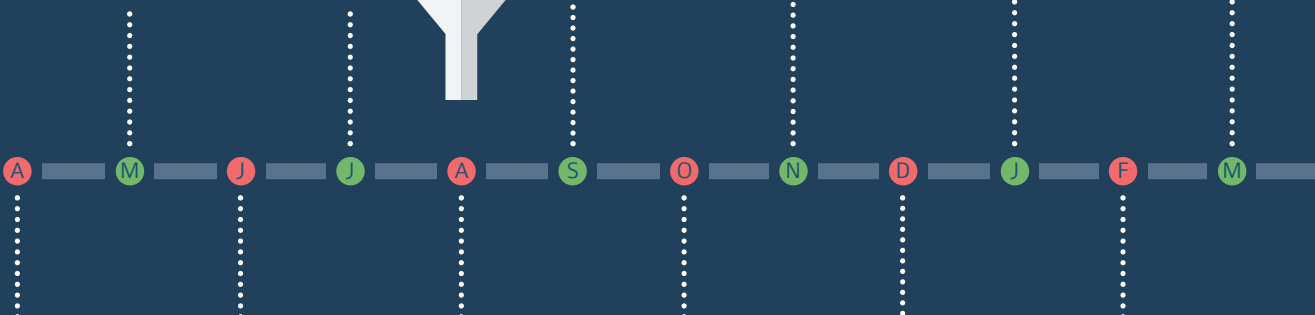
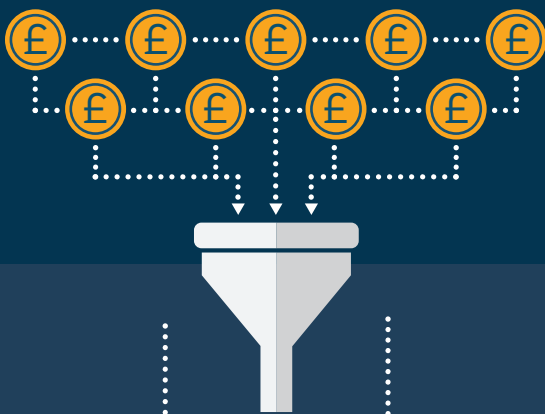




OUR YEAR

.....ANNUAL REPORT & ACCOUNTS 2017.....



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To be a leading performer in the LGPS sector



To achieve target investment returns



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



To provide excellent customer service

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

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OUR YEAR

THE CHAIR OF THE PENSIONS COMMITTEE AND THE STRATEGIC DIRECTOR OF PENSIONS

The Fund and the Local Government Pension Scheme (LGPS) continue to transform and deliver an efficient pension service.

In the July 2015 Budget, the Government announced its intention to work with LGPS administering authorities to put forward proposals to pool investments and reduce costs significantly while maintaining overall performance. In December 2015, the Fund announced its intention to participate in an investment pool with several other Midlands-based LGPS funds. On 1 April 2018 LGPS Central, a major strategic collaboration of nine LGPS funds across the Midlands region, will formally commence trading as a multi-asset manager, responsible for the management of approximately £40 billion of assets on behalf of the partner funds. LGPS Central will deliver cost savings, build on existing investment expertise and have strong governance and decision-making arrangements.

LGPS Central will shortly begin the process of applying for Financial Conduct Authority (FCA) registration. Excellent progress continues to be made on the development and setup of the company. The recruitment of senior management and the procurement of key suppliers are currently underway, and extensive work has been carried out to develop LGPS Central's proposed investment offering, which seeks to make the best use of a blend of internal and external investment management. A number of workshops, training sessions and stakeholder engagement events have also been held.

In addition to investment pooling, there are a number of other key issues shaping the work of the Fund over the medium to long-term, including further pensions reforms, the impact of a changing cashflow profile and a changing economic outlook.

The continuing growth in the number of members and employers, and the focus on engagement and the funding deficit have been especially challenging in the context of the financial pressures faced by many of our employers.

The Fund has launched a new process for receiving employer data on a monthly rather than annual basis. The development of this project has taken place over the last year and went live in April 2017, with all employers transferring to monthly submissions via the web portal platform by September 2017. This change will improve data quality and improve the efficiency of information exchange from both the Fund and participating employers. Preliminary work has also been carried out for the launch of the member web portal upgrade planned for the summer of 2017.

The 2016 triennial actuarial valuation was a key focus of the work for the Fund during 2016/17. This has been a complex process, owing to the continual financial challenges faced by Fund employers together with changing funding regulations and oversight and entailed extensive consultation and engagement with employers. We are pleased to note that funding parameters have now been agreed for the next three years and beyond, and thank our employers for their engagement with the valuation process and their ongoing support. You can access the [2016 actuarial valuation](#) on the Fund's website.



Cllr Ian Brookfield exchanges gifts with a delegate from China during a visit for Wolverhampton Business Week in October 2016



Geik Drever addresses delegates during the LAPFF annual conference in December 2016

COUNCILLOR IAN BROOKFIELD
Chair of the Pensions Committee

GEIK DREVER
Strategic Director of Pensions



It has been a good year for markets as a whole: all portfolios within the Fund experienced growth, and many experienced double digit returns, making it an exceptional year for the Fund's performance. The Fund also beat its overall benchmark by 0.8% with investments such as agriculture and infrastructure performing particularly well, beating their benchmark by 14.9%. In the medium-term (over three years), the Fund returned 13% pa, outperforming its total Fund objective of benchmark +0.5% over a rolling three-year period by 1.6%.

The Fund's focus on cost savings has continued over the last 12 months, striving to deliver even greater value-for-money for members and employers. Internal investment portfolios have been restructured further, with more funds being invested within our low-cost internally managed regional passive equity mandates. There has also been consolidation within our alternatives portfolio as well as further cost reductions through renegotiation of external manager fees. This, along with other changes to the portfolio over the last few years, has yielded ongoing savings of 41bps pa since 2012/13.

Total administration and governance costs increased during 2016/17, which was a revaluation year. In addition to those costs arising from the triennial actuarial valuation, costs arose from the strengthening of the Pensions Administration team to meet The Pensions Regulator (TPR) requirements on data quality and to manage the continued growth in employer numbers. Additional resources were brought in to support the data-cleansing process and to prepare for the transition to online monthly submissions of contributions data. Further costs were also incurred following the strengthening of the Investments team to support LGPS pooling and to meet the requirements for FCA regulation. Membership went up by 5% during the year; costs of administration, oversight and governance decreased from £17.72 per member in 2015/16 to £17.64 this year.

The Fund has continued to invest in its electronic business model, in particular our web portal. The total number of members registered with the portal has increased to just under 47,000 over the course of the year. The process for registration has been streamlined by making it fully electronic. Responsible investment remains at the heart of our investment approach.

The Fund is recognised within the industry as leading the way in promoting transparency in the reporting of investment management costs, voluntarily embracing and disclosing deeper layers of costs. The Fund has worked with CIPFA and the National LGPS Scheme Advisory Board to develop a code of transparency for asset managers, which was launched in May 2017. The template that underpins the code is the result of collaboration between Dr Chris Sier (Professor of Practice, Newcastle University Business School and Managing Director, Finexus), the West Midlands Pension Fund and the asset management trade body – the Investment Association (IA). The ultimate aim of the code is to lead to better alignment of interests between funds and asset managers and could prove to be a truly innovative initiative that is adopted across the wider marketplace.

The Fund has an integrated investment process that considers environmental, social and governance (ESG) investment factors alongside more traditional investment factors. This is applied across all asset classes and to both internally and externally managed funds. Where companies do not meet the high standards that we and fellow investors expect, we challenge them. We believe in an approach that combines three key elements: voting globally, engagement through partnerships and shareholder litigation. We are a founder member and active participant of the Local Authority Pension Fund Forum, and we are a signatory to the Principles for Responsible Investment (PRI). The Fund helped launch the Transition Pathway Initiative in January 2017 and was recognised for its best-practice approach to stewardship through a Tier 1 rating for its compliance with the FRC's UK Stewardship Code.

The Fund was again shortlisted for several awards during the year. We were delighted to win the LAPF Governance Award this year as well as the Pension Age 2016 award for Trustee Development. In addition, the Fund now holds an Investors in People (IIP) Gold accreditation, an improvement on the Silver accreditation previously held, while it has maintained its CIPFA Governance of Excellence, CIPFA and ACCA employer, and Customer Service Excellence accreditations. These awards and accreditations unambiguously reflect our focus on providing a high-quality service to our members and employers, and on investing in the skills and knowledge of our staff and trustees. We are particularly pleased to note that trustees accomplished a combined total of over 800 hours of training during the year and the new Pensions Board accomplished a total of over 200 hours.

Overall, this has been a successful year for the Fund in which we have once again demonstrated our adaptability and determination to provide high-quality services in an environment of ongoing change. Looking to the future the pace of change will only continue to accelerate, most notably with LGPS Central becoming operational and the Fund's investment assets beginning to transition to the company from April 2018.

We would like to take this opportunity to thank the members of the Pensions Committee, the Investment Advisory Sub-Committee, the Pensions Board and our advisors for their work during the year, whose advice, support and challenge have been invaluable. We would also like to extend our thanks to the Fund's staff, whose professionalism and dedication to the service of our members throughout a period of change has been unfaltering and truly exemplary.

COUNCILLOR IAN BROOKFIELD
Chair of the Pensions Committee

GEIK DREVER
Strategic Director of Pensions
Date: May 2017

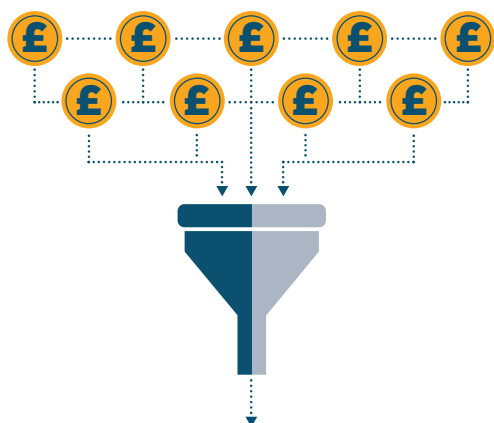
OUR YEAR

DRIVERS OF CHANGE

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

1 LGPS POOLING

The Government has instructed LGPS funds across the country to work together to pool their investment assets, with a view to achieving economies of scale and increasing investment in infrastructure assets. In December 2015, the Fund announced its intention to participate in an investment pool with several other Midlands-based LGPS funds. The Fund is working with its partners to set up the new investment pool, which is to be called LGPS Central, and is expected to be £40 billion in size.



2 PENSIONS REFORMS AND GOVERNMENT POLICY

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

3 FUNDING STRATEGY

The 2016 actuarial valuation determined employer contributions from April 2017 in the context of new funding regulations, guidance and oversight. Regulations require contributions to be set at a level which will ensure both solvency and long-term cost efficiency – exactly how LGPS funds measure this will be more transparent through reporting on a standardised basis and greater disclosure of deficit recovery plans. The Government Actuary Department (GAD) will review and report in 2018 on whether funds have achieved the new regulatory requirement, naming funds where remedial action is required.



In the context of scheme change (the first valuation incorporating the new CARE scheme and 50:50 section), member movement (leavers, retirements and revised benefits from pensionable equal pay claims), a lower investment return outlook and pressures on employer finances (many of whom are directly and indirectly impacted by austerity measures), the 2016 valuation presented a significant challenge for the Fund. The funding development employer change and evolving underlying employer covenant will continue to be monitored over the period to the next actuarial valuation in 2019.

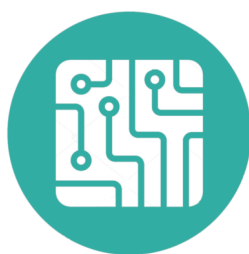
4 THE IMPACT OF CHANGING CASHFLOW PROFILE AND DECLINING RETURNS ON INVESTMENT STRATEGY

At present, the Fund receives more in contributions and investment income than it pays out in benefits; however, as it continues to mature, the ratio of pensioners to actively-contributing members will increase, meaning that the cash surplus will decrease and eventually reverse. This will have profound implications for the Fund's investment strategy, which will need to adapt to reflect and accommodate the changing liquidity requirements. In addition to this, the prospects for market returns on investments are generally low, and this together with the maturing profile of the Fund's pension liabilities will bring a greater focus on cashflow in the coming years. It will be critical for the Fund to configure its investment assets in such a way as to monitor and respond to the risks associated with the changing cashflow requirements.

DRIVERS OF CHANGE

5 ELECTRONIC WORKING

The Fund is keen to increase the extent to which it uses information technology to offer an enhanced service to both members and employers, while also delivering operational efficiencies and securing improvements in data quality. The planned upgrade of the member web portal in 2017 will play a key part in enhancing self-service.



6 EMPLOYER DIVERSITY AND RISK

Given the financial constraints currently faced by the public sector as a whole, and the local government sector in particular, the risk of employers facing critical financial hardship is inevitably heightened. Monitoring, and providing support to employers, will be key to managing this risk and the impact on the Fund. Furthermore, the Fund is currently experiencing a major increase in the number of employers, primarily due to local schools converting to academy status. At the same time, this has led to a diversification in the types of employers with which we are dealing, and the nature of our interactions with them. This has resulted in additional administration requirements and complexity for the Fund, and managing these without adversely impacting on the efficiency of its activities will be a key challenge over the short- to medium-term.



7 INFORMATION AND DATA QUALITY

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

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



8 COST CONTROL AND VALUE-FOR-MONEY

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

OUR YEAR

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 fall in the cost of administration, oversight and governance per member from £17.72 in 2015/16 to £17.64 in 2016/17. This represents the successful deployment of strong financial controls, and expense management across the Fund.

One of our key focuses this year has been the cost of investment management arrangements. We have put in place a system for collecting and analysing cost information from our external fund managers, and have worked with external partners to develop further tools, which 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 £69.8 million in 2015/16 to £65.7 million in 2016/17, 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 2016/17: OPERATING BUDGETS

The following table sets out the Fund's outturn for 2016/17 compared to budget. The net position was a saving of £10.4 million, the main reasons for this being:

- Savings on investment management fees following portfolio restructuring (£8.7 million);
- Staffing vacancies (£512,000);
- Savings on professional fees (£542,000);
- Lower than budgeted expenditure on computer hardware and licences (£144,000);
- Income from fees and charges (£266,000);
- Supplemented by other savings across supplies and services and premises budgets of £271,000.

	2016/17 budget £000	2016/17 actual £000	2016/17 variance £000
Employees	5,405	4,759	(646)
Premises	294	283	(11)
Transport	48	45	(3)
Communications and computing	610	478	(132)
Professional fees	1,823	1,437	(386)
Other supplies and services	591	447	(144)
Support services	515	523	8
Miscellaneous income	(5)	(426)	(421)
Sub total	9,281	7,546	(1,735)
External investment management fees*	72,800	64,146	(8,654)
Total	82,081	71,692	(10,389)
Funded by:			
West Midlands Pension Fund	81,331	70,896	(10,435)
West Midlands ITA Pension Fund	750	796	46
Net budget	82,081	71,692	(10,389)

DAVID KANE
Head of Finance



MANAGEMENT AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

OUTTURN 2016/17: COST-PER-MEMBER - MAIN 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 2016/17, compared to budget and last year, using the CIPFA standard categories. The key measure kept under review as part of the Fund's service plan monitoring is the combined cost of administration, oversight and governance, which has fallen from £17.72 in 2015/16 to £17.64 in 2016/17.

	2015/16 actual	2016/17 budget	2016/17 outturn
Total administration costs (£000)	3,310	4,186	3,303
Administration cost per member (£)	11.50	14.58	10.93
Total oversight and governance costs (£000)	1,792	2,580	2,027
Oversight and governance cost per member (£)	6.22	8.98	6.71
Total administration, oversight and governance cost per member (£)	17.72	23.56	17.64
Total investment management costs (£000)	69,814	74,566	65,717
Investment management cost as a proportion of investment assets	0.60%	0.53%	0.46%

OUTTURN 2016/17: COST-PER-MEMBER - ITA FUND

	2015/16 actual	2016/17 budget	2016/17 actual
Total administration costs (£000)	90	90	90
Administration cost per member (£)	17.55	17.51	17.74
Total oversight and governance costs (£000)	30	30	30
Oversight and governance cost per member (£)	5.85	5.84	5.91
Total administration, oversight and governance cost per member (£)	23.40	23.34	23.66
Total investment management costs (£000)	645	630	676
Investment management cost as a proportion of investment assets	0.14%	0.13%	0.13%

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

OUTTURN 2016/17: WEST MIDLANDS PENSION FUND

Across the Fund, the year-end position was £387.5 million better than forecast. The main reasons for this were:

- Investment returns (including income) being better than the returns assumed in the forecast (at 22.6% vs. 20.0%) (£378.3 million);
- Contributions income being higher than forecast, mainly due to an increase in contributions due from employers on early retirement (£15.0 million);
- Offset by net transfers out of £11.1 million. These are the amounts of cash transferred from (to) the Fund when members transfer their membership to another pension fund.

	2016/17 forecast £m	2016/17 actual £m	2016/17 variance £m
Contributions receivable	(514.8)	(529.8)	(15.0)
Other income	(15.5)	(15.1)	0.4
Benefits payable	534.1	531.3	(2.8)
Other payments	0.3	0.4	0.1
Net transfers (in)/out	-	11.1	11.1
Net cost of pensions	4.1	(2.1)	(6.2)
Returns on investments			
Investment income	(162.7)	(205.8)	(43.1)
Changes in value of investments	(2,161.6)	(2,496.8)	(335.2)
Net return on investments	(2,324.3)	(2,702.6)	(378.3)
Management expenses	74.0	71.0	(3.0)
Net (increase)/decrease in the Fund during the year	(2,246.2)	(2,633.7)	(387.5)
Net assets of the Fund at the beginning of the year	11,660.7	11,660.7	-
Net assets of the Fund at the end of the year	13,906.9	14,294.4	387.5

OUTTURN 2016/17: WEST MIDLANDS ITA PENSION FUND

Across the Fund, the year-end position was £12.4 million better than forecast. This was predominantly due to investment income and returns, with income being £700,000 higher than forecast, and returns £12.8 million higher. Total contributions were £1.1 million lower than forecast, primarily due to early retirement contributions being lower than in previous years.

	2016/17 forecast £m	2016/17 actual £m	2016/17 variance £m
Contributions and benefits			
Contributions	(10.6)	(9.5)	1.1
Other employer contributions	(2.8)	(2.7)	0.1
Benefits payable	29.1	28.8	(0.3)
Net transfers (in)/out	-	0.1	0.1
Net cost of pensions	15.7	16.7	1.0
Investment income	(17.6)	(18.3)	(0.7)
Changes in value of investments	(28.5)	(41.3)	(12.8)
Net return on investments	(46.1)	(59.6)	(13.5)
Management expenses	0.8	0.9	0.1
Net (increase)/decrease in the Fund	(29.6)	(42.0)	(12.4)
Opening Fund balance	460.9	460.9	-
Closing Fund balance	490.5	502.9	12.4

MANAGEMENT AND FINANCIAL PERFORMANCE

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.

	2017/18 budget £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m	2021/22 forecast £m
Employees	6,270	6,313	6,500	6,654	6,688
Premises	300	305	310	315	320
Transport	83	85	87	89	91
Other supplies and services	640	647	654	661	673
Professional fees	1,410	1,438	1,466	1,496	1,526
Communications and computing	639	652	666	680	694
Support services	558	569	580	591	602
Miscellaneous income	(5)	(5)	(5)	(5)	(5)
Sub total	9,895	10,004	10,258	10,481	10,589
External investment management fees	70,200	74,412	78,877	83,610	88,627
Total	80,095	84,416	89,135	94,091	99,216
Funded by:					
West Midlands Pension Fund	79,345	83,666	88,385	93,341	98,466
West Midlands ITA Pension Fund	750	750	750	750	750
Net budget	80,095	84,416	89,135	94,091	99,216

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

MEDIUM-TERM FORECASTS: COST-PER-MEMBER - MAIN FUND

	2017/18 budget	2018/19 forecast	2019/20 forecast	2020/21 forecast	2021/22 forecast
Total administration, oversight and governance costs (£000)	7,069	7,096	7,275	7,432	7,479
Cost of administration, oversight and governance per member (£)	23.20	22.65	22.60	22.49	22.06
Total investment management costs (£000)	72,275	76,570	81,110	85,909	90,986
As percentage of forecast net assets	0.46%	0.47%	0.48%	0.48%	0.48%

MEDIUM-TERM FORECASTS: COST-PER-MEMBER - ITA FUND

	2017/18 budget	2018/19 forecast	2019/20 forecast	2020/21 forecast	2021/22 forecast
Total administration, oversight and governance costs (£000)	120	120	120	120	120
Cost of administration, oversight and governance per member (£)	23.58	23.66	23.66	23.66	23.66
Total investment management costs (£000)	630	630	630	630	630
As percentage of forecast net assets	0.12%	0.12%	0.12%	0.11%	0.11%

MEDIUM-TERM FORECASTS - MAIN FUND

This table sets out forecasts for the main Fund, over the period to 2021/22.

