to access. Where generating 'alpha' is particularly difficult, passive management is preferred.
- Operational, counterparty, conflicts of interest and reputational risk need assessment and management, in addition to investment risk.
- Concentrated portfolios (smaller numbers of holdings or fewer external managers) allow for greater investment focus, lower investment costs and enable more focused engagement with responsible investment
- Managing fees and costs matter especially in low-return environments. Fee arrangements with our Fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests.

Organisational beliefs

- Effective governance and decision-making structures that promote decisiveness, efficiency and accountability are effective and add value to the Fund.
- When outperformance of a desired benchmark is not possible, the Fund will use index funds, financial instruments or proxies (investments that share similar characteristics) to gain exposure to the asset class in the most cost-effective way.
- Investment costs are necessary to generate outperformance in asset classes where outperformance is achievable. Investment costs are a certain cost that should be fully transparent and managed by the operator in the best interests of the Fund.

Responsible investment beliefs

- Effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term.
- Investee companies with robust governance structures should be better positioned to handle the effects of shocks and stresses of future events.
- There are some investment opportunities arising from environmental and social challenges which can be captured so long as they are aligned with the Fund's investment objectives and strategy.
- Responsible investment should be integrated into the investment process.
- The Fund will manage responsible investment factors through engagement rather than exclusions.