	2016/17 actual £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m	2021/22 forecast £m
Contributions and benefits						
Contributions receivable	(529.8)	(1,089.2)	(334.5)	(349.9)	(659.7)	(674.2)
Other income	(15.1)	(15.7)	(16.0)	(16.3)	(16.6)	(16.9)
Benefits payable	531.3	555.2	582.3	610.3	639.2	669.0
Other payments	0.4	0.3	0.3	0.3	0.3	0.3
Net transfers (in)/out	11.1	-	-	-	-	-
Net cost of pensions	(2.1)	(549.4)	232.1	244.4	(36.8)	(21.8)
Returns on investments						
Investment income	(205.8)	(203.4)	(216.7)	(225.2)	(235.9)	(249.2)
Changes in value of investments	(2,496.8)	(668.4)	(712.0)	(739.8)	(775.3)	(818.7)
Net return on investments	(2,702.6)	(871.8)	(928.7)	(965.0)	(1,011.2)	(1,067.9)
Management expenses	71.0	79.3	83.7	88.4	93.3	98.5
Net (increase)/decrease in the Fund during the year	(2,633.7)	(1,341.9)	(612.9)	(632.2)	(954.7)	(991.2)
Net assets of the Fund at the beginning of the year	11,660.7	14,294.4	15,636.3	16,249.2	16,881.4	17,836.1
Net assets of the Fund at the end of the year	14,294.4	15,636.3	16,249.2	16,881.4	17,836.1	18,827.3

MANAGEMENT AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

MEDIUM-TERM FORECASTS - ITA FUND

	2016/17 actual £m	2017/18 forecast £m	2018/19 forecast £m	2019/20 forecast £m	2020/21 forecast £m	2021/22 forecast £m
Contributions and benefits						
Contributions receivable	(9.5)	(11.8)	(11.8)	(11.9)	(11.9)	(11.9)
Other employer contributions	(2.7)	(2.8)	(2.9)	(2.9)	(3.0)	(3.1)
Benefits payable	28.8	29.7	30.6	31.5	32.5	33.5
Net transfers (in)/out	0.1	-	-	-	-	-
Net cost of pensions	16.7	15.1	15.9	16.7	17.6	18.5
Investment income	(18.3)	(18.8)	(19.3)	(19.8)	(20.3)	(20.8)
Changes in value of investments	(41.3)	(10.7)	(11.0)	(11.3)	(11.6)	(11.9)
Net return on investments	(59.6)	(29.5)	(30.3)	(31.1)	(31.9)	(32.7)
Management expenses	0.9	0.8	0.8	0.8	0.8	0.8
Net (increase)/decrease in the Fund during the year	(42.0)	(13.6)	(13.6)	(13.6)	(13.5)	(13.4)
Opening Fund balance	460.9	502.9	516.5	530.1	543.7	557.2
Closing Fund balance	502.9	516.5	530.1	543.7	557.2	570.6

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

FINANCIAL PERFORMANCE

PENSION OVERPAYMENTS

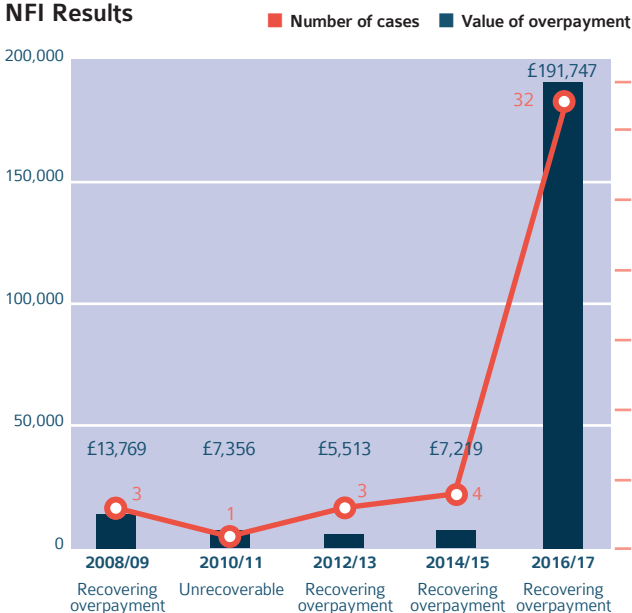
The Fund seeks to minimise and recover, where appropriate, any overpayments made to members. The majority of these cases arise from late notification of a member's death. The following table sets out overpayments for the last three years.

Year	Pension overpayment (£)	% of gross pension
2014/15	234,743.68	0.06
2015/16	246,063.26	0.06
2016/17	506,141.35	0.12

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



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 2016/17; 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 2016	99.1	98.5
May	99.1	98.2
June	99.0	98.8
July	98.7	99.1
August	98.5	99.3
September	98.2	99.4
October	98.6	99.5
November	98.5	99.5
December	98.6	99.6
January 2017	98.4	99.6
February	98.4	99.7
March	98.2	99.7

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 2016/17, charges and recharges totalling £35,847 were issued to employers.

DAVID KANE

Head of Finance

West Midlands Pension Fund

Date: May 2017

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 Strategic Director of Pensions, supported by senior officers. To complement the delegation, there is extensive and detailed accountability back to Committee on how these delegations have been exercised on a regular basis. 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 latest being March 2017.

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.

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

RISK MANAGEMENT

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

Risk identification	Cross reference to the annual report	Risk impact	Mitigating factors
Inability to settle trades or pay pensions on the due date through inadequate cashflow.	Note 24 The nature and extent of risks arising from financial instruments	Reputational impact, possible interest charges and regulatory censure	Regular cashflow monitoring is conducted by the Finance team with frequent reports to the Investment and Senior Management Team.
The Fund publishes inaccurate financial information or bases decisions around inaccurate information.	Risk management	Poor decisions made in relation to the investment strategy. Inaccurate information provided to regulators and trustees.	Financial statements are produced annually. Finance team consisting of fully-qualified accountants. Finance system has enhanced, up-to-date monitoring now being undertaken.
The Fund cannot continue to operate and deliver its priority services following a disaster or data loss scenario.	Risk management	The Fund cannot continue to operate and deliver its priority services.	A business continuity plan is in place for incidents which deny access to offices. Regular testing and review of the plan is conducted. The Fund is currently in discussions with the administering authority to ensure that it is adequately covered in the authority's recovery plan.
Loss of external data providers impacts on the Fund's ability to carry out work.	Risk management	Customer detriment and possible financial loss.	Regular reviews will be carried out on third party providers' continuity provision. This forms part of the due diligence process for any new third party providers.
Investment strategy is inappropriate (not aligned with <i>Funding Strategy Statement</i> or <i>Investment Strategy Statement</i>).	Note 24 The nature and extent of risks arising from financial instruments	Reputational damage and regulatory risk.	All key documents are reviewed on annual basis to ensure consistency between them.

Risks arising from third parties are detailed in the above table. In addition, risks arise from:

- Employers failing to make their payment of contributions within legislated timescales. The Fund monitors contribution receipts on a monthly basis and produces a key performance indicator which details the collection rate as a percentage of contributions due and also identifies the employers who have failed to make payment on time. This is reported to the Senior Management Team and action is taken to pursue arrears. Where there is ongoing failure to make payment, the option is available to charge interest on the balance in accordance with legislation. Contributions monitoring is also been enhanced in the compliance monitoring programme.
- Investment managers, whose internal controls arrangements are not under the direct control of the Fund, and may not be effective, which could indicate that the Fund's assets are at risk. To mitigate such risk, the Fund obtains and reviews internal controls reports (AAF 01/06 and SSAE16) produced by the individual investment managers' reporting accountants. The Fund's review will identify any weaknesses in individual investment managers' control arrangements as identified by the reporting accountants and these exceptions will be recorded by the Fund's Compliance team and addressed in meetings with the investment managers. In addition, where investment managers do not produce internal control reports, the Fund reviews the manager's arrangements through the completion of a detailed assurance questionnaire.

RACHEL BROTHWOOD
Director of Pensions

SIMON TAYLOR
Head of Client and Funding Management

PENSIONS ADMINISTRATION



SCHEME FUNDING AND ADMINISTRATION REPORT

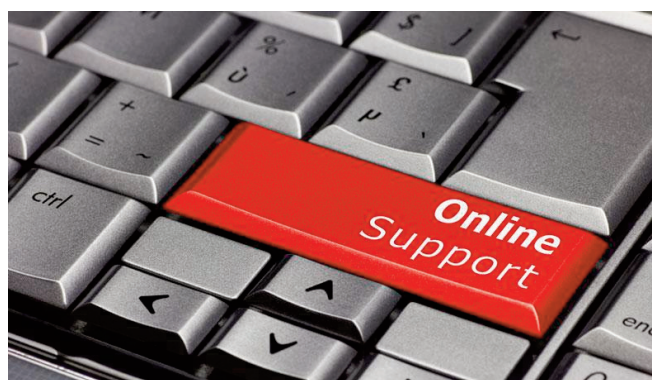
2016/17 has seen a number of key initiatives delivered to support the ongoing funding and administration of the Fund. We have worked closely with our employers to enhance membership data, deliver greater information and support to members, and review and reset employer contribution levels following the 2016 actuarial valuation.

As we head into the next year, we'll be rolling out planned changes to data exchange and our online member services which will help to transform how we work together to deliver the Pension Administration Strategy.

During the year we have continued to respond to LGPS-wide changes and updates to member calculation specifications, evolving our systems and processes to deliver an efficient pension administration service. 2016 marked the first year when HM Treasury utilised the provisions in the 2014 scheme rules to adjust pensions not yet in payment to reflect the negative rate of inflation (-0.1%) in the prior year; all pensioners received 0%. Changes to pension transfer calculations and amended rates for those paying additional pension contributions (APC) have been implemented following review by the Government Actuary Department.

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. Our member services programme and events continue to provide increasing face-to-face member help and support, reaching out across the employer base, attending employer workplaces and touring sites across the region in the roadshow bus. Member feedback continues to be very positive and events are in demand and well attended.



We have made some changes to our member online web portal to make it easier and quicker for members to register and reset their password, should they need to. During 2017, we'll be transitioning to a new product with enhanced capabilities which will support continued development of this service to members. Annual benefit statements were produced and posted on members' online accounts in advance of the 31 August statutory deadline, with members potentially impacted by additional pension tax charges receiving pension savings statements by 5 October.

Both our face-to-face and online member support has provided essential support as many employers continue to go through organisational change, and restructure their workforces in response to financial pressures and changes in models for service delivery. Our employer base is now over 600, with the numbers growing further as academisation and outsourcing continues at pace.

OUR YEAR

PENSIONS ADMINISTRATION

SCHEME FUNDING AND ADMINISTRATION REPORT

WORKING WITH OUR EMPLOYERS

Our employer base has been hugely supportive of our development and transition to monthly information exchange. We have worked with focus groups and, through our workshops and pilot, brought together employers and their payroll providers to build a process which will deliver greater operational efficiency and maintain member data. A number of employers are already using the new processes and all will transition during the first half of this year.

Performance has been a key focus for the year, following a significant improvement in employers' delivery of annual return information in 2016. All employers received a report following their 2016 annual return, to highlight any issues or queries raised on review of their submission. Unfortunately, three employers have been reported to The Pensions Regulator for non-return of their 2016 annual return but overall, the timeliness and quality of information from employers significantly improved compared to 2015, following further engagement with employers. The increase in the efficiency of the annual exercise enabled the Fund to meet the statutory timescales for the issue of annual benefit statements.

Employer performance dashboards are being developed with employers to highlight any areas of underperformance relative to standards set in the *Pension Administration Strategy* and these are helping to identify issues early and monitor resolution. The focus on day-to-day notifications and resolution of queries together with a drive on annual return queries is already starting to show improvements in 2017 returns. The transition to monthly returns over 2017 is expected to realise further improvements in 2018.

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. These sessions help to increase understanding of employer responsibilities and how the Fund and employers work together to deliver benefits to members. Our employer peer group has provided valuable feedback during the year and assisted in the development and roll-out of further employer support materials for any internal dispute resolution cases employers receive.

With 2016/17 being actuarial valuation year, we held an increased number of employer events and meetings to introduce and consult on the valuation process and outcomes. Our enhanced employer covenant framework provided a key cornerstone to the valuation, as the employer covenant assessment was further integrated with the funding strategy. Employer participation and engagement in the funding review was excellent and helped us to build knowledge and relationships with a wide cross section of the employer base. Funding development will continue to be kept under review over the period to the next review in 2019.

OUR TEAM

As we continue to evolve our operations and develop our systems we continue to review and develop our people to support changes in ways of working. Our people, together with our strong base of LGPS knowledge and expertise, pension administration system and data records, enable us to deliver an effective and efficient service to our members and employers. We have teams focused on each of these core areas and have increased both numbers and our skill set (as planned) to ensure this continues.

A number of the team have made good progress with their Pensions Management Institute (PMI) qualifications during the year, and training and development opportunities have been provided to continue to build both customer service and technical knowledge skills.



PENSIONS ADMINISTRATION

SCHEME FUNDING AND ADMINISTRATION REPORT

LOOKING AHEAD

We will complete the transition to monthly returns and continue to work on enhancing our online services to enable greater self-service and support for members and employers. Further scheme-wide change is expected (for example, with the introduction of the 'exit cap' on payments (including pensions for public service workers)) and may follow the Government Actuary Department's review of the outcomes of the 2016 actuarial valuation and formal assessment of the cost of the LGPS by the Scheme Advisory Board. The work of the Board will also look at academies in the LGPS and employer exit (termination) costs. 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.

RACHEL BROTHWOOD

Director of Pensions

SIMON TAYLOR

Head of Client and Funding Management

Date: May 2017



OUR YEAR

RACHEL HOWE
Head of Governance

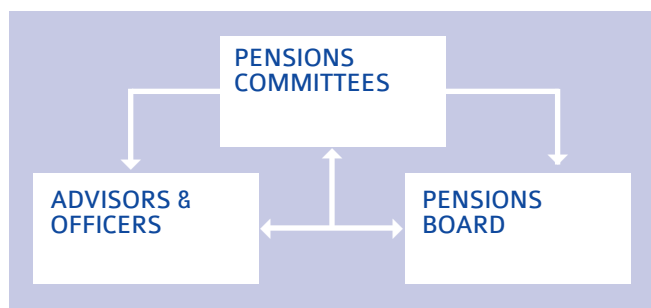
GOVERNANCE ARRANGEMENTS



GOVERNANCE COMPLIANCE STATEMENT

GOVERNANCE OF THE FUND

The Fund's governance arrangement has three elements:



PENSIONS COMMITTEE

The management, administration of benefits and strategic management of the assets is fundamentally the responsibility of the Pensions Committee established by the City of Wolverhampton Council (the administering authority) which has representation from the seven West Midlands metropolitan district councils and local trade unions. The Committee administers the scheme in accordance with the regulations and best practice, and determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

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

- 1 To discharge the functions of the administering authority for the application of the Local Government Pension Scheme regulations in the West Midlands.
- 2 To put in place and monitor the arrangements for the administration of contributions and payments of benefits as required by the regulations, and the proper management and investment of monies held for the purpose of paying benefits.
- 3 To determine and review the provision of resources made available for the discharge of the function of administering authority.

The key duties in discharging this role are:

- 1 To be responsible for compliance with legislation and best practice.
- 2 To determine admission policy and agreements.
- 3 To monitor pension administration arrangements.
- 4 To determine investment strategy based on a medium-term benchmark.
- 5 To approve policy.
- 6 To appoint committee advisors.
- 7 To determine detailed management budgets.

The full delegation from the administering authority to Pensions Committee can be found on the Fund's website.

INVESTMENT ADVISORY SUB-COMMITTEE

The Investment Advisory Sub-Committee has oversight of the implementation of the investment management arrangements and comprises of representatives from the seven district councils and local trade union representatives.

The full outline of its role can be found in the terms of reference provided on the Fund's website.

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

- 1 To monitor the Fund's investment performance.
- 2 To monitor investment activity and the implementation investment strategy.
- 3 To monitor and review the Fund's investment of management awareness.
- 4 To monitor and review detailed plans for individual asset classes.

The Strategic Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the Fund's staff delivering Fund services. The Committee and its elected members are advised and supported by the Managing Director, Strategic Director of Pensions and Senior Finance and Legal Officers from the City of Wolverhampton Council.

GOVERNANCE ARRANGEMENTS

GOVERNANCE COMPLIANCE STATEMENT

TRADE UNION REPRESENTATIONS AND PROVISION OF INFORMATION TO INTERESTED PARTIES

The Fund invites relevant trade unions to send local representatives to sit as observers on the Pensions Committee by annual nomination.

The Fund is aware that good governance means an organisation is open in its dealings and readily provides information to interested parties. This is achieved through the Fund's communication strategy.

THE LOCAL PENSIONS BOARD

The Local Pensions Board assists the Pensions Committee with the good governance of the scheme ensuring the Fund's adherence to legislation, statutory codes of practice and guidance. Consisting of six member representatives and six employer representatives, two of which are City of Wolverhampton Council councillors, the Board ensures the good performance of the Fund through monitoring of the Scheme Advisory Board's benchmarking criteria and working with officers to ensure the highest standards are met.

ADVISORS AND OFFICERS

Investments and pensions administration are complex areas and the Fund recognises the need for its trustees and Pensions Board members to receive appropriate and timely advice. Against this background, its principal advisors are as follows:

- i) High level advice on general management from the Managing Director of the City of Wolverhampton Council.
- ii) Legal and general administrative advice and management from the Senior Legal Officer of the City of Wolverhampton Council who is also the monitoring officer for the Council.
- iii) Financial and technical advice from the Strategic Director of Pensions who is the lead senior support officer and has direct responsibility for the in-house management, as well as implementing the investment strategy through a team of professionally qualified staff and external managers.
- iv) Senior pensions staff responsible for pensions benefits administration and communications.
- v) The Council's Director of Finance is also the Section 151 Officer for the Fund (with the Head of Finance, as the Deputy Section 151 Officer for the Fund, having operational responsibility on a day-to-day basis). The Director of Finance is also the Fund's Compliance Officer as set out in its Compliance Manual.

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

- Investment strategy, asset allocation and investment matters generally.
- Actuarial matters.
- Property management matters.
- Corporate governance and responsible investment issues. Details of the Fund's advisers are published in the Fund's annual report and accounts.

ROLE OF COUNCIL MEMBERS

The City of Wolverhampton Council is responsible for administering and discharging the functions as administering authority for West Midlands Pension Fund. In addition to discharging the administration of benefits, recording of contributions, etc, the Council is also responsible for the investment of the Fund monies. Because the Fund covers the majority of local government employees in the West Midlands, as well as many admitted bodies, representatives from all seven district councils serve on the Committee and the Investment Sub-Committee. There is also active representation on behalf of the employees and pensioners from trade union representatives.

When considering the advice and determining investment policy, the Committee is effectively acting as trustees and as such need to understand the special obligations placed upon them. These responsibilities are additional to those carried out as an elected member of a local authority. Their duties as trustees are to manage the Fund in accordance with the regulations and to do so prudently and impartially on behalf of all the beneficiaries. This sometimes means that they may have to make decisions that in other political circumstances they may choose not to make.

The overriding consideration for them as trustees, however, has to be for the benefit of the Fund and its contributors and beneficiaries. The advice of the Fund's advisors is very important in discharging this responsibility. Trustees can delegate some of their powers but not the responsibilities that go with them. They are not expected to be qualified to give investment advice or to initiate investment policy but must be aware of what is proposed by their advisors and be sure that it is relevant to the needs of the Fund and within their powers.

OUR YEAR

GOVERNANCE ARRANGEMENTS

GOVERNANCE COMPLIANCE STATEMENT

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

In addition to the setting of policy and investment parameters for the Fund, there should be a formal meeting each year at which the investment returns are reviewed. There might well be other formal meetings of trustees to which managers make a brief report, or supplement their written material.

THE DUTY OF TRUSTEES

The duty of the trustees is to exercise their powers in the best interests of the present and future beneficiaries of the Fund. Holding the scales impartially between different classes of beneficiaries is paramount. They must, of course, obey the law but, subject to that, they must put the interests of their beneficiaries first.

When the purpose of the trust is to provide financial benefits for the beneficiaries, the best interests of the beneficiaries are normally their best financial interests. In the case of a power of investment, the power must be exercised so as to yield the best return for the beneficiaries, judged in relation to the risks of the investment in question and the prospect of the yield of income and capital appreciation, both have to be considered in judging the return from the investment.

STANDARD REQUIRED 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 they were minded to make an investment for the benefit of other people for whom they felt morally bound to provide.

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

THE 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

The subjects considered by Pensions Board for this year are:

- Fund's compliance with The Pensions Regulator Code of Practice
- Governance monitoring
- Information governance
- Pensions administration – data quality
- Fund policies
- Pensions administration – GMP reconciliation
- Customer engagement
- Employer covenants
- Changes to data protection regulations

VIEW OF THE SECRETARY OF STATE

The Secretary of State has previously indicated that administering authorities should pay due regard to the principle contained in *Roberts v Hopwood* in exercising their duties and powers under the regulations governing the investment and management of funds. In that case, Lord Atkinson said:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of others."

MEMBER AND OFFICER KNOWLEDGE AND SKILLS

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

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

FRAMEWORK

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

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

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

Officers advising members and implementing decisions should have a more detailed knowledge appropriate to their duties. Officers are expected to demonstrate their professional competency against the framework through appropriate 'continuing professional development' (CPD) arrangements'.

The Fund has an approved trustee and Pension Board member training policy, and includes in its annual report and accounts details of the knowledge and skills development undertaken by its representatives. The Fund also has in place effective training monitoring and is able to demonstrate:

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

REPRESENTATION OF OTHER INTERESTED PARTIES

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

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

The Pensions Board is seen as the main area of involvement of active, deferred and pensioner members. The Fund does engage directly with individual members providing relevant information, the content determined by the responses to the information provided and requested.

OUR YEAR

GOVERNANCE ARRANGEMENTS

GOVERNANCE COMPLIANCE STATEMENT

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):

- 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.

The Individual Employers:

- deduct contributions from employees' pay;
- pay all contributions as determined by the actuary, promptly by the due date;
- exercise discretions within the regulatory framework;
- make additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain;
- notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding; and
- discharge their responsibility for compensatory added years which the administering authority pays on their behalf and is subsequently recharged to them.

The Fund's Actuary:

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

COMPLIANCE AND BEST PRACTICE

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

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

WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

In addition to the West Midlands Pension Fund, the City of Wolverhampton Council also manages and administers the West Midlands Integrated Transport Authority Pension Fund on behalf of the West Midlands Combined Authority under S101 delegation of the Local Government Act 1972. The WMITA Pension Fund transferred to the West Midlands Combined Authority as administering authority on its creation in 2016 from Centro.

The governance arrangements set out in this policy apply to the Fund's management of the WMITA Fund with the additional requirement of the annual report to the WM Combined Authority once a year.

GOVERNANCE ARRANGEMENTS

GOVERNANCE COMPLIANCE STATEMENT

Trustee training individual training hours				
Membership	Number of Pensions Committee meetings attended	Number of IASC meetings attended	Voting rights	Training hours
Cllr Peter Bilson	4 of 4	4 of 4	Yes	26.00
Cllr Ian Brookfield	3 of 4	3 of 4	Yes	77.00
Mr Malcolm Cantello	3 of 4	3 of 4	No	84.50
Cllr Keith Chambers	3 of 4	3 of 4	Yes	52.00
Mr Martin Clift	2 of 4	2 of 4	No	66.50
Cllr Sandra Hevican	4 of 4	4 of 4	Yes	37.00
Cllr Keith Inston	4 of 4	4 of 4	Yes	67.50
Cllr Jasbir Jaspal	3 of 4		Yes	65.00
Cllr Changese Khan (<i>from October 2016</i>)	2 of 2	0 of 2	Yes	23.00
Cllr Hazel Malcolm	3 of 4		Yes	10.00
Cllr John Mutton	3 of 4	3 of 4	Yes	21.50
Cllr Phil Page	4 of 4		Yes	65.50
Mr Alan Phillips	2 of 4	2 of 4	No	33.50
Cllr John Reynolds	3 of 4		Yes	11.00
Cllr Angela Sandison	4 of 4	4 of 4	Yes	33.00
Cllr Paul Singh	4 of 4	4 of 4	Yes	64.50
Cllr Tersaim Singh	4 of 4	4 of 4	Yes	47.00
Mr Ian Smith	1 of 4	1 of 4	No	41.50
Cllr David Sparks	4 of 4	3 of 4	Yes	29.50
Cllr Wendy Thompson	4 of 4		Yes	87.50
				943.00

Where members have a conflict of interest on an item to be considered as part of the agenda, the individual member will declare their interest and will abstain from voting.

OUR YEAR

GOVERNANCE ARRANGEMENTS

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 2016/17, training included the following:

- Induction training for all new Committee and Board members
 - Employer Mid-Year Review covering LGPS investment pooling update, working with employers to improve data quality, transition to electronic monthly data submissions and the revision of the pensions administration strategy (PAS), the annual report and accounts, actuarial valuation update and member engagement and web portal
 - Legalities and governance overview around setting up an FCA-authorised management company for pooling
 - Employer covenants, IDRP process, public procurement, The Pensions Regulator trustee toolkit
 - AGM including an investment update, LGPS pooling update, actuarial valuation, employer covenant and regulatory changes, pensions administration strategy and performance, customer engagement
 - Stakeholder day – pooling update
 - Presentations from a variety of Fund managers on the investment portfolio
 - Investment training, three-day structured training event
- All new members attended the induction course and a total of 943 hours were undertaken in 2016/17 with 17 members exceeding the three days' (22 hours') requirement.
- Internal dispute resolution
 - Scheme Advisory Board KPIs
 - The Pensions Regulator Code of Practice

The Fund is a member of LAPFF, which is an investor membership body consisting of 71 UK public funds that engages with investee companies on issues such as climate change, child labour and breaches of the Combined Code. The Strategic Director of Pensions regularly attends LAPFF meetings and its activities are reported on a quarterly basis to other members of the Pensions Committee. LAPFF also advise on other areas including best practice and members receive presentations from managers specialising in ESG investment.

GOVERNANCE ARRANGEMENTS

MEMBER TRAINING REPORT

LAPFF holds an annual two-day conference which Committee attend. Issues addressed at the 2016 event were themed around protecting portfolio value and included the following:

- Infrastructure Investment Panel – are Funds getting it right?
- Impact Investment Panel – Investing4Growth – are funds making a difference?
- Share buy backs: Good money after bad? Are investors' funds being wasted?
- Mergers and acquisitions
- Human capital management – company and investor perspective
- Directors pay: the challenge of Quantum
- LGPS Pooling Panel
- Corporate governance in Putin's Russia
- "Aiming for A" did it make a difference?

Details of the training reports and presentations provided to the Pensions Committee during 2016/17 are as follows:

22 June 2016	Actuarial valuation update Pooling update
14 September 2016	The future of global markets in three and five years
7 December 2016	Implementation of index futures trading
22 March 2017	Investment strategy and beliefs

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

Area	Pensions Committee reports	Presentation	Sub-Committee				Off-site training & education
			Reports	Presentation	Conferences/seminars	Visits	
Investment governance	✓				LAPFF December Conference	Partial	✓
Investment							
Strategies	✓	Occasionally	✓	Occasionally		✓	✓
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					✓

OUR YEAR

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 an independent, objective assurance and consulting activity designed to add value and improve the Fund's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

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 will 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 could provide reasonable assurance that the Fund has adequate and effective governance, risk management and internal controls throughout 2016-17.

Internal Audit work undertaken during the 2016-17 financial year:

Audit Systems Reviews

- Debt monitoring arrangements
- External manager reporting
- Internal disputes resolution procedures
- Pensions Board review
- Safeguarding arrangements

Key Financial Systems Audits

- National fraud initiative update
- Covenant monitoring
- Agresso operations - human resources and general ledger
- Key financial systems review (payroll, members' contributions and benefit calculations, income and expenditure controls)
- Follow-up reviews for 2015 -16

In addition, internal audit has completed 22 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 officers. Without this, it would be difficult to develop the business and achieve our goals, and we are thankful to our staff for all that they bring to the Fund.

WEST MIDLANDS PENSION FUND

The Fund has 129 employees as of 31 March 2017 split across finance, governance, investments and pensions administration, and business performance and data teams. In the past 12 months, 30 new staff joined the organisation, bringing with them an array of skills and abilities gained from within both private and public sector organisations.

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

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

- | | |
|------------------|--------------|
| 1 Selflessness | 5 Openness |
| 2 Integrity | 6 Honesty |
| 3 Objectivity | 7 Leadership |
| 4 Accountability | |

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

2016/17 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".



OUR YEAR

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 2016/17 staff at the Fund completed over 4,332 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 six 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.

Health, Safety and Wellbeing

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

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

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

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

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

OUR PEOPLE

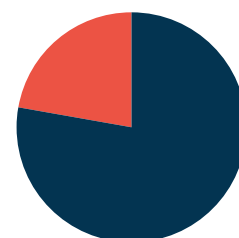
EMPLOYEE INFORMATION AT 31 MARCH 2017

Ethnic Profile



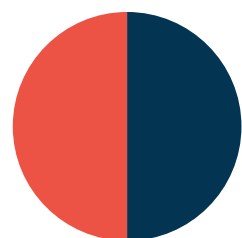
Working Pattern (%)

• Full-time 78.12
• Part-time 21.88



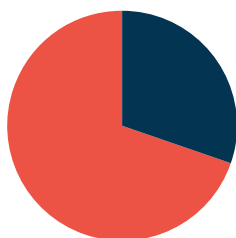
Gender Balance of Senior Management Team - SMT

• Male 3
• Female 3



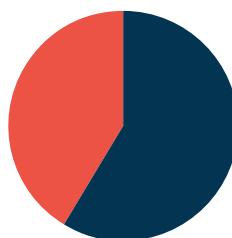
Gender Balance of the Fund

• Male 39
• Female 89



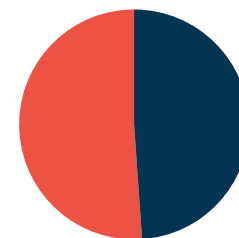
Gender Balance of Investment Professionals

• Male 10
• Female 7



Gender Balance of Line Managers - Excluding SMT

• Male 23
• Female 24



Return to Work and Retention After Parental Leave (as Primary Care Giver)

Return to work:



Retention as at 31 March 2017 after returning in 2016/17:



OUR YEAR

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 2016-17, the Fund donated £2,600 to the following charities:

**WE ARE
MACMILLAN.
CANCER SUPPORT**

Sands
Stillbirth & neonatal death charity

**Promise
Dreams**
Make a promise, deliver a dream


Birmingham
Children's Hospital
Charity

actionforcharity

women V cancer

**breast
cancer
care**

**Jo's cervical
cancer trust**


**COMIC
RELIEF**

**ovarian
cancer action**

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

In 2017-18, Staff Forum is concentrating its efforts in assisting two local and two national charities suggested by colleagues, and hopes to collectively raise in excess of £2,000.

COMMUNICATION REPORT

In 2016/2017, 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)

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.

This year the Fund has devised a customer engagement annual plan which is available to view on the website and provides an overview of the methods by which the Fund communicate and engage 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

West Midlands Pension Fund

Date: May 2017

OUR YEAR

COMMUNICATIONS POLICY STATEMENT

BACKGROUND

The Fund, with £14.3 billion in invested assets, 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; and

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

1 MEMBERS AND THEIR REPRESENTATIVES

Annual Benefit Statements

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

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

Literature

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

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.

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

A pensioner'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: wmpfonline.com

COMMUNICATIONS POLICY STATEMENT

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 2016 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 is due to commence April 2017.

wmpfonline.com and Web Portal

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

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

As part of the monthly returns programme, employers can use the web 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 launched its 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 as a result; successful 'Lunch and Learn' sessions have taken place over 2016 to utilise employee skills and give others the opportunity to learn a new skill such as improving Excel skills etc. This is led by the Fund's Staff Forum and puts staff 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
- Scheme Management and Advisors (as at 31 March 2017)
- Administrative Management Performance
- Contributions Receivable by Employer

MANAGEMENT AND FINANCIAL PERFORMANCE

FUND HIGHLIGHTS

302,092 total scheme members	£14.3bn net assets of the Fund	£529.8m total contributions
605 active scheme employers	124 staff employed by the Fund (FTE)	117,005 contributing members
96,591* deferred members	88,496 pensioner members	*includes unpaid/unclaimed refunds and beneficiaries

OUR FOUR CORE OBJECTIVES



To be a leading performer in the LGPS sector



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



To achieve target investment returns



To provide excellent customer service

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

SCHEME MANAGEMENT AND ADVISORS AS AT 31 MARCH 2017

PENSIONS COMMITTEE 2016/17

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 P Bilson*
- Councillor T Singh*

- Councillor K Inston*
- Councillor J Jaspal
- Councillor J Reynolds
- Councillor P Page
- Councillor H Malcolm
- 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 D Sparks*
Dudley MBC
- Councillor A Sandison*
Solihull MBC

- Councillor S Hevican*
Sandwell MBC

Observer Members

- M Cantello - Unison
- M Clift - Unite
- I Smith - Unite (*retired*)
- A Phillips - GMB

Administering

Authority Officers

- K Ireland
Managing Director
- G Drever
Strategic Director of
Pensions
- R Brothwood
Director of Pensions
- J Fletcher
Chief Investment Officer

- S Taylor
Head of Client and
Funding Management
- R Howe
Head of Governance
- D Kane
Head of Finance
- K O'Keefe
Monitoring Officer
- C Nye
Section 151 Officer

**Denotes member of Investment Advisory Sub-Committee*

MAIN EXTERNAL ADVISORS AND SERVICE PROVIDERS

Investments

Hymans Robertson LLP

Property

CBRE Global Investors

Actuary

Barnett Waddingham LLP

Custodian of Assets

HSBC Global Investment
Services

Banker

NatWest

Independent Auditor

Grant Thornton

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

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE – OVERALL FUND STATISTICAL INFORMATION

KEY MEMBERSHIP STATISTICS

Year	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
31 March 2013	97,330	78,679	7,830	66,461	11,024	261,324
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

Active Members

The Fund has a total active membership of **117,005**. Since 31 March 2016, the number of contributing employees in membership has increased by **9,021**.

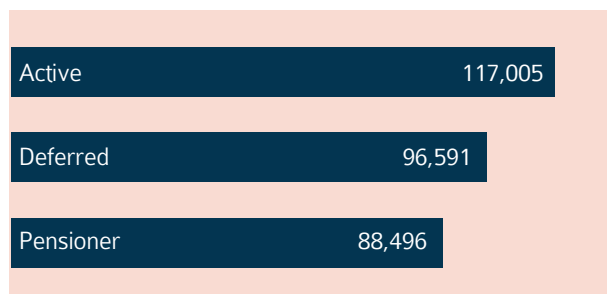
Deferred Members

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 **£531.5m** were paid in the year to retired members.

FUND MEMBERS BY TYPE



AVERAGE CASES PER MEMBER OF BENEFIT OPERATIONS STAFF

NUMBER OF PROCESSES

Processes outstanding as at 31 March 2016	Processes completed 2016/17	Processes outstanding as at 31 March 2017
20,292	149,370	31,816

Average Processes per Member of Staff

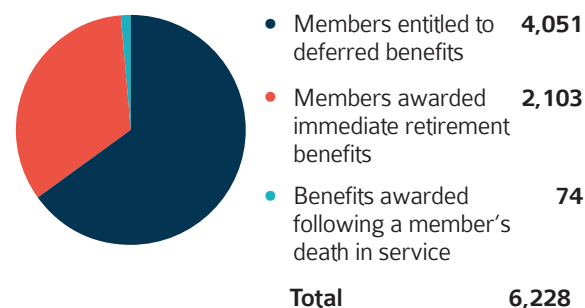
Processes outstanding as at 31 March 2016	Processes completed 2016/17	Processes outstanding as at 31 March 2017
255	1,900	405

BENEFIT OPERATIONS MEMBERSHIP MOVEMENT

MEMBER MOVEMENTS DURING THE YEAR - ADMISSIONS TO THE FUND



WITHDRAWALS FROM THE FUND



OUR YEAR

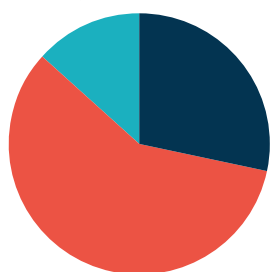
MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE – OVERALL FUND STATISTICAL INFORMATION

EMPLOYER AND CUSTOMER FEEDBACK

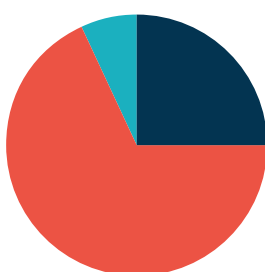
Employers

Employer Main Feedback



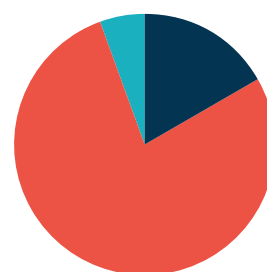
• Excellent	28.50%
• Good	58.41%
• Satisfactory	13.09%
– Poor	0.00%

Mid-Year Review



• Excellent	25.00%
• Good	68.18%
• Satisfactory	6.82%
– Poor	0.00%

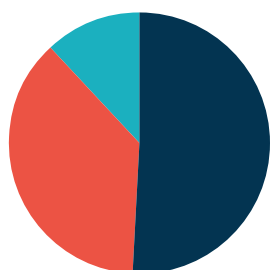
AGM



• Excellent	16.67%
• Good	77.78%
• Satisfactory	5.55%
– Poor	0.00%

Customers

Customer Feedback



• Excellent	50.85%
• Good	37.35%
• Satisfactory	11.80%
– Poor	0.00%

Number of Complaints

The number of complaints
processes started in 2016/2017:

361

Complaints completed within
20 days of receipt

95.0%



MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE – OVERALL FUND STATISTICAL INFORMATION

NUMBER OF MEMBERS

Status (age in years)	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-44	45-49	50-54
Active	1	0	0	671	5,955	8,817	10,649	12,746	13,911	19,187	20,463
Beneficiary pensioner	10	40	119	235	126	14	16	26	52	159	371
Deferred	0	0	0	4	688	3,675	7,295	8,953	10,605	15,264	17,941
Deferred ex-spouse	0	0	0	0	0	0	0	1	6	33	61
Pensioner	0	0	0	0	0	2	9	18	48	190	557
Pensioner deferred	0	0	0	0	0	0	0	0	0	3	6
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Preserved refund	0	0	0	52	452	558	636	949	1,108	1,477	1,660
Total	11	40	119	962	7,221	13,066	18,605	22,693	25,730	36,313	41,059

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	15,262	7,457	1,501	367	17	0	0	0	0	1	117,005
Beneficiary pensioner	587	859	1,243	1,782	1,862	1,964	1,544	710	221	35	11,975
Deferred	14,953	7,191	290	111	31	65	60	35	8	0	87,169
Deferred ex-spouse	51	26	0	0	0	0	0	0	0	0	178
Pensioner	3,488	14,444	20,956	15,779	9,837	6,272	3,396	1,203	245	26	76,470
Pensioner deferred	8	5	0	0	0	0	0	0	0	0	22
Pensioner ex-spouse	0	11	22	13	2	2	1	0	0	0	51
Preserved refund	1,263	824	69	48	38	40	11	25	10	2	9,222
Total	35,612	30,817	24,081	18,100	11,787	8,343	5,012	1,973	484	64	302,092

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	409	0	409
Admitted body	196	25	221
Total	605	25	630

Internal Dispute Resolution Procedure (IDRP)

In the 2016/2017 financial year, four cases were investigated under Stage 1 of the procedure against the Fund. All four cases were dismissed.

18 cases have been received for Stage 2 investigation. Of these cases, 14 were non-medical matters and four related to ill-health matters. The latter cases were referred for independent medical opinion where appropriate.

In total, one case was referred back to the employer to reconsider the Stage 1 decision. One case is ongoing, 14 cases have been dismissed, and two cases upheld.

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE – OVERALL FUND STATISTICAL INFORMATION

MANAGEMENT PERFORMANCE - NUMBER AND TREND OF TOP TEN CASE TYPES



NEW MEMBER RECORDS CREATED IN 2016/17

24,604

Refund processes commenced in 2016/17...

6,684

...of which, processes completed in 2016/17...

5,600

...of which, outstanding processes at 31 March 2017

1,084

Commenced and completed in the period 2016/17

84%

Retirement processes commenced in 2016/17...

2,445

...of which, processes completed in 2016/17...

2,445

...of which, outstanding processes at 31 March 2016

0

Commenced and completed in the period 2016/17

100%

Deferment processes commenced in 2016/17...

8,170

...of which, processes completed in 2016/17...

3,843

...of which, outstanding processes at 31 March 2017

4,327

Commenced and completed in the period 2016/17

47%

Deferred retirement processes commenced in 2016/17...

2,322

...of which, processes completed in 2016/17...

2,314

...of which, outstanding processes at 31 March 2017

8

Commenced and completed in the period 2016/17

99%

Death-in-service processes commenced in 2016/17...

181

...of which, processes completed in 2016/17...

153

...of which, outstanding processes at 31 March 2017

28

Commenced and completed in the period 2016/17

85%

Death-in-deferment processes commenced in 2016/17...

211

...of which, processes completed in 2016/17...

163

...of which, outstanding processes at 31 March 2017

48

Commenced and completed in the period 2016/17

77%

Death-in-retirement processes commenced in 2016/17...

2,697

...of which, processes completed in 2016/17...

2,251

...of which, outstanding processes at 31 March 2017

446

Commenced and completed in the period 2016/17

83%

Maintain member data processes commenced in 2016/17...

18,882

...of which, processes completed in 2016/17...

18,781

...of which, outstanding processes at 31 March 2017

101

Commenced and completed in the period 2016/17

99%

Change of address and/or bank processes commenced in 2016/17...

7,761

...of which, processes completed in 2016/17...

7,706

...of which, outstanding processes at 31 March 2017

55

Commenced and completed in the period 2016/17

99%

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
West Midlands County Council	(1,392,202)	-
Birmingham City Council	(109,655,122)	(27,408,411)
Coventry City Council	(35,758,339)	(7,810,635)
Dudley MBC	(34,522,561)	(9,024,846)
Sandwell MBC	(39,570,330)	(8,986,425)
Solihull MBC	(10,153,687)	(4,786,175)
Walsall MBC	(31,479,414)	(6,320,152)
City of Wolverhampton Council	(26,572,274)	(6,737,610)
Centro	(6,770,634)	(292,474)
Valuation Tribunal Service	(21,320)	-
Aston University	(426,011)	-
Black Country Museum Trust Ltd	(155,683)	(21,559)
Birmingham Institute for the Deaf	(38,605)	(1,055)
Coventry Law Centre	(29,964)	(7,506)
Age Concern Birmingham VSOP	(9,408)	(1,210)
Wolverhampton Grammar School	(51,307)	(25,711)
Chelmsley Wood Town Council	(19,347)	(3,458)
Wolverhampton Voluntary Sector Council	(45,450)	(14,923)
Wolverhampton Polytechnic	(1,056)	-
Fordbridge Parish Council	(5,428)	(1,940)
Birmingham City University	(6,138,968)	(2,217,658)
Coventry University	(7,549,521)	(3,249,108)
University of Wolverhampton	(6,140,238)	(2,181,032)
West Midlands Fire & Civil Defence Authority	(2,738,473)	(739,337)
Police & Crime Commissioner for West Midlands	(17,222,071)	(5,411,570)
University College Birmingham	(1,276,999)	(484,121)
Bournville College of Further Education	(587,152)	(169,951)
South & City College Birmingham	(1,986,092)	(552,567)
Birmingham Metropolitan College	(2,289,073)	(692,519)
Henley College	(510,255)	(148,895)
Hereward College	(514,358)	(174,708)
Dudley College of Technology	(1,148,191)	(423,430)
Halesowen College	(466,676)	(180,974)
King Edward VI College	(239,095)	(77,954)
Sandwell College	(986,331)	(281,276)
Solihull College	(1,005,370)	(368,401)
Walsall College	(1,016,690)	(399,705)
Cadbury Sixth Form College	(113,530)	(37,396)
Joseph Chamberlain College	(225,547)	(94,146)
The Sixth Form College Solihull	(243,091)	(76,663)
Coventry & Solihull Waste Disposal Company Ltd	(235,783)	(10,956)
New Park Villiage Tenant Management Organisation	(13,510)	(4,105)
Marketing Birmingham Ltd	(67,396)	(29,262)
Lighthouse Media Centre	(10,554)	(371)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Family Care Trust	(8,700)	-
Friendship Care and Housing Ltd	(111,264)	(3,338)
St Columba's Church Day Centre	(14,801)	(4,693)
Sandwell Community Caring Trust	(191,085)	(44,911)
Palfrey Community Association	(64,178)	(23,064)
The Pendrels Trust Ltd	(31,250)	(9,743)
Bushbury Hill Estate Management Board	(31,079)	(13,626)
Brownhills Community Association	(15,230)	(2,426)
Smiths Wood Parish Council	(3,688)	(1,297)
Sickle Cell & Thalassaemia Group	(10,546)	(5,629)
Coventry Sports Trust Ltd	(164,075)	(36,248)
West Midlands Councils	(163,300)	-
Optima Community Association	(261,762)	(48,923)
Delves Ease Estate Management	(36,051)	(6,851)
Life Education Centres West Midlands	(31,037)	(4,766)
City of Wolverhampton College	(1,127,791)	(300,779)
Home-Start (Stockland Green/Erdington)	(6,911)	(2,088)
Meriden Parish Council	(3,761)	(6,039)
Wildside Activity Centre	(1,856)	(652)
Whitefriars Housing Group	(3,004,475)	(868,692)
Balsall Parish Council	(1,804)	(396)
Manor Farm Community Association	(13,950)	(7,187)
Bloomsbury Local Management Organisation Ltd	(74,308)	(22,737)
Galliford (UK) Ltd	(11,086)	(2,183)
Lieutenancy Services (WM) Ltd	(21,113)	(6,196)
Home-Start (Birmingham South)	(3,967)	(1,302)
Castle Bromwich Parish Council	(19,286)	(6,638)
Leisure Living Ltd	(129,000)	-
Steps to Work (Walsall) Ltd	(83,542)	(23,212)
Home-Start (Walsall)	(10,694)	(3,417)
Murray Hall Community Trust	(68,207)	(32,221)
Sandbank Tenant Management Co-operative Ltd	(26,722)	(7,333)
Coventry Solihull & Warwickshire Partnership Ltd	(597,408)	-
City College Coventry	(753,579)	(182,638)
Walsall Housing Group	(2,054,004)	(1,025,292)
Amey Highways Ltd	(21,222)	(5,186)
Leamore Residents Association Limited	(19,190)	(8,110)
Northern Housing Consortium Ltd	(151,184)	(58,391)
Walsall Academy	(113,146)	(49,172)
WATMOS Community Homes	(146,406)	(78,680)
Chuckery Tenant Management Organisation Ltd	(28,233)	(12,536)
Voyage Care Limited	(2,552)	(865)
Black Country Partnership NHS Foundation Trust	(75,229)	(24,102)
Solihull Care Ltd	(29,704)	(6,263)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Solihull Community Housing	(974,538)	(416,552)
Sandwell Leisure Trust	(705,605)	(251,168)
Grace Academy	(394,521)	(175,150)
Pell Frischman Consultants Ltd	(6,328)	(1,362)
Enterprise (AOL) Ltd (Telford/Wrekin)	(45,780)	(3,131)
Mitie PFI Ltd	(10,196)	(2,771)
Wolverhampton Homes	(3,477,092)	(1,019,439)
Enterprise Managed Services Ltd (Wolverhampton)	(274,878)	(125,644)
Integral UK Ltd	(1,894)	(374.93)
Black Country Consortium Ltd	(142,113)	(83,974.42)
Kingshurst Parish Council	(2,492)	(692.44)
Service Birmingham Ltd	(321,053)	(114,955)
BME United Ltd	(31,978)	(16,037)
Sandwell Academy	(160,191)	(69,930)
Dovecotes Tenant Management Organisation Ltd	(29,839)	(14,369)
Midland Heart Ltd	(29,421)	(5,594)
Engie Services Ltd	(89,403)	(20,774)
The Collegiate Academy Trust	(172,148)	(135,286)
Serco Ltd (Stoke CC)	(231,600)	-
Enterprise Managed Services Ltd (Solihull)	(137,514)	(46,666)
Q3 Academy	(96,499)	(42,447)
Mears Group plc	(6,485)	(2,236)
Housing 21 Ltd	(327,417)	(87,914)
Alliance in Partnership - Camp Hill	(4,317)	(1,034)
Titan Partnership Ltd	(4,217)	(382)
CTC Kingshurst Academy	(190,760)	(75,121)
RSA Academy	(100,919)	(67,050)
BAM Construct UK Ltd	(26,983)	(9,735)
Sheffield Community Academy	(309,012)	(71,307)
Tarmac Ltd	(148,917)	(56,512)
Capita IT Services Ltd	(32,765)	(12,811)
Bespoke Cleaning Services Ltd	(16,052)	(3,725)
Ormiston Sandwell Community Academy	(138,520)	(51,978)
Park Hall Academy	(165,040)	(66,737)
City of Wolverhampton Academy Trust	(306,445)	(117,783)
E-ACT Heartlands Academy	(148,375)	(49,106)
E-ACT Shenley Academy	(199,897)	(58,189)
ARK Academies	(152,647)	(53,735)
Agilisys Ltd (Rowley/Smethwick)	(1,781)	(939)
KGB Cleaning & Support Services Ltd (Bishop Ulathorne School)	(2,924)	(684)
Sidney Stringer Academy Trust	(295,607)	(112,030)
Mears Ltd	(71)	(23)
Amey LG Ltd	(1,164,808)	(354,481)
King Edward VI Sheldon Heath Academy	(113,990)	(54,492)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
E-ACT North Birmingham Academy	(208,568)	(74,909)
Harborne Academy	(115,916)	(45,434)
Arden Academy Trust	(145,483)	(60,950)
Balfour Beatty Workplace Ltd (Coventry)	(56,687)	(14,559)
SERCO Ltd (Sandwell)	(786,352)	(235,504)
Park Hall Infant Academy	(64,674)	(17,376)
St Patricks Church of England Primary Academy	(35,282)	(11,655)
Tudor Grange Academy Solihull Trust	(198,161)	(64,039)
Quadron Services Ltd	(239,311)	(66,460)
John Henry Newman Catholic College	(219,323)	(75,422)
Agilisys Services Ltd (OCOS/WODO/Tipton)	(9,411)	(3,349.20)
Windsor High School and Sixth Form	(209,111)	(92,868)
Wood Green Academy Trust	(126,151)	(49,489)
Ninestiles Academy Trust	(331,105)	(112,057)
Lordswood Girls School & Sixth Form Centre	(137,470)	(50,743)
Ryders Hayes Academy Trust	(76,168)	(25,592)
Kings Norton Girls School & Language College	(133,912)	(40,851)
Premier Security Services Limited	(16,409)	(4,345)
Shire Oak Academy Trust	(222,817)	(65,220)
Bartley Green School	(171,896)	(61,191)
The Blue Coat Church of England Academy Ltd	(167,969)	(56,098)
Queen Marys High School (Walsall)	(86,110)	(21,546)
Queen Marys Grammar School (Walsall)	(112,605)	(33,078)
Sutton Coldfield Grammar School for Girls Academy Trust	(165,582)	(46,249)
Whitley Academy	(182,442)	(61,824)
Aston Manor Academy	(173,265)	(52,739)
Creative Support Limited	(6,495)	(1,815)
Heart of England School	(145,615)	(40,093)
Light Hall School	(144,745)	(42,743)
Holly Hall Academy	(94,632)	(29,474)
Matrix Academy Trust	(162,656)	(54,630)
Woodlands Academy	(180,301)	(22,155)
Rookery School	(108,597)	(35,604)
Finham Park School Academy	(253,987)	(67,610)
Langley School	(171,489)	(45,301)
Alderbrook School	(192,815)	(50,403)
Lode Heath School	(144,488)	(42,246)
The Westwood Academy	(182,878)	(56,184)
Holyhead School	(176,864)	(82,125)
Fairfax School (Academy)	(229,016)	(76,287)
Tile Hill Wood School & Language College	(239,101)	(66,991)
Deanery Church of England School	(108,689)	(33,247)
Plantsbrook School	(239,140)	(76,977)
Oldbury Academy	(197,249)	(65,269)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Hillcrest School & Sixth Form Centre	(106,231)	(33,635)
Ormiston George Salter Academy	(124,770)	(57,406)
King Edward VI Camp Hill School for Boys (Academy)	(67,423)	(19,511)
King Edward VI Camp Hill School for Girls (Academy)	(58,212)	(17,277)
King Edward VI Handsworth School (Academy)	(91,789)	(23,297)
King Edward VI Five Ways School (Academy)	(104,351)	(31,337)
King Edward VI Aston School (Academy)	(68,023)	(26,994)
Regent Office Care - Henley College	(1,739)	(415)
The High Arcal School Academy Trust	(157,193)	(65,605)
Arthur Terry Learnings Partnership	(678,121)	(202,379)
The Kingswinford School & Science College	(132,106)	(44,289)
Black Country University Technical College	380,000	(368,495)
Nishkam School Trust	(73,124)	(48,581)
Age Concern Birmingham	(21,712)	(9,913)
Heath Park Academy - Central Learning Partnership Trust	(120,458)	(47,012)
Lawrence Cleaning - St Stephens School	(1,052)	(482)
The Streetly Academy	(247,607)	(80,461)
NSL Ltd (Solihull)	(2,846)	(1,006)
New Heritage Regeneration Ltd	(13,794)	(12,996)
Sodexo Limited	(7,969)	(2,180)
Ormiston Forge Academy	(177,490)	(60,130)
Alliance in Partnership - Stoke Park	(5,550)	(2,130)
Alliance in Partnership - Ernesford Grange	(1,096)	(386)
Alliance in Partnership - President Kennedy	(2,428)	(580)
Earls High School (The)	(152,729)	(49,222)
Initial Catering Services Ltd (Smethwick)	(26,119)	(7,172)
Initial Catering Services Ltd (Rowley)	(4,276)	(1,256)
Park Hall Junior Academy	(86,144)	(25,524)
Joseph Leckie Academy	(233,918)	(68,472)
E-ACT Willenhall Academy	(239,058)	(72,564)
Hall Green Secondary School	(201,200)	(59,349)
Rockwood Academy - The Core Education Trust	(113,497)	(44,093)
Birmingham Museums Limited	(181,110)	(89,346)
Bishop Vesey's Grammar School	(120,506)	(37,860)
Mesty Croft Academy	(52,091)	(21,462)
Oldknow Academy	(13,100)	-
Action for Children (Smethwick)	(22,640)	(8,588)
Mytime Active	(56,642)	(18,879)
Wilson Stuart School	(291,901)	(102,689)
Hockley Heath Academy	(30,689)	(9,806)
Murray Hall Community Trust (Oldbury)	(8,698)	(3,096)
Murray Hall Community Trust (Rowley)	(21,634)	(8,013)
Murray Hall Community Trust (Wednesbury)	(19,167)	(7,660)
Warren Farm Primary School	(56,284)	(23,011)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Alridge School - a Science College	(158,250)	(45,373)
Taylor Shaw Limited (Colton Hills School)	(2,993)	(766)
Moseley Park School - Central Learning Partnership Trust	(107,183)	(32,499)
St Johns C of E Primary School	(108,201)	(33,155)
Barnardos (Sandwell)	(8,908)	(3,665)
Coundon Court Academy	(242,795)	(64,592)
Premier Support Services Ltd (Alumwell Junior School)	(938)	(191)
Great Barr Primary School	(150,812)	(41,348)
Timberley Academy Trust	(155,210)	(72,010)
Engie FM Limited (Broadway School)	(37,296)	(13,677)
Engie FM Limited (Park View School)	(15,455)	(3,747)
Engie FM Limited (International School)	(15,052)	(5,587)
Engie FM Limited (Saltley School)	(6,126)	(1,823)
Engie FM Limited (Moseley School)	(21,641)	(6,598)
Engie FM Limited (George Dixon School)	(20,604)	(6,066)
Engie FM Limited (Waverley School)	(10,719)	(3,080)
Engie FM Limited (Sheldon Heath School)	(12,265)	(3,593)
Lend Lease Construction (Europe) Ltd (Park View & International School)	(15,609)	(6,127)
Lend Lease Construction (Europe) Ltd (Saltley School)	(13,100)	-
Lend Lease Construction (Europe) Ltd (Moseley School)	(2,976)	(1,065)
Lend Lease Construction (Europe) Ltd (George Dixon School)	(8,623)	(3,043)
Lend Lease Construction (Europe) Ltd (Waverley School)	(5,246)	(2,070)
Lend Lease Construction (Europe) Ltd (Four Dwellings School)	(8,557)	(2,486)
Victoria Park Primary Academy	(145,274)	(48,538)
Erdington Hall Primary Academy	(88,458)	(23,710)
Balsall Common Primary Academy	(116,939)	(34,199)
Woodlands Academy of Learning	(88,678)	(29,388)
Acivico (Design Construction & Facilities Management) Ltd	(974,810)	(446,343)
Acivico (Building Consultancy) Ltd	(339,173)	(161,575)
Aston University Engineering Academy Birmingham	(42,535)	(25,787)
Sandwell Community Caring Trust (Sandwell Care Homes)	(89,671)	(36,308)
Carillion (Highfields & Pennfields)	(17,579)	(5,074)
St Michael's C of E Primary Academy Handsworth	(37,255)	(11,679)
St Mary's C of E Junior & Infants School	(75,572)	(21,045)
ARK Rose Primary Academy	(49,229)	(13,736)
Green Meadow Primary School	(103,178)	(24,441)
ARK Tindal Primary Academy	(78,361)	(27,635)
George Dixon Academy	(109,073)	(43,182)
Nansen Primary School - Park View Educational Trust	(109,846)	(35,137)
4 Towers TMO Limited	(22,812)	(6,648)
Perry Beeches - The Academy	(360,538)	(130,412)
Handsworth Wood Girls Academy	(137,839)	(45,342)
Dorrington Academy Trust	(100,820)	(35,386)
ARK Kings Academy	(86,888)	(25,526)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Interserve Facilities Management Ltd (OCOS/WODO/Tipton Schools)	(17,968)	(5,145)
Interserve Facilities Management Ltd (Rowley Campus)	(7,181)	(2,589)
St Peters Church of England Academy Trust	(184,083)	(56,015)
Jubilee Academy Mossley - ATT	(42,316)	(10,184)
Action for Children (West Bromwich)	(6,243)	(2,744)
S4E Limited	(106,959)	(47,571)
Nechells Primary E-ACT Academy	(57,059)	(14,350)
Ormiston Academies Trust	(154,029)	(134,766)
EBN Free School	(7,149)	(4,394)
Croft Primary Academy - Elliot Foundation Trust	(39,667)	(13,325)
Lordswood Boys School	(103,864)	(23,160)
Chilwell Croft Academy - Equitas Academies Trust	(102,781)	(37,928)
Lawrence Cleaning Ltd - Parkfield School	(1,345)	(540)
Elite Cleaning & Environmental Services Ltd (Walsall)	(8,245)	(2,455)
Goldsmith Primary Academy - Windsor Academy Trust	(69,941)	(23,550)
Kings Rise Academy - The Elliot Foundation Academies Trust	(93,145)	(28,391)
Alston Primary School	(201,835)	(47,912)
Greenholm Primary School	(91,863)	(27,732)
Blue Coat Church of England (Walsall) Trust	(104,396)	(32,066)
Caludon Castle Academy	(190,484)	(64,558)
Percy Shurmer Primary School	(96,187)	(29,149.77)
Redcliffe Catering Ltd (Calthorpe School)	(3,433)	(839)
Woden Primary - Central Learning Partnership Trust	(125,233)	(26,243)
West Walsall E-ACT Academy	(236,741)	(69,815)
BOA Birmingham Ormiston Academy	(87,188)	(41,384)
ABM Catering Limited	(3,621)	(1,214)
Broadening Choices for Older People	(37,355)	(71)
Harrison Catering Services Ltd (Shenley Academy)	(5,331)	(1,662)
Integral UK Ltd (Queensbridge School)	(1,032)	(312)
Places For People Leisure Limited - Harborne Pool	(9,934)	(3,714)
Sandwell Inspired Partnership Services	(578,740)	(267,248)
Alliance in Partnership (King Edward VI Sheldon Heath)	(18,489)	(5,622)
Lend Lease Construction (Europe) Ltd (HML Stockland Green & Broadway)	(2,444)	(1,065)
Engie FM Limited (HM & Stockland Green School)	(24,471)	(8,653)
Lend Lease (Europe) Limited - E-ACT	(3,363)	(1,405)
Aspen Services Ltd (Gosford Park School)	(2,415)	(856)
St Clements C of E Academy Nechells	(34,105)	(15,632)
Oasis Community Learning - Blakenhale Junior	(50,591)	(9,772)
Oasis Community Learning - Woodview School	(124,924)	(58,825)
Oasis Community Learning - Blakenhale Infants	(73,753)	(26,428)
Lea Forest Primary Academy	(85,326)	(32,559)
Four Dwellings Primary Academy	(89,613)	(30,069)
Tame Valley Academy - Education Central MAT	(46,467)	(16,262)
Shirestone Community Academy - The Elliot Foundation Academies Trust	(70,965)	(20,543)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Oasis Community Learning - Short Heath Primary	(95,486)	(25,179)
Aldersley Academies Trust	(142,214)	(50,594)
Yardleys School	(169,292)	(52,443)
Rough Hay Primary School	(58,865)	(13,893)
Charles Cuddy Walker Academy - Erudition Schools Trust	(59,875)	(33,070)
Billesley Primary Academy - The Elliot Foundation Academies Trust	(162,368)	(53,889)
Merritts Brook E-ACT Primary Academy	(50,197)	(15,047)
St Michael's Church of England Primary School Bartley Green	(76,134)	(20,170)
Reedwood E-ACT Primary Academy	(121,294)	(30,434)
James Brindley School	(310,282)	(92,208)
Oaklands Primary - Ninestiles Academy Trust	(69,393)	(25,670)
Greenwood Academy - Academies Enterprise Trust	(184,101)	(64,416)
Tudor Grange Primary Academy St James	(24,115)	(8,054)
Mansfield Green E-ACT Primary Academy	(112,649)	(38,328)
Parkfield Academy Trust	(106,299)	(43,386)
Urban Enterprises (Bournville) Ltd	(10,941)	(4,800)
City Road Academy - Birmingham City Uni Academy Trust	(151,268)	(32,618)
Culture Coventry	(259,709)	(107,455)
Bramford Primary - Griffin Academy Trust	(60,581)	(10,282)
Bristnall Hall - The Academy Transformation Trust	(156,380)	(52,686)
Redhill School	(192,180)	(59,207)
Baverstock Academy - The Leap Academy Trust	(256,812.39)	(50,665)
Edgar Stanners Academy - Education Central MAT	(87,780)	(27,035)
Knowle CE Primary Academy	(112,127)	(27,745)
St Joseph's - John Paul II Multi-Academy	(75,450)	(14,857)
St Nicholas's - John Paul II Multi-Academy	(56,982)	(10,789)
Holy Cross - Sutton Coldfield Catholic Schools Multi-Academy	(64,311)	(11,796)
Bishop Walsh - Sutton Coldfield Catholic Schools Multi-Academy	(191,976)	(38,421)
The ACE Academy - Education Central Multi Academy Trust	(160,671)	(59,009)
St John's and St Peter's C of E Academy	(35,924)	(9,814)
St Georges C of E Academy	(63,950)	(15,043)
Acocks Green Primary School	(121,660)	(33,202)
Premier Support Services Ltd (Alumwell Infant School)	(816)	(208)
Washwood Heath Academy	(321,444)	(90,294)
Perry Hall Primary School	(89,396)	(25,086)
KGB Cleaning & Support Services Ltd (Lyndon School)	(4,374)	(1,204)
European Electronique Ltd (Tile Hill Wood School)	(11,022)	(3,712)
Call First Cleaning Limited	(666)	(205)
Oasis Community Learning - Matthew Boulton	(61,067)	(15,227)
Four Dwellings High School Academy	(127,982)	(36,799)
Oasis Community Learning - Hobmoor Primary	(98,033)	(22,586)
Timbertree Primary - United Learning Academies	(25,770)	(11,313)
George Betts Academy - The Elliot Foundation Academies Trust	(129,426)	(30,820)
Hamstead Hall Academy Trust	(274,976)	(63,102)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Corngreaves Primary - United Learning Academies	(71,486)	(17,293)
Shireland Hall Academy - The Elliot Foundation Academies Trust	(129,568)	(43,226)
Stretton Primary Academy - Diocese of Coventry MAT	(61,259)	(13,159)
St Laurence's Primary Academy - Diocese of Coventry MAT	(88,798)	(21,853)
Yarnfield Academy - Ninestiles Academy Trust	(170,902)	(41,578)
President Kennedy School	(317,611)	(88,962)
Hawkesley Church Primary Academy	(102,819)	(17,688)
Birchills Academy - St Chads Academies Trust	(88,525)	(32,980)
Montgomery Primary Academy - Academies Enterprise Trust	(144,179)	(43,962)
Fairway School - Education Central Multi Academy Trust	(67,606)	(19,865)
Cheswick Green Parish Council	(1,732)	(675)
Jubilee Park Academy Trust	(62,614)	(13,758)
Ocker Hill Junior Academy	(45,864)	(11,932)
Three Spires Academy - RNIB Specialist Learning Trust	(84,823)	(51,539)
Silvertrees Academy	(135,869)	(27,873)
Pegasus Academy - Ninestiles Academy Trust	(68,028)	(13,558)
St Edmund's Academy - Bishop Clearly MAC	(219,540)	(61,845)
SS Mary & Johns Catholic Primary Academy - Bishop Clearly MAC	(30,300)	(8,804)
St Teresa's Academy - Bishop Clearly MAC	(32,535)	(8,706)
Holy Trinity C of E Primary Academy	(81,663)	(15,650)
Giffard Catholic Academy - Bishop Clearly MAC	(53,697)	(13,856)
St Michaels Academy - Bishop Clearly MAC	(38,100)	(7,006)
Tiverton Academy - The Elliot Foundation Academies Trust	(74,798)	(16,778)
St Joseph's Academy - St John Bosco Catholic Academy Trust	(43,923)	(12,591)
Bishop Milner Academy - St John Bosco Catholic Academy Trust	(114,356)	(36,680)
St Chads Academy - St John Bosco Catholic Academy Trust	(36,487)	(7,228)
Bentley Heath Church of England Primary School	(78,819)	(19,823)
Reaside Academy - Educational	(45,043)	(12,639)
Aspens Services Ltd - Phoenix Collegiate	(10,003)	(2,392)
St George's Academy Newtown	(47,912)	(18,784)
St Bartholomew's C of E Primary Academy	(80,478)	(19,775)
Cue Ltd	(205,735)	(82,145)
Hill Farm Academy - Castle Phoenix Trust	(79,194)	(22,321)
The Orchards Primary Academy - Education Central MAT	(89,531)	(18,119)
Wednesbury Oak Primary Academy	(83,852)	(21,419)
Robin Hood Primary Academy	(115,953)	(28,471)
Woodhouse Primary Academy - Education Central MAT	(171,969)	(40,935)
Elite Cleaning Ltd (Hereward College)	(12,805)	(3,029)
Broadway Academy	(197,363)	(50,288)
Places for People Leisure Limited	(7,418)	(2,006)
Radford Primary Academy - Sidney Stringer Academy Trust	(71,159)	(17,235)
Ernesford Grange Academy	(241,646)	(53,053)
Chivenor Academy - Griffin Schools Trust	(92,652)	(17,732)
Rivers Primary Academy - Windsor Academy Trust	(61,604)	(17,171)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Golden Hillock Academy - Park View Educational Trust	(80,400)	-
Walsall Studio School	(5,440)	(2,227)
Waverley Studio College	(13,110)	(8,277)
Twickenham Primary Academy	(118,522)	(31,646)
Grestone Primary Academy	(140,596)	(32,507)
St Paul's C of E Primary Academy	(64,766)	(13,294)
Kingswood Trust	(12,362)	(5,634)
Leigh Primary School	(155,934)	(38,175)
Education Central Multi Academy Trust	(23,257)	(22,471)
Wodensborough Academy	(213,042)	(42,039)
Ridgewood High School	(160,627)	(39,446)
Carillion (AMBS) Ltd (Heath Park Academy)	(11,268)	(2,725)
Aspen Services Ltd (Courthouse Green Primary School)	(6,059)	(1,610)
Wolverhampton Girls High School	(140,698)	(33,283)
St Judes Academy - The Wulfrun Academies Trust	(101,534)	(30,151)
Oasis Community Learning - Foundry Primary	(67,260)	(15,825)
Riverbank Academy (Sidney Stringer Academy Trust)	(156,440)	(40,342)
Redcliffe Catering Ltd (Cottesbrooke Junior School)	(755)	(247)
Berrybrook Primary School	(37,675)	(10,780)
Reach Free School	(16,157)	(10,004)
WMG Academy for Young Engineer	(61,945)	(28,125)
Cottesbrooke Infant & Nursery School	(126,271)	(23,936)
Alliance in Partnership (Unity Cluster)	(13,834)	(3,598)
Catering Academy Ltd (Synergy Schools)	(12,867)	(4,101)
APCOA Parking UK Ltd (Wolverhampton)	(5,469)	(1,676)
Smestow School - Education Cen	(201,947)	(52,890)
Northwood Park Primary School	(103,876)	(28,703)
Marston Green Infant Academy	(63,076)	(22,637)
Smithswood Primary School	(130,820)	(37,253)
Bespoke Cleaning Ltd (Westwood Academy)	(3,532)	(1,191)
Police & Crime Commissioner West Midlands	(107,110)	(71,009)
Civica UK Ltd (Ark Schools)	(10,032)	(3,858)
Black Country Housing Group (New Bradley Hall)	(63,826)	(18,338)
ABM Catering Ltd (Aldermoor Farm Primary School)	(3,455)	(1,218)
Northern House School Academy Trust	(56,525)	(22,085)
Taylor Shaw (Great Barr Birmingham)	(25,599)	(6,522)
St John's C of E Primary Academy - Diocese Coventry MAT	(48,823)	(9,337)
Catering Academy (John Gulson)	(3,867)	(1,058)
Heathlands Academy - Education Central MAT	(122,639)	(30,637)
Wednesfield High Specialist Engineering Academy	(188,776)	(40,925)
Albert Bradbeer Primary School	(193,397)	(40,447)
Alliance in Partnership Ltd (Broadway)	(20,299)	(5,079)
Birmingham Solihull Mental Health NHS Trust	(11,205)	(6,836)
Action Indoor Sports Birmingham CIC Ltd	(5,423)	(2,163)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Ridge Crest Cleaning	(9,115)	(2,278)
Sacred Heart Academy	(73,014)	(19,651)
St Gregory's School Coventry - Romero Mac	(60,473)	(12,756)
Good Shepherd Primary School	(74,061)	(16,567)
St Peter and Paul Catholic Primary School - Romero Mac	(26,139)	(9,358)
St John Fisher School - Romero Mac	(78,556)	(18,265)
St Patrick's Catholic School - Romero Mac	(67,064)	(14,559)
Cardinal Wiseman Catholic School - Romero Mac	(297,140)	(67,416)
Corpus Christi Catholic Primary School - Romero Mac	(76,050)	(18,892)
All Saints National Academy - St Chad's Academy Trust	(67,062)	(12,495)
Alliance in Partnership (Greenfields Primary School)	(3,062)	(825)
Aspens Services Ltd - Old Church School	(4,736)	(1,130)
Aspen Services Ltd - Rough Hay School	(6,423)	(1,708)
CUL Academy Trust Limited	(14,537)	(7,763)
Aspens Services Ltd - Salisbury School	(3,951)	(836)
Police & Crime Commissioner West Midlands	(9,348)	(2,673)
Bournville School and Sixth Form Centre - Fairfax MAT	(200,082)	(42,636)
St Gregory's Catholic Primary School	(65,250)	(11,783)
St Huberts Catholic Primary School	(82,992)	(18,039)
St Francis Xavier Catholic Primary School	(84,848)	(18,727)
St Philip's Catholic Primary School	(80,174)	(18,244)
The University Training School	(54,351)	(28,253)
Aspens Services Ltd (Pinfold Street Primary)	(1,069)	(319)
KCLS Ltd - Alderbrook School	(7,263)	(335)
Devonshire Infant Academy - Victoria Park Multi Academy Trust	(143,938)	(30,400)
Seva Free School	(22,811)	(11,548)
Devonshire Junior Academy - Victoria Park Multi Academy Trust	(72,819)	(20,694)
Town Junior School - Plantsbrook Academy	(62,023)	(14,104)
St Brigid's Catholic Primary School - Lumen	(105,597)	(23,280)
St Columba's Catholic Primary School - Lumen	(66,940)	(13,121)
St Joseph's Academy - St Nicholas Owen Catholic MA	(50,189)	(10,737)
Our Lady of Fatima Catholic Primary School - St Nicholas Owen Catholic MAC	(59,334)	(13,981)
St Mary's Catholic Primary School - St Nicholas Owen Catholic MAC	(45,633)	(13,227)
Calthorpe Academy	(491,293)	(144,908)
Crestwood Academy	(114,108)	(31,876)
Hillstone Junior and Infant Academy	(192,116)	(46,983)
Ellowes Hall Sports Academy	(205,945)	(63,249)
Wyndcliffe Primary School	(224,345)	(51,506)
Brownmead	(78,562)	(17,322)
Manor Primary School	(91,038)	(24,045)
ABM Catering Ltd (St John's Church of England Academy)	(892)	(200)
ABM Catering Ltd - Allesley	(3,467)	(1,155)
ABM Catering Ltd (Cannon Park)	(320)	(103)
St John's C of E Primary Academy – St Chad's Academy Trust	(51,095)	(13,619)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Crime Reduction Initiatives	(48,608)	(19,869)
St Martin's C of E Primary School	(36,089)	(10,672)
St Pauls' Catholic Primary School - Lumen	(79,959)	(18,475)
St James Catholic Primary School - Lumen	(58,828)	(13,867)
St Joseph's Catholic Primary School - Lumen	(49,802)	(14,230)
St Thomas Aquinas Catholic School	(392,961)	(80,796)
Field View Primary School	(75,569)	(22,730)
Walsall Adult Community College	(130,607)	(47,670)
Futurelets Ltd	(110,223)	(46,510)
Churchill Contract Services Ltd (Walsall College)	(15,046)	(4,473)
ABM Catering (St Andrew's CE Infant School)	(1,860)	(441)
NSL Limited Parking Services (BCC)	(18,973)	(6,551)
Jervoise School - DRB Ignite MAT	(67,466)	(14,909)
Wychall Primary School - DRB Ignite MAT	(167,881)	(37,779)
Holy Rosary Catholic Primary Pope John XXIII	(46,764)	(9,509)
St Mary's Catholic Primary	(113,557)	(26,860)
Our Lady & St Chad Catholic Sports College	(137,150)	(32,422)
Corpus Christi Catholic Primary - Pope John	(58,045)	(13,652)
St Thomas CE Academy - All Saints Multi Academy Trust	(117,673)	(32,740)
Birmingham Community Leisure Trust (North East Contract)	(293,158)	(104,607)
Birmingham Community Leisure Trust (South West Contract)	(145,352)	(49,551)
Saltley Academy	(209,579)	(45,444)
Barr's Hill School Academy - The Future's Trust	(242,579)	(55,967)
Alliance in Partnership (Brownhills School)	(4,462)	(1,111)
Walsgrave Church of England Primary School - The Inspire Federation	(59,809)	(22,319)
Clifford Bridge Primary School - The Inspire Federation	(48,825)	(16,735)
Sir Frank Whittle Primary School - The Inspire Federation	(34,737)	(15,643)
Lyndon Academy - Ninestiles Academy Trust	(126,954)	(42,195)
The Waverley Education Foundation Ltd	(280,960)	(60,201)
TnS Catering Management Limited (Potters Green School)	(3,835)	(1,299)
TnS Catering Management Limited (Moat House School)	(4,742)	(1,487)
Heathfield's Primary School - The Federation of Prince Albert & Heathfield Schools	(106,303)	(18,487)
The Mirus Academy - The Matrix	(186,577)	(50,109)
Moor Green Primary Academy - REach2 Academy Trust	(49,210)	(20,714)
Prince Albert Primary School - The Federation of Prince Albert & Heathfield Schools	(199,307)	(39,333)
Beechwood C of E Primary School - DRB Ignite MAT	(37,824)	(8,831)
The British Sikh School - The Khalsa Academies Trust	(20,656)	(6,890)
Northfield Manor Primary Academy - Victoria Academy Trust	(146,162)	(34,459)
Ark Chamberlain Primary Academy	(60,929)	(23,256)
Ark Boulton Academy	(229,945)	(42,179)
Aspens Services (South Wolverhampton and Bilston Academy)	(3,422)	(927)
Regent Office Care Ltd (Ormiston Shelfield Academy)	(9,319)	(3,007)
Superclean Services Wothorpe Ltd (Finham Park)	(8,831)	(3,017)
ABM Catering Ltd (John Shelton Community Primary School)	(3,300)	(966)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Alliance in Partnership Ltd (Coventry South Cluster Group)	(10,365)	(3,373)
The Edge Academy Trust	(41,452)	(17,263)
The Bromley-Pensnett Primary School - DRB Ignite MAT	(82,531)	(19,303)
Manor Way Primary Academy - Windsor Academy Trust	(40,933)	(12,099)
Dickens Heath Parish Council	(2,469)	(718)
West Midlands Construction UTC Trust	(24,414)	(13,641)
Alliance in Partnership Limited (St Matthias School)	(5,037)	(1,367)
Elston Hall Multi-Academy	(187,264)	(45,013)
Sidney Stringer Free Primary School - Sidney Stringer Academy Trust	(15,149)	(7,039)
Holroyd Howe (Wolverhampton Grammar School)	(5,108)	(1,694)
Health Futures UTC	(31,872)	(12,503)
Carillion (AMBS) Ltd (St Matthias)	(17,059)	(5,045)
Bickenhill & Marston Green	(13,291)	(4,094)
Superclean Services Wothorpe Ltd (Fordbridge Community Primary School)	(1,319)	(493)
King Solomon International Business School	(67,956)	(27,027)
Westcroft Sport and Vocational College - Central Learning Partnership	(125,902)	(29,095)
The Romero Catholic Academy	(24,716)	(14,091)
Inspire Education Trust	(15,324)	(5,813)
Aspens Services Ltd (Bartley Green)	(18,248)	(4,887)
Aspens Services Ltd (St Peter's Collegiate)	(18,232)	(5,221)
Highfields School	(282,278)	(55,779)
Finham Primary School - Finham Park MAT	(106,093)	(20,390)
KeepMoat Regeneration Ltd	(528,938)	(96,173)
Manor Park Primary - REAch2 Academy Trust	(124,639)	(36,726)
Wates Construction Ltd (West - Central)	(423,708)	(139,290)
Northern House School (City of Wolverhampton)	(156,148)	(38,162)
Pool Hayes Academy - Academy Transformation Trust	(176,746)	(53,331)
Nonsuch Primary School	(70,483)	(14,378)
Grove Primary School - St Martin's Multi Academy Trust	(70,839)	(18,539)
Highfield Junior and Infant School - Prince Albert Community Trust	(222,832)	(46,233)
Dunstall Hill Primary School - Perry Hall MAT	(54,771)	(13,472)
Wates Construction Ltd (East)	(1,148,763)	(271,713)
Aston Tower Community Primary School - Aston Tower Multi-Academy Trust	(147,776)	(28,250)
Wolverhampton Vocational Training Centre - Central Learning Partnership Trust	(21,363)	(11,066)
Compass Contract Services (UK) Ltd (Hall Green Secondary School)	(11,748)	(3,547)
Alliance In Partnership Ltd (Joseph Leckie)	(17,022)	(4,803)
Fortem Solutions Ltd	(1,627,084)	(250,164)
Alliance in Partnership Ltd (Pedmore Primary School)	(1,436)	(476)
Lodge Farm Primary School - Northwood Park	(73,647)	(14,395)
Palmers Cross Primary Academy - Elston Hall Multi Academy Trust	(51,638)	(11,054)
Dodd Group (Midlands) Ltd	(43,673)	(14,640)
Mazars Ltd (Walsall MBC)	(6,681)	(2,632)
Finham Park 2 - Finham Park Mulit Academy Trust	(14,745)	(5,487)
Prospects Services (Coventry and Warwickshire)	(7,357)	(2,829)

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Aspens-Services Ltd (Cannon Park Primary School)	(1,495)	(555)
Yew Tree Community Junior and Infant School - Inspire Education Community	(84,065)	(23,986)
North Walsall Primary Academy - Academy Transformation Trust	(24,745)	-
Lyng Hall School - Finham Park MAT	(127,555)	(34,563)
Fibbersley Park Academy - Victoria Academies Trust	(106,950)	(13,667)
Hob Green Primary School - DRB Ignite MAT	(31,728)	(8,525)
Damson Wood Infant School - Central Schools Trust	(45,104)	(9,597)
Streetsbrook Infant and Early Years Academy - Streetsbrook Academy Trust	(50,901)	(19,915)
Prince Thorpe Infant School - DRB Ignite MAT	(70,477)	(10,412)
The Oval Primary School DRB Ignite MAT	(103,344)	(21,439)
Audley Primary School DRB Ignite MAT	(172,868)	(25,739)
Aspens Services Ltd (Heartlands Academy)	(2,289)	(567)
Aspens Services Ltd (Merritts Brook Academy)	(1,382)	(274)
Aspens Services Ltd (St George's C Of E Academy)	(3,693)	(881)
Lend Lease Construction (Europe) Limited (The Sixth Form College Solihull)	(3,884)	(1,660)
Aspens Services Ltd (Mansfield Green Academy)	(7,179)	(1,639)
Gossey Lane Academy - Washwood Heath MAT	(56,079)	(16,112)
Leasowes High School - Invictus Education Trust	(76,363)	(15,742)
Aspens Services Ltd (West Walsall E-ACT Academy)	(8,771)	(1,969)
Erdington Academy - Fairfax Multi Academy Trust	(200,569)	(34,923)
Conway Primary School - Create Partnership Trust	(65,016)	(12,456)
Greet Primary School - Create Partnership Trust	(140,573)	(33,960)
Alliance in Partnership Ltd (Holy Family Catholic Primary School)	(2,333)	(493)
Alliance in Partnership Ltd (Christ the King Catholic Primary School)	(2,812)	(712)
Aspens Services Ltd (Whitgreave Junior School)	(2,312)	(581)
West Midlands Combined Authority	(1,157,494)	(603,585)
Edward the Elder Primary - Elston Hall MAT	(22,262)	(5,468)
St Bartholomew's CE Primary School - St Bartholomew's CE Multi Academy Trust	(29,529)	(6,888)
Northern House School (City of Wolverhampton) Primary PRU	(27,224)	(5,002)
Schools Plus Ltd (John Henry Newman Catholic College)	(810)	(198)
Tenterfields Primary Academy - Windsor Academy Trust	(44,486)	(9,365)
St Francis CE Primary School and Nursery - Fioretti Trust	(34,731)	(7,295)
Aspens Services Ltd (Hillcrest School)	(63)	(128)
Hill Avenue Academy - Manor Multi Academy Trust	(12,431)	(2,165)
East Park Academy - Manor MAT	(71,429)	(16,658)
Stanton Bridge Primary School - Stanton Bridge MAT	(10,297)	(2,941)
Cromwell primary School - Cromwell Learning Community Academy Trust	(9,715)	(1,811)
Broadmeadow Special School - Central Learning Partnership Trust	(36,820)	(8,478)
Oxley Primary School - REAch2 Academy Trust	(18,109)	(3,046)
Quinton Church Primary School - Barchelai Multi Academy Trust	(12,052)	(2,378)
Canterbury Cross Primary School - Canterbury Cross Educational Trust	(29,334)	(5,038)
Cedars Academy - Robin Hood Multi Academy Trust	(78,996)	(12,986)
Great Barr Academy - The Shaw Education Trust	(175,255)	(34,248)
Firs Primary School - Community Education Partnership Trust	(58,579)	(11,712)

MANAGEMENT AND FINANCIAL PERFORMANCE

CONTRIBUTIONS RECEIVABLE BY EMPLOYER

Employer	Employer's contributions	Employees' contributions
Topcliffe School - Community Education Partnership Trust	(36,097)	(7,485)
Parkgate Primary School - The Futures Trust	(40,709)	(6,489)
Phoenix Academy - Academy Transformation Trust	(5,624)	(2,770)
Westminster Primary School - Westminster Academy Trust	(23,972)	(5,095)
Keresley Grange Academy - The Futures Trust	(15,307)	(3,397)
Moreton School-Amethyst Academy Trust	(24,557)	(5,005)
Chandos Primary School - The Elliot Foundation Academies Trust	(122,828)	(21,816)
Lapal Primary School - Hales Valley Multi-Academy Trust	(9,996)	(2,251)

INVESTMENT POLICY AND PERFORMANCE

JASON FLETCHER
Chief Investment Officer



INVESTMENT POLICY AND PERFORMANCE

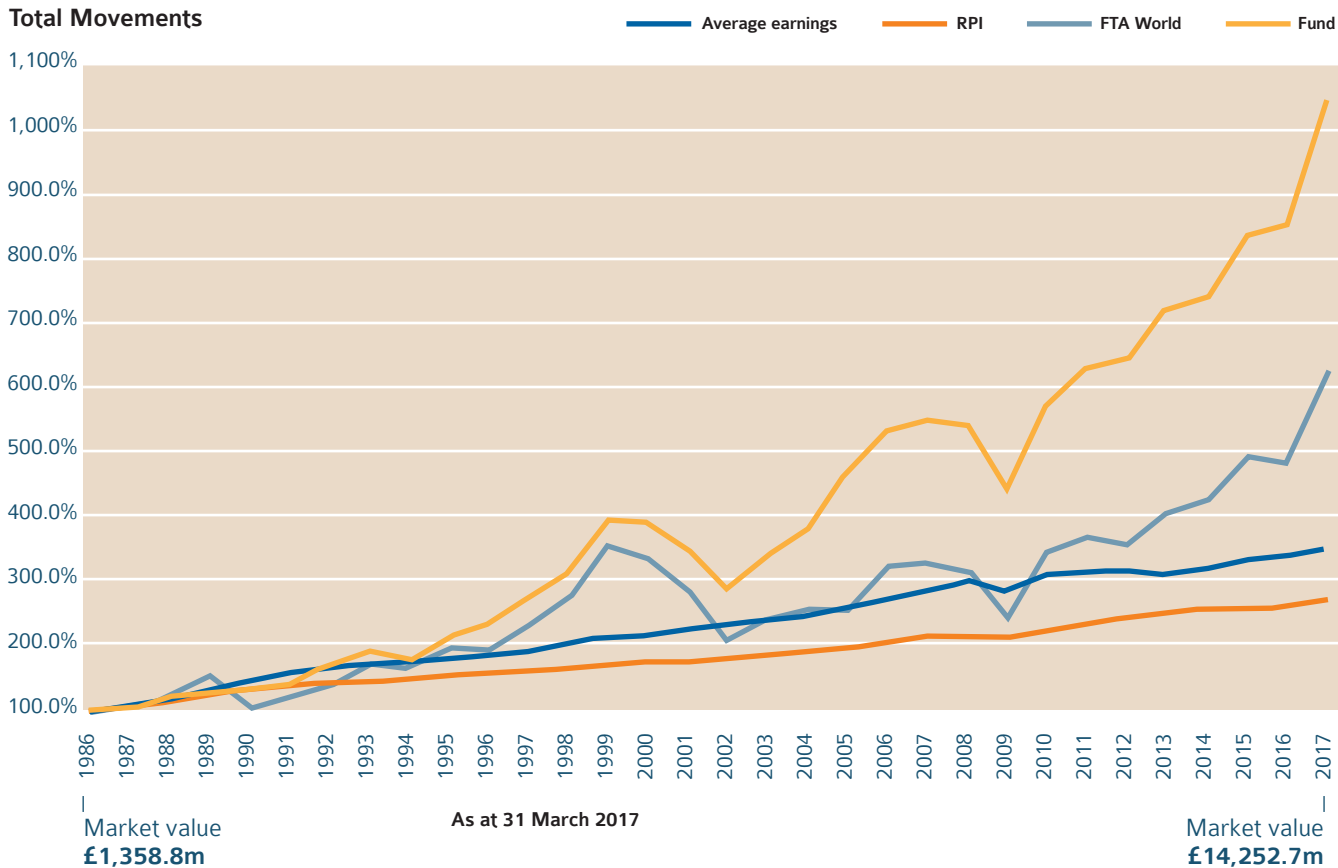
INVESTMENT STRATEGY

The investment strategy of the Fund is carried out by the investment team in accordance with the *Investment Strategy Statement* and the Fund's investment beliefs. The core objectives are to achieve target investment 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 £11.6 billion. By the end of March 2017, the value of those assets was £14.3 billion +22.6% reflecting positive net cashflow, appreciation in market value and considerable benefit from the weakness in sterling. The graph below illustrates the cumulative movement of the Fund's asset value since 1986 resulting from the implementation of investment policies, market movements, unrealised profits and net cash inflows.

Total Movements



The Fund continues to have positive cash inflows from net contributions and investment income.

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY

ASSET ALLOCATION

The following table shows a summary of the asset distribution for the year ended 31 March 2017 compared with the strategic risk bands agreed by the Pensions Committee. The Fund's closing market value of £14.2 billion reflects a net investment of £223.7 million and appreciation of investments during the period.

Portfolio	Overall target allocation %	Closing levels %	Under/overweight % +/-	Closing market value £m	Net investment £m
UK equities	8.0	8.3	0.3	1,182	118.4
Global equities	10.0	12.0	2.0	1,706	11.9
Overseas equities	30.0	35.4	5.4	5,031	521.0
North America	7.5	9.4	1.9	1,332	146.9
Continental Europe	7.5	8.6	1.1	1,216	148.0
Pacific ex Japan	3.75	4.8	1.1	686	93.9
Japan	3.75	4.4	0.7	628	92.2
Emerging markets	7.5	8.2	0.7	1,169	40.0
Private equity	10.0	9.5	-0.5	1,345	(222.9)
Total equities	58.0	65.2	7.2	9,264	428.4
Stabilising	9.0	9.3	0.3	1,324	(213.1)
UK gilts	5.0	1.2	-3.8	166	-
Index-linked gilts	2.0	5.4	3.4	769	-
Cash	2.0	2.7	0.7	389	(213.1)
Cashflow matching	3.0	2.5	-0.5	352	(41.9)
Return seeking	7.0	7.4	0.4	1,054	(15.1)
Specialist fixed interest	2.0	2.0	0.0	286	(15.1)
Corporate bonds	2.5	2.7	0.2	389	-
Emerging market debt	2.5	2.7	0.2	379	-
Total fixed interest	19.0	19.2	0.2	2,730	(270.1)
Property	10.0	7.6	-2.4	1,080	70.3
Absolute return	7.0	5.1	-1.9	728	19.6
Real assets & infrastructure	6.0	2.9	-3.1	410	(24.5)
Total alternatives	23.0	15.6	-7.4	2,218	65.4
Total	100.0	100.0	0.0	14,212	223.7

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

The investment strategy allocation is determined in accordance with the regulations (LGPS - Management and Investment of Funds - Regulations 2016) and its formulation is set out in the Fund's *Statement of Investment Principles*. The upper limit on investments in Partnerships was lifted during the year, but the fund remained within the previous limits. Going forward, the *Statement of Investment Principles* has been replaced with the *Investment Strategy Statement* with a new investment strategy allocation with minor changes to the strategic risk bands.

The most significant asset allocation changes made during the year were an increase in the allocation to quoted index equities with a net investment of £599.4 million made, which included a £201.7 million investment in the US Dividend Aristocrats fund.

£222.9 million was realised in distributions from the private equity portfolio. A further £24.5 million was raised from the real assets and infrastructure portfolio.

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY

During the market weakness around the US presidential election in November 2016, £380 million was allocated to developed equity markets. An investment was also made in the Dividend Aristocrats fund for £200 million in July 2016. The case study below provides further information about this new fund.

FACTOR-BASED INVESTING CASE STUDY

Factor-based investing is investing in equities which share a common factor which is attractive to the investor, for example, dividend growth which shares income attributes with limited downside protection. These portfolios can improve the risk-adjusted return of the asset allocation within equities and the whole Fund. The portfolios can be implemented relatively cheaply and efficiently by selecting the factor the investor wants and screening the universe for the companies with the highest exposure to the factor. The identified companies are then weighted in a way to ensure that other factors do not dilute the chosen factor. The factor-based portfolio is then implemented and managed in much the same way as an index portfolio. The screening and implementation of portfolios can be done internally or externally at relatively low cost but still seeking outperformance with analysis of the correct factor to be targeting.

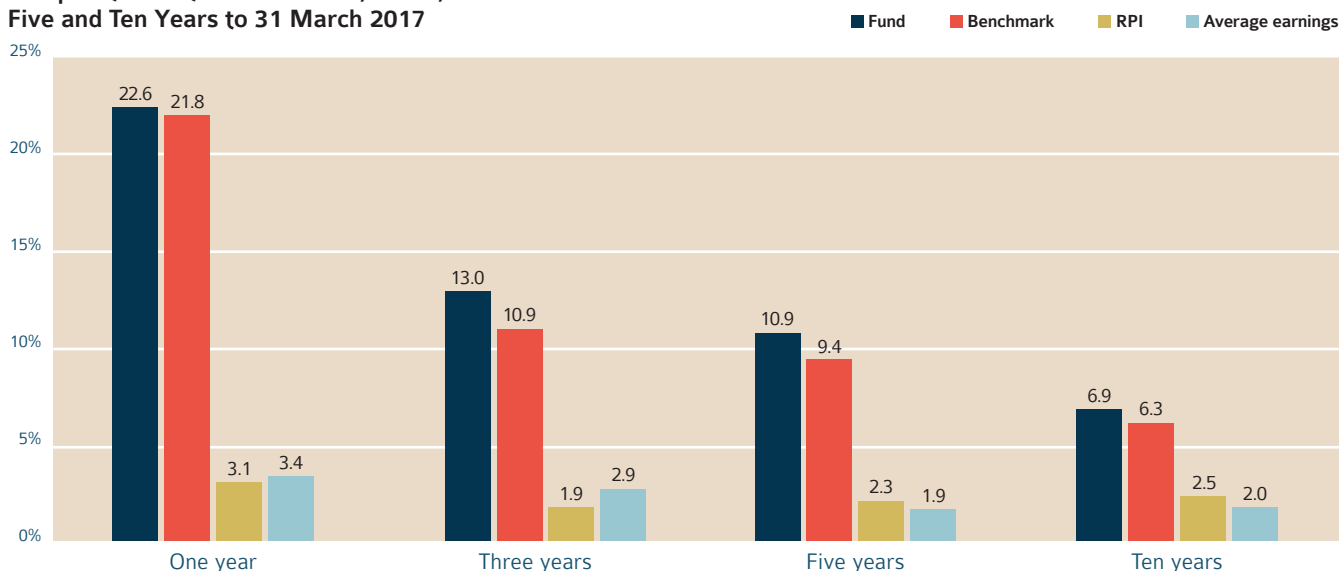
In the summer of 2016, a new portfolio was formed called the Dividend Aristocrats fund which invests in US companies with attractive dividend growth-seeking enhanced income and limited downside protection for the Fund relative to the equity portfolio. The screening and index work was done by the S&P company and implementation has been done by the in-house index management team.

Underlying the changes made remains a desire stated in the Fund's investment beliefs for simpler, lower cost and more cost-effective investment management arrangements, continuing the progress made in previous years.

RETURNS TO 31 MARCH 2017

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 2017



In the year to 31 March 2017, the Fund delivered a return of 22.6%, 0.8% ahead of its bespoke benchmark of 21.8%. The key contributors to the outperformance were positive asset allocation (being overweight equities) and positive absolute return and real assets and infrastructure performance versus their benchmarks. Private equity and quoted equities underperformed their benchmarks during 2016/17; however, there continued to be strong outperformance over the long term.

A return of 13.0% per annum was achieved by the Fund in the three years to 31 March 2017, ahead of the bespoke benchmark return of 10.9%. Strong performances from private equity and alternative investments were the key contributors over this time period.

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

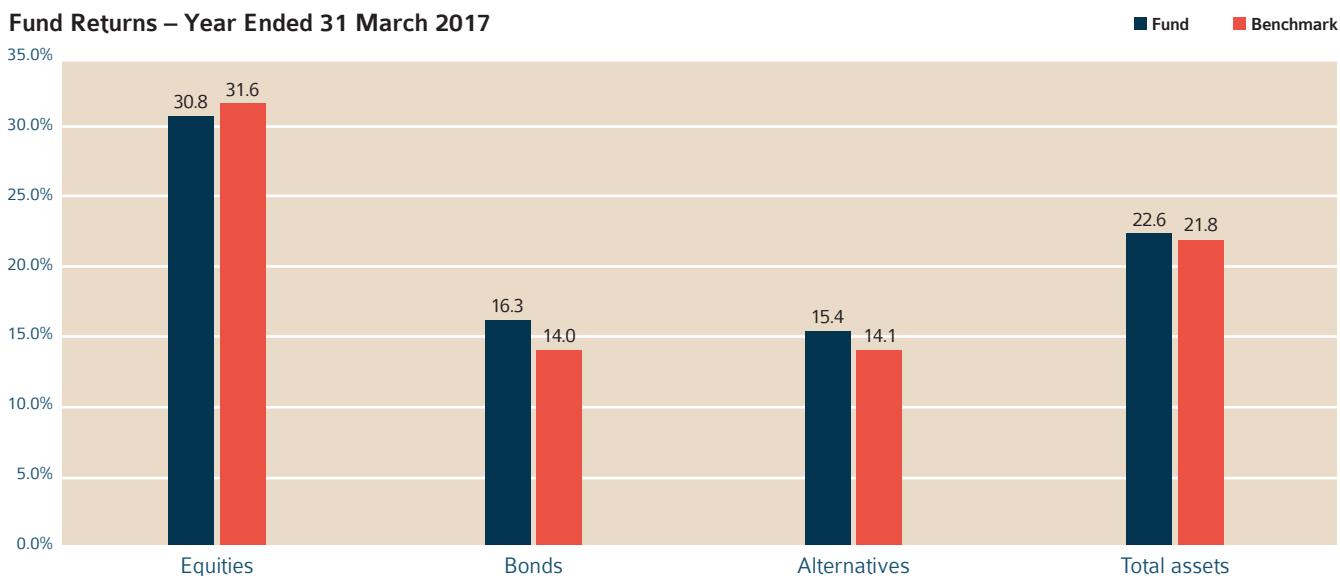
INVESTMENT STRATEGY

A return of 10.9% per annum was achieved by the Fund in the five years to 31 March 2017, ahead of the bespoke benchmark return of 9.4%. Good performances from private equity and alternative investments were the key contributors over this time period.

The Fund's ten-year return of 6.9% per annum was usefully ahead of the benchmark return of 6.3% 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 2017 and compares them to the returns from its bespoke benchmark.

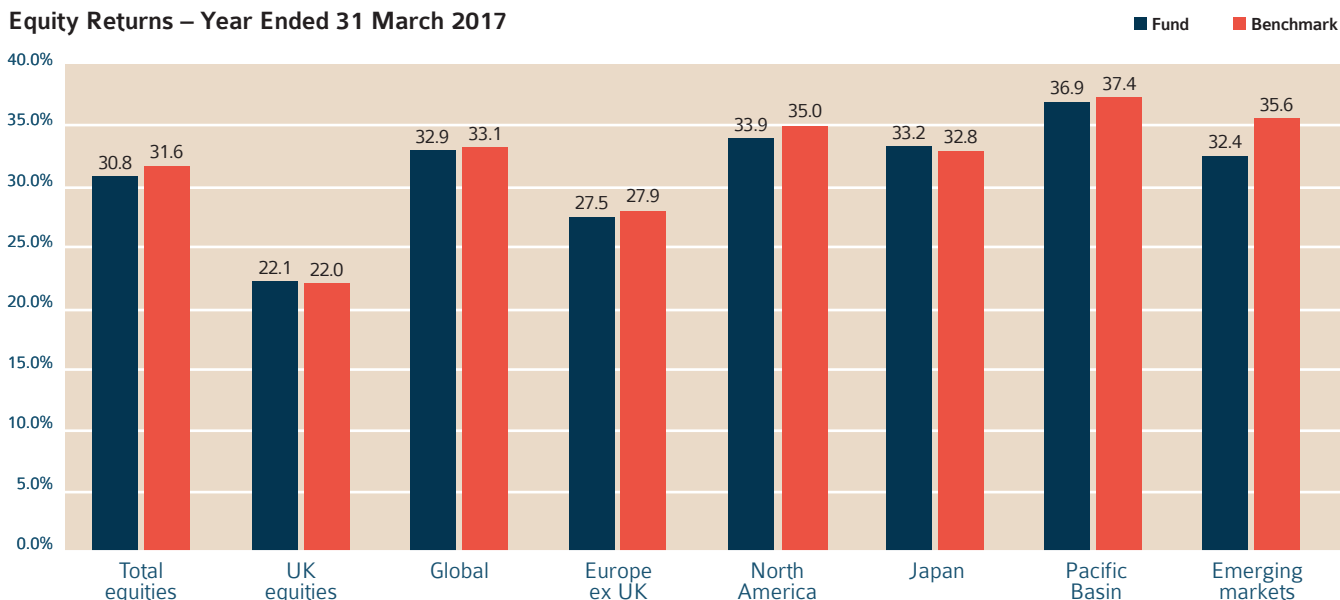
Fund Returns – Year Ended 31 March 2017



The Fund outperformed the strategic investment allocation benchmark by 0.4% over the 12 months led by favourable strategic asset allocation and assisted by the weak performance of sterling.

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

Equity Returns – Year Ended 31 March 2017



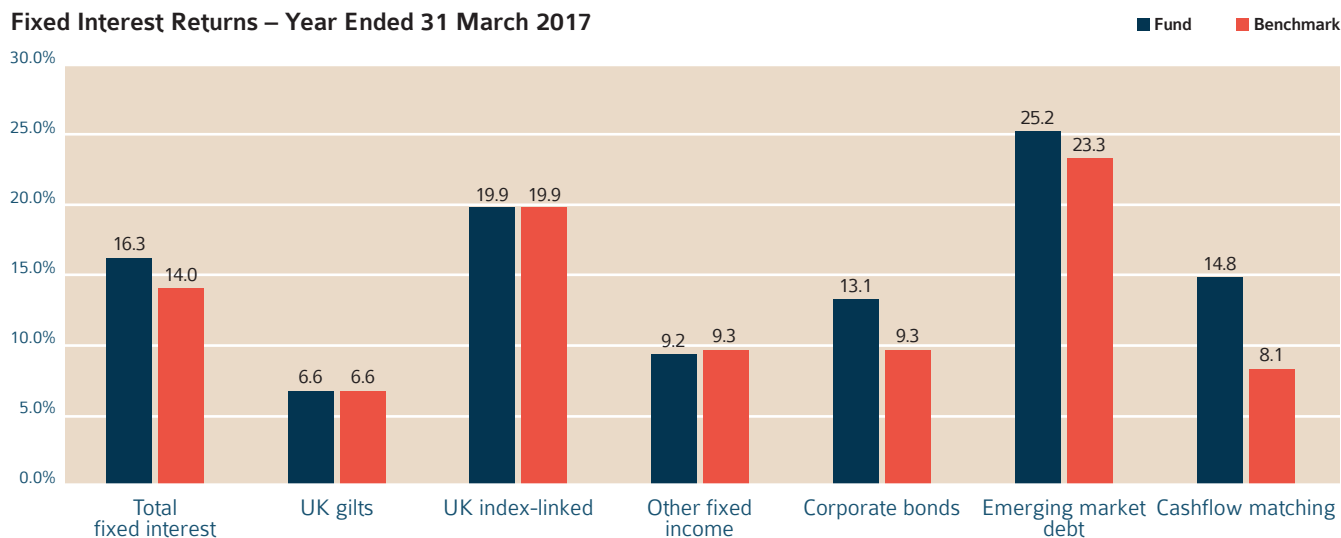
INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY

All stock markets in the world's regions posted positive returns in 2016/17, benefitting from the weakness of sterling. Relative returns achieved by the fund were similar to the benchmark in developed regional markets (reflecting the passive index tracking arrangements in place). There was some relative underperformance in emerging markets and in global equities. The total return from quoted equities was slightly behind the benchmark in the year.

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

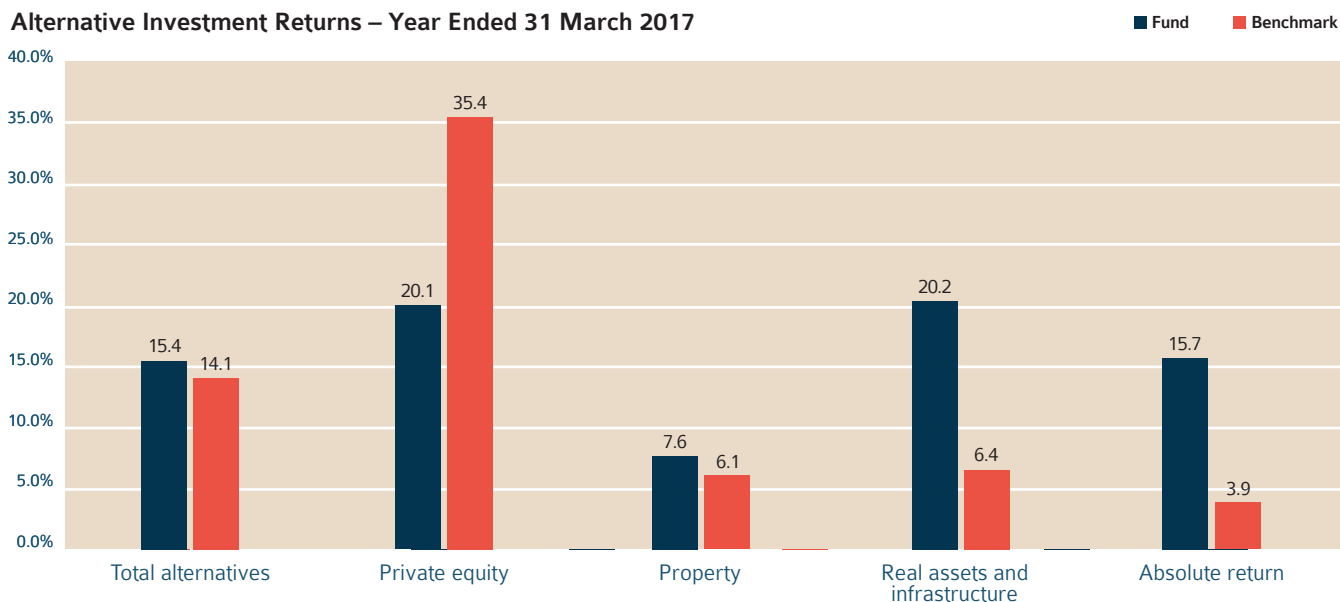
Fixed Interest Returns – Year Ended 31 March 2017



Fixed interest markets achieved small positive returns in 2016/17, with the Fund's stabilising portfolio marginally underperforming and the risk-seeking portfolio outperforming.

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

Alternative Investment Returns – Year Ended 31 March 2017



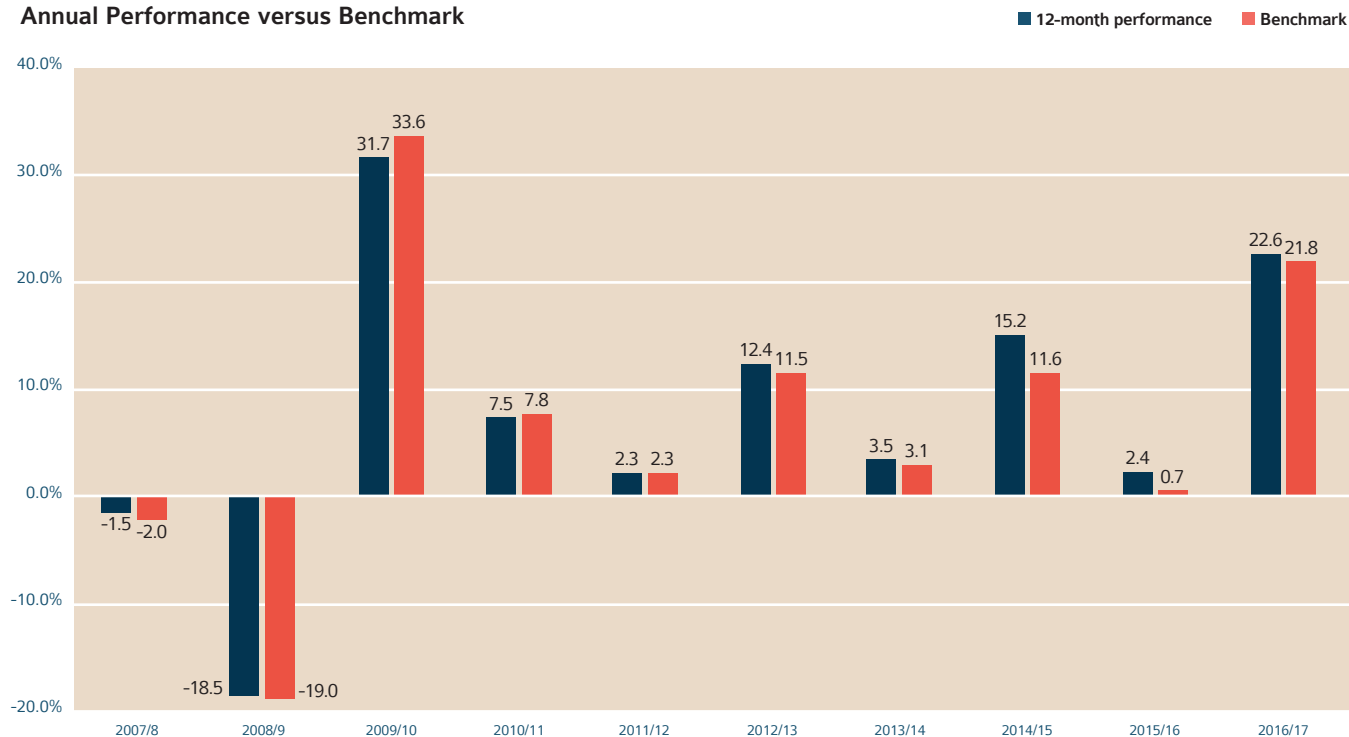
The alternative investments portfolio posted strong returns in the year again, assisted by sterling weakness, and was the key positive contributor to the Fund's overall outperformance. The property, infrastructure and target return portfolios all outperformed their benchmarks but the private equity portfolio underperformed this year after a long period of outperformance in the previous ten years.

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT STRATEGY

Annual Performance versus Benchmark



JASON FLETCHER

Chief Investment Officer

Date: May 2017

INVESTMENT POLICY AND PERFORMANCE

TOP TWENTY EQUITY HOLDINGS

	Market value (£)
1 Samsung Electronics	90,842,428
2 HSBC	66,652,160
3 Nestlé	59,263,467
4 Apple	53,426,007
5 British American Tobacco	52,378,937
6 GlaxoSmithKline	51,905,874
7 Tencent	47,695,241
8 AIA	46,959,449
9 Royal Dutch Shell 'A'	46,520,100
10 BP	44,542,493
11 Roche	44,392,566
12 Royal Dutch Shell 'B'	42,488,525
13 Taiwan Semiconductor	39,552,415
14 Diageo	39,216,007
15 Novartis	34,751,318
16 Prudential	34,694,150
17 Lloyds Banking Group	34,497,884
18 Reckitt Benckiser	33,878,224
19 Commonwealth Bank of Australia	31,952,292
20 Bayer	31,899,928

TOP TWENTY INDIRECT HOLDINGS

	Market value (£)
1 Legal & General All Stocks Index-Linked Gilts Fund	867,039,554
2 BlackRock Aquila Life World ex-UK Equity Index	590,978,137
3 Capital Group Emerging Markets Debt Fund	378,992,092
4 Schroder All Maturities Corporate Bond Fund	310,640,160
5 CATCo Diversified Fund	198,425,986
6 Legal & General All Stocks Gilts Index Fund	165,728,909
7 Credit Suisse IRIS Balanced Fund	125,990,087
8 Pictet Dynamic Asset Allocation Fund	110,940,212
9 Legal & General Overseas Bond Fund	98,275,671
10 Capital Dynamics Asia	90,292,301
11 CF Ruffer Total Return Fund	89,982,531
12 Menlo Ventures XI	77,985,556
13 Legal & General Investment Grade Corporate Bond All Stocks Index Fund	77,785,203
14 Kames UK Active Value Unit Trust	60,133,503
15 Baillie Gifford Diversified Growth Fund	59,058,470
16 Advent Global Phoenix Convertible Fund	58,419,239
17 Coriolis Horizon Fund	55,143,657
18 Highbridge Specialty Loan Fund III	54,631,419
19 Jupiter Global Convertibles Fund	52,316,201
20 Newton Global Dynamic Bond Fund	52,290,503

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 1 – INTRODUCTION

Q&A WITH CHIEF INVESTMENT OFFICER, JASON FLETCHER

Q: Jason, you joined the Fund part-way through the 2016/17 financial year. What's changed in terms of responsible investment (RI) since you arrived?

When I joined the Fund in September 2016, there was already a robust RI framework in place but we have taken steps to move this forward in line with strengthened guidance from government (Department of Communities and Local Government) and regulators (The Pensions Regulator). RI was a key part of the investment function at USS (my previous employer), so I've seen the advantages of, for example, good stewardship practices first hand. As fiduciaries, it's important that we maintain the close bond between RI and investment outcomes, and that has been codified in our *Investment Beliefs* and our *Investment Strategy Statement*. At the Fund, RI will be fully integrated and will support all asset classes, and this effort has been helped by the appointment of a new RI Officer in November 2016.

Q: What do you mean by the 'integration' of RI and can you provide some examples?

It means different things for different types of investments – different asset classes, whether the money is managed in-house or externally, and so on. For private equity and infrastructure investing, for example, RI is a key part of the due diligence we perform before allocation to a new fund, asset or project. For externally managed equity or debt portfolios, we consider RI through a selection, appointment and monitoring ('SAM') procedure. For our internally managed listed equity funds, RI is considered in the investment case and, following a buy decision, through research, dialogue, engagement and voting at AGMs. Our RI approach for each asset class has been written into mandates and investment process documentation because we don't want RI to be a separate or stand-alone feature.



Q: As and when the Fund transitions into LGPS Central, how will the RI approach evolve?

LGPS Central published an *RI Framework* as part of its pooling submission to the government, taking the Fund's framework as a basis. So on day one, not a huge amount will change from the Fund's existing approach. The Pool's RI framework maintains the preference for engagement for positive change over broad divestment or ethical exclusions, and there is at present a recognition that shareholder voting should be done on a consistent basis across the collective investment vehicle. The Fund was recently upgraded to Tier 1 status for its compliance with the UK Stewardship Code, and the Pool is expected to retain a reputation for best practice, in line with regulatory updates and the needs of its eight clients.

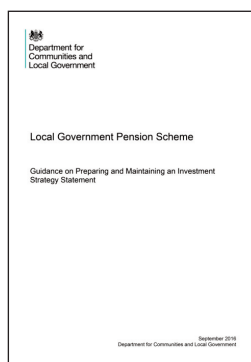
INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 2 – BELIEFS AND STRATEGY

Updated Regulation and Guidance

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016¹ mandated each administering authority to formulate an *Investment Strategy Statement (ISS)*, according to six guiding principles. Two of these principles address RI issues: the consideration of RI issues in investment decision-making and the approach to investment stewardship. In September 2016, the Department for Communities and Local Government (DCLG) issued guidance for drafting and maintaining an ISS², and this guidance strengthened the RI requirements for local authority pension funds. Funds are required to consider financially material environmental social and governance (ESG) investment factors, and should explain their approach to stewardship with reference to the UK Stewardship Code. Where the 2009 Regulations allowed each administering authority to decide whether to have a policy on the exercising of voting rights, the 2016 Regulations now make this mandatory.



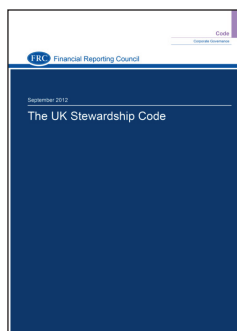
Investment Beliefs

In March 2017 the Pensions Committee approved the Fund's ISS and an updated version of the Fund's investment beliefs³, including RI beliefs (Figure 1). The Fund continues to hold that certain 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* statement⁴. 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 Framework⁵ and in section 4 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.



UK Stewardship Code

The Fund signed the UK Stewardship Code ('the Code') in 2010 and continues to use the seven principles of the Code to guide the approach to stewardship, notably engagement and voting. Whilst the Code takes a 'comply or explain' model, the Fund complies fully with each of the principles. In December 2016 the Fund updated its *UK Stewardship Code Compliance Statement*⁶, and was subsequently upgraded by the Financial Reporting Council (FRC) to Tier 1 status, which is the best rating.

From April 2018, the Fund will pool its investments with seven regional peers through a multi-asset investment pool named LGPS Central. LGPS Central is expected to sign the Code and will aim to have a Tier 1 compliance statement at the point of commencing operation.

¹ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf please refer to Regulation 7 (2) (a)-(f)

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/553342/LGPS_Guidance_on_Preparing_and_Maintaining_an_Investment_Strategy_Statement.pdf

³ <http://www.wmpfonline.com/CHttpHandler.ashx?id=12344&p=0> please see Appendix C

⁴ <http://www.fiduciaryduty21.org/>

⁵ <http://www.wmpfonline.com/CHttpHandler.ashx?id=7181&p=0>

⁶ <http://www.wmpfonline.com/CHttpHandler.ashx?id=12346&p=0>

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 2 – BELIEFS AND STRATEGY

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. The Fund's strategy is implemented by the RI Officer together with the CIO and investment officers at each desk. Oversight sits with the Pensions Committee.

During the period in review, the CIO led a review of the mandates and investment process documentation in place at the Fund, with RI being written into the investment decision-making process. This has been done in a manner tailored to the investment objectives, style and asset class of the investment in question and reflects the Fund's investment beliefs (see above).

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. Since January 2017 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 website⁷. This year the Fund is detailing its approach to managing climate risk using the framework recommended by the Taskforce on Climate-related Financial Disclosures (TCFD) (c.f. section 4, below). The implementation of the RI Framework was reviewed by Internal Audit during the year in review.

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			✓	✓	✓		✓
Corporate fixed income	External					✓		✓
Sovereign debt	External					✓		✓
Private equity	External funds/ Co-inv						✓	✓
Property & infrastructure	Direct/ External					✓	✓	✓

*"SAM" refers to the selection, appointment and monitoring of external fund managers

⁷ <http://www.wmpfonline.com/article/5693/Voting-Globally>

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 3a – 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 observable.

IN-HOUSE ACTIVE EQUITY

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.

IN BRIEF

- Focussed engagement with four stocks: Tesco, Sports Direct, Rio Tinto and Centrica
- Co-filed resolution at Rio Tinto AGM
- Voted 100% of eligible shares, supporting two-thirds of the proposals

IN-HOUSE PASSIVE EQUITY

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. The Fund manages approximately £4.5bn 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.

IN BRIEF

- Engaged 232 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
- Responded to consultations: eg, Taskforce on Climate-related Financial Disclosures (direct & via TPI and IIGCC); BEIS Green Paper on Corporate Governance reform (via PLSA and LAPFF)

EXTERNALLY MANAGED EQUITIES AND FIXED INCOME

The Fund operates a Selection-Appointment-Monitoring (SAM) framework based on guidance from the PRI, and 100% of our externally managed equity managers were monitored during the year in review. For the second 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. Four bond managers were monitored during the year in review.

IN BRIEF

- Six out of six equity managers monitored for RI
- Voted 100% of the shares in segregated funds
- RI improvements against internal rating mechanism in two active managers
- Following request from the Fund, one manager joined the PRI in September 2016: all six equity managers are now signatories
- Four fixed income managers monitored
- Focussed engagement with fund managers on their approach to voting on climate change proposals

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 3a – OUTCOMES

PRIVATE EQUITY, PROPERTY AND INFRASTRUCTURE

The Fund contributed to the PRI's Responsible Investment Due Diligence Questionnaire for Limited Partners⁸ and this is used as part of the RI assessment for new investment proposals (IP) for private equity funds, direct and indirect property and infrastructure. RI is a core component of the Fund's due diligence procedure and it feeds into the overall IP rating alongside more traditional considerations. The Fund's RI Officer is part of a PRI working group seeking to establish best practice guidelines for monitoring private equity managers.

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: PRIVATE EQUITY DUE DILIGENCE

- The Fund identified a new investment opportunity with an existing private equity manager in 2016Q4
- Before allocation, the RI Officer met the GP and reviewed the RI strategy
- Fund is tech and software-focussed, relatively ESG low-risk
- Strategies in place for key risks, eg, cyber security
- GP raises the investment value of newly acquired companies by raising their governance standards as they build towards exit



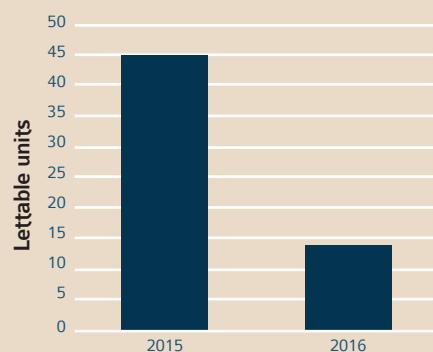
IMPAX NEW ENERGY FUND II (NEF II)

- The Fund committed €40m to this fund, which closed in 2011
- To date NEF II has invested in 15 renewable energy assets (wind and solar PV) across six EU countries
- Levelised cost of renewable energy is decreasing while renewables' share of European capacity is forecast to increase
- Renewable energy displaces carbon-heavy power generation. NEF II saves 349,000 tonnes of CO2 equivalent per year.

PROPERTY: MINIMUM ENERGY EFFICIENCY STANDARDS (MEES)

- In 2016 we reported on an EPC risk mitigation project (jointly undertaken with CBRE), targeting a 'D' (good) rating for Hammer House in London
- Owing to long-run tenancies, broad refurbishments are not straightforwardly achievable. However, in Hammer House, the entrance hall, common parts and two out of seven floors have been refurbished to D standard to date
- Portfolio-wide, at Dec-16, 14 out of 300 lettable units were below D standard (2015: 45), a significant annual improvement
- 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

Number of High-Risk Units 2015/16



⁸ <https://www.unpri.org/news/pri-launches-private-equity-due-diligence-questionnaire>

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 3b – VOTING

Annual Voting Summary

During the financial year ending 31 March 2017, the Fund voted at 2,614 (2016: 2,515) shareholder meetings, on 33,289 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 33% of all resolutions (2016: 34%), of which 27% were cast as 'oppose' and 6% were cast as 'abstain'. The Fund supported management on all resolutions at 52 meetings (2% of the total meetings voted), of which 51 were based in the UK. A breakdown of the Fund's voting behaviour for these meetings across markets and issues is provided graphically below. From January 2017, 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 44% 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 10% 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 21%. 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.)

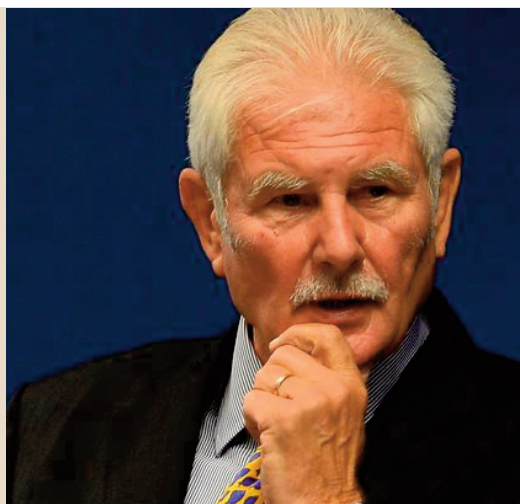
In November 2016 the Department for Business, Energy & Industrial Strategy (BEIS) issued a Green Paper for consultation on corporate governance reform, including executive pay. Through partner organisations, the Fund fed back to this consultation and the reforms BEIS takes forward could inform the Fund's next review of its voting policies.

PRI Vote Declaration System

The Fund has disclosed support for a number of shareholder proposals through the PRI's Vote Declaration System. Supported votes cover issues such as climate change, lobbying disclosure, proxy access and governance. Support is determined on a case-by-case basis.

CASE STUDY: SPORTS DIRECT AND THE CONNECTION BETWEEN VOTING AND ENGAGEMENT

- Shareholders concerned over management practices and financial performance
- 2016 AGM: the Fund supports a resolution to commission an independent review of the company's human capital management strategy and votes against Chair Keith Hellawell (*right*)
- Followed up with an engagement through LAPFF
- The company moves to backpay workers, abolish six-strikes policy and reduce use of zero-hours contracts and agency staff
- 2017 EGM: Under UK-listing rules, Dr Hellawell's re-election requires an EGM because a majority of independent shareholder opposed him at the AGM. The Fund votes to oppose, but CEO Mike Ashley's 55% stake in the company secured the re-election.
- Engagement through LAPFF continues
- Sports Direct announces an employee representative will sit on the board



OUR YEAR

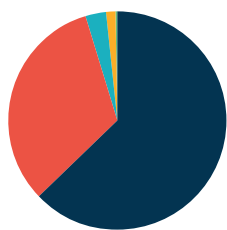
INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 3b – VOTING

Total

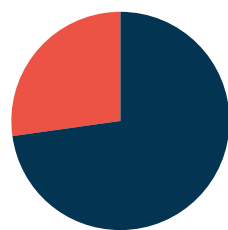
We voted at 2,614 meetings (33,289 resolutions) over the year.



• Total resolutions voted in favour	62.8%
• Resolutions where voted against or abstained	32.7%
• Non-voting	2.9%
• Withheld	1.5%
• US Say on Pay	0.1%

UK & British Overseas

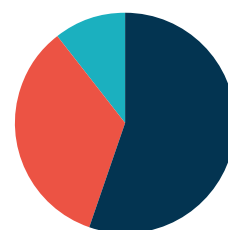
We voted at 403 meetings (6,356 resolutions) over the year.



• Total resolutions voted in favour	72.9%
• Resolutions where voted against or abstained	27.1%

Europe ex-UK

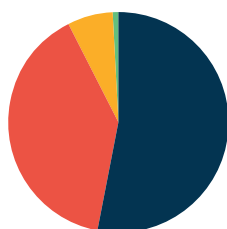
We voted at 510 meetings (8,715 resolutions) over the year.



• Total resolutions voted in favour	55.6%
• Resolutions where voted against or abstained	34.1%
• Non-voting	10.3%

USA & Canada

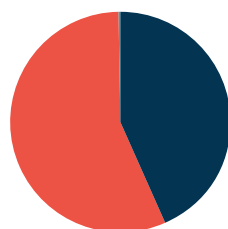
We voted at 613 meetings (7,460 resolutions) over the year.



• Total resolutions voted in favour	53.2%
• Resolutions where voted against or abstained	39.4%
• Withheld	6.8%
• US Say on Pay	0.6%

Asia ex-Japan

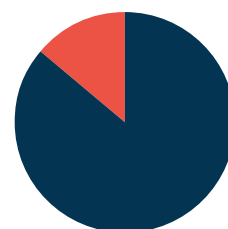
We voted at 386 meetings (2,815 resolutions) over the year.



• Total resolutions voted in favour	43.4%
• Resolutions where voted against or abstained	56.4%
• Non-voting	0.2%

Japan

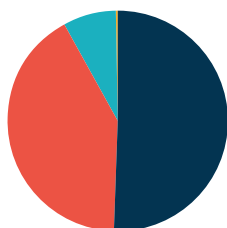
We voted at 492 meetings (6,366 resolutions) over the year.



• Total resolutions voted in favour	86.4%
• Resolutions where voted against or abstained	13.6%

Australia/New Zealand/South Africa

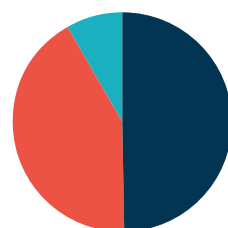
We voted at 118 meetings (755 resolutions) over the year.



• Total resolutions voted in favour	50.6%
• Resolutions where voted against or abstained	41.6%
• Non-voting	7.7%
• Withdrawn	0.1%

South America

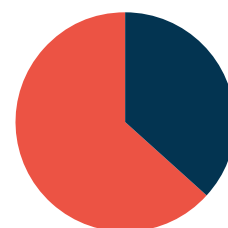
We voted at 42 meetings (222 resolutions) over the year.



• Total resolutions voted in favour	49.9%
• Resolutions where voted against or abstained	42.0%
• Non-voting	8.1%

Rest of the World

We voted at 50 meetings (600 resolutions) over the year.



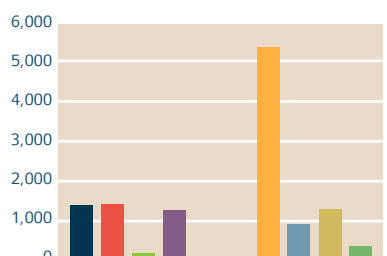
• Total resolutions voted in favour	36.8%
• Resolutions where voted against or abstained	63.2%

INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

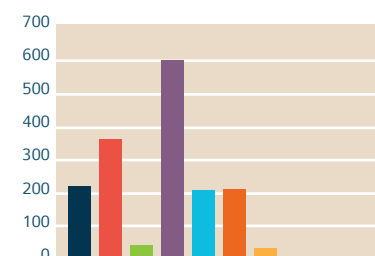
SECTION 3b – VOTING

Total



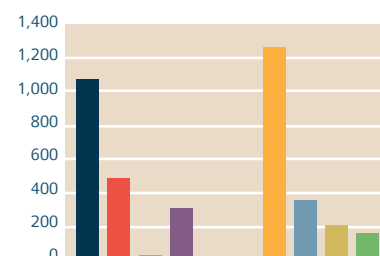
• Other	11.3%
• Annual report	11.5%
• Articles of association	1.5%
• Auditors	10.3%
• Corporate actions	0.2%
• Corporate donations	0.6%
• Directors	43.9%
• Share capital	7.4%
• Remuneration	10.4%
• Shareholder resolution	2.9%

UK



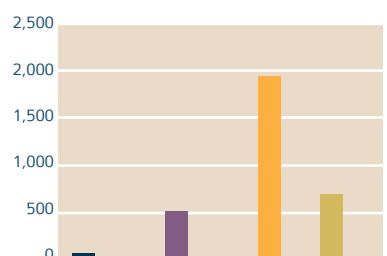
• Annual report	12.9%
• Remuneration	21.3%
• Other	2.6%
• Directors	35.3%
• Auditors	12.4%
• Share capital	12.5%
• Corporate donations	2.1%
• Articles of association	0.6%
• Corporate actions	0.2%
• Shareholder resolution	0.1%

Europe ex-UK



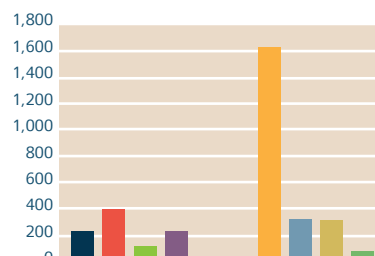
• Other	27.5%
• Annual report	12.5%
• Articles of association	0.9%
• Auditors	7.9%
• Corporate actions	0.1%
• Corporate donations	0.1%
• Directors	32.2%
• Share capital	9.1%
• Remuneration	5.4%
• Shareholder resolution	4.3%

USA and Canada



• Other	2.5%
• Annual report	0.3%
• Articles of association	0.8%
• Auditors	16.0%
• Corporate actions	0.2%
• Directors	58.5%
• Share capital	0.4%
• Remuneration	21.3%

Rest of the World



• Other	6.6%
• Annual report	11.7%
• Articles of association	3.4%
• Auditors	6.8%
• Corporate actions	0.5%
• Corporate donations	0.8%
• Directors	49.1%
• Share capital	9.7%
• Remuneration	9.3%
• Shareholder resolution	2.1%

OUR YEAR

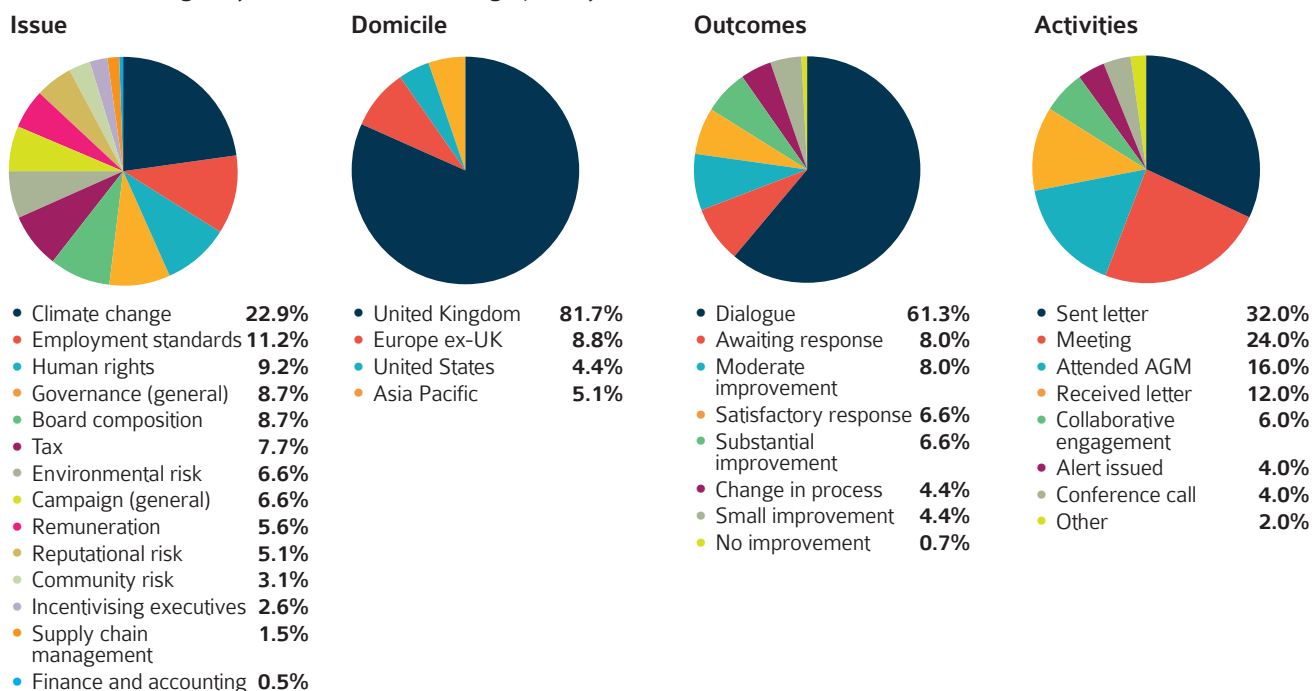
INVESTMENT POLICY AND PERFORMANCE

RESPONSIBLE INVESTMENT

SECTION 3c – ENGAGEMENT SUMMARY

LAPFF Engagement Summary

The Fund is an active member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Strategic 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.



Engagement Outside of LAPFF

During the year in review the Fund was a participant in two thematic engagements coordinated via the Principles for Responsible Investment (PRI). One engagement concerned water risks in agricultural supply chains and the other concerned human rights risks in extractives companies. A number of companies were engaged as part of each theme. The Fund also engaged with several investee companies either directly or with smaller groups of like-minded investors, where the engagement themes included corporate governance and human rights. Ahead of the climate change shareholder proposals at Occidental Petroleum and ExxonMobil, the Fund took part in a focussed engagement with large global fund managers on their approach to voting on climate change issues, leading ultimately to the success of the proposals.

CASE STUDY: RIO TINTO (RIO)

- Shareholders identify concerns over climate risk and human rights risk management
- 2016: the Fund files shareholder proposal requesting report on strategic climate resilience
- Followed up with continued engagement via LAPFF
- Five of seven members of the RIO Executive Committee (EC) depart, as does CEO Sam Walsh
- RIO appoints executives for Human Resources and Health, Safety & Environment to the EC
- 2017: Climate risk report issued with webinar and investor Q&A. RIO has used carbon pricing to guide investment decisions since 1998 and supports Paris Agreement on climate change. Carbon prices used are not disclosed and the scenario analysis detail is high level.
- The Fund will re-assess following the 2017 AGM



INVESTMENT POLICY AND PERFORMANCE

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SECTION 4 – CLIMATE RISK AND TCFD

In December 2016 the Taskforce on Climate-related Financial Disclosures (TCFD) released its recommendations report for public consultation. In its response to the consultation, WMPF welcomed the proposed four pillar framework for disclosing an organisation's approach to managing climate risk. Although at the time of writing the TCFD is yet to release its final recommendations on climate risk disclosure, the Fund has chosen to use the current framework to disclose its approach to climate risk management in this year's annual report. The following information should be read alongside climate-related disclosures reported in sections 1-3 above.

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 monitored on an ongoing basis, with reporting at Pensions Committee meetings on a quarterly basis. Committee members receive regular training and updates on the Fund's climate change strategy and review the climate change strategy once a year, as part of the RI Framework review.

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 Responsible Investment Officer (RIO), with oversight from the Head of Portfolios, the CIO, the Director of Pensions and the Strategic Director of Pensions. The strategy is enabled through joint coordination between the RIO and portfolio managers. Where the strategy involves partner organisations such as the PRI, IIGCC, TPI and LAPFF, the RIO is responsible for managing relationships and reporting on a periodic basis. An RI report, including climate-related issues, is provided monthly to the Investment Management Team.

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. For example, the Fund monitors EPC certification in its property portfolios, conscious that MEES regulation is due in April 2018. On the listed equity side, the Fund has filed resolutions and voted to support the disclosure by energy companies on climate resilience to 2035. 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 potential impact of different scenarios, including a 2°C scenario, on the organisation's businesses, strategy, and financial planning.

The Fund has compared several of its portfolios against a 2 degrees benchmark, using the 2 Degrees Investing Initiative's benchmark construction and reporting service. 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.

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SECTION 4 – CLIMATE RISK AND TCFD

RISK MANAGEMENT

Recommended Disclosure (a)
for identifying and assessing climate-related risks.

The way in which climate-related risks are identified and assessed varies between asset classes. For example, in active equity investment climate risks are assessed alongside other investment factors as appropriate to the investment thesis. By contrast, in private equity and infrastructure investments climate risks are assessed as part of the due diligence process. 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. The Fund makes extensive use of, and contributes to, the climate change work undertaken by strategic partners, including the PRI, IIGCC, LAPFF and the Transition Pathway Initiative (TPI). Launched in January 2017, the TPI is a free-to-use toolkit to assess the climate change preparedness of high impact companies. WMPF was a founder partner of this initiative and the RI Officer is a member of the TPI's Technical Advisory Group.

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. 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. At a more granular level, the Fund's RI expectations have been inserted into investment mandates and process documents, and climate-related risks are identified assessed and managed in a way best suited to the asset class and investment context in question (see above for details).

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 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.

The Fund has not historically undertaken portfolio carbon footprints, though it is noted that other 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 but notes 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. As an exercise, the Fund estimated the carbon footprint of its in-house global active equity fund. Using Bloomberg data, the footprint is 208 tCO₂e/£ invested, which is 7% better than the benchmark (FTSE All World). This 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, but this is subject to review.

INVESTMENT POLICY AND PERFORMANCE

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SECTION 5 – THE YEAR AHEAD

Key Items for 2017/18

April

The voting season begins, with the Fund voting all its eligible shares. Declarations of voting intentions for certain shareholder proposals are disclosed through the PRI's Vote Declaration System. All the Fund's votes are disclosed on a vote-by-vote basis.

June

Review of RI Framework. Thematic focus areas for engagement in 2017H2 to include cyber security and corporate governance reform.

August

Where the Fund has voted to oppose company proposals at the AGM, the Fund will write to the company explaining its decision. The Fund will request follow up meetings for issues considered to be of particular significance.

October

Review of the Fund's voting policies for UK and overseas markets. The Fund's UK approach could be informed by UK corporate governance reform.

December

Annual LAPFF conference in Bournemouth, UK.

May

The Fund attends the AGMs of particular focus companies, raising issues of concern.

July

Expected update from the Taskforce on Climate-related Financial Disclosures.

September

Additional sectors covered in the TPI toolkit. This will inform the Fund's engagement priorities.

January 2018

Establish thematic and company-specific engagement priorities for 2018.

April 2018

Funds will be transferred over time to LGPS Central. Day-to-day management of RI will pass to LGPS Central, though responsibility for RI remains with the Fund. LGPS Central has an RI Framework in place⁹, having used the Fund's framework as a basis.

⁹ Please refer to Annex B4 (c)(vi) of LGPS Central's Pooling Submission, available at <http://www.lgpsboard.org/images/PDF/15thJuly2016/Central.pdf>

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SECTION 5 – PARTNERSHIPS

PENSIONS AND LIFETIME SAVINGS ASSOCIATION

Pensions and Lifetime Savings Association

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



Institutional Investors Group on Climate Change

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.

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2017

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 & Infrastructure

- Alterna Core Capital Asset Fund
- AMP Capital Asian Giants Infrastructure Fund
- Aqua Resources Fund
- Black River Agriculture Fund 2
- Blackstone Cleantech Ventures
- EISER Infrastructure Capital Equity Partners
- EQT Infrastructure Fund
- First Reserve Energy Infrastructure Fund
- Global Infrastructure Partners
- Goldman Sachs International Infrastructure Fund
- Hg Renewable Power Partners
- Impax Energy
- Impax New Energy Fund II
- Infracapital Partners
- Innisfree PFI Secondaries
- Insight Global Farmland Fund
- John Laing Group
- JP Morgan Asian Infrastructure & Related Resources Opportunity Fund
- Khosla Ventures
- PIP Dalmore
- PIP Multi Strategy Infrastructure
- 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
- CATco
- CF Ruffer Total Return Fund
- Coriolis Horizon Fund Class B
- 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
- Oak Hill Advisors Strategic Credit Fund
- Oaktree Principal Fund V
- Pictet Dynamic Asset Allocation Fund
- Sciens Aviation Special Opportunities Offshore Fund
- Sciens Aviation Special Opportunities Offshore Fund II

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INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2017

Emerging Markets

- Capital International Emerging Market Debt Fund

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
- High Street Equity Advisors Fund III
- Igloo Regeneration Partnership
- Kames Capital Property Unit Trust
- Mansford UK Feeder A
- Morgan Stanley AIP Phoenix Fund
- North Haven Real Estate Fund VII
- Phoenix Asia IV Limited
- Phoenix Asia V Ltd
- Pramerica PLA Residential III
- Rockspring Pan European Property Ltd (PEPL)
- 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 A13
- GS Mezzanine Partners V, L.P.
- Highbridge Mezzanine Fund
- Highbridge Speciality Loan Fund III
- Jupiter Convertibles
- Legal & General Gilts
- Legal & General Index Linked Gilts
- Legal & General Invst Grade Cp Bnd Fund
- Legal & General Overseas Bonds
- Newton Global Dynamic Fund
- Park Square Cap Ptnrs II
- Prudential/M&G UK Companies Financing Fund
- Royal London Asset Management
- Schroder Corporate Bond Fund

The Fund also has funds on a segregated basis with the following managers:

- AGF International Advisors - Global Emerging Market Equities
- BMO Global Asset Management - Global Emerging Market Equities
- MFS Investment Management - Global Equities
- Mondrian Investment Partners - Global Emerging Market Equities
- Royal London Asset Management

4) Private Equity

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

INVESTMENT POLICY AND PERFORMANCE

ASSETS HELD AS AT 31 MARCH 2017

5) Properties

Property - Agricultural

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

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 Business
- Basingstoke (West Ham Industrial Estate)

Property - Offices

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

Property - Retail Warehouses

- Pontefract (Racecourse Retail Park)
- Hayes (Uxbridge Road Retail Park)
- Birmingham (The Fort)
- Oxford (Botley Retail Park)
- Clifton Moor
- Bristol (Longwell Green)
- London (Waxlow Road)
- Pontefract (Phase II)
- Birmingham (St Philips)

Property - Shopping Centres

- Bury St Edmunds (Arc)

Property - Shops

- Glasgow (Buchanan Street)

Property - Supermarkets

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

ACTUARIAL STATEMENT

AS AT 31 MARCH 2017

ACTUARIAL 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 pa 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 below:

Assumption	31 March 2016									
Discount rate	Non-orphan liabilities: 4.7% pa Orphan liabilities: 3.3% pa									
Consumer price inflation (CPI)	2.6% pa									
Salary increases	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)									
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.									
Volatility reserve	Category two employers – 5% loading on past service liabilities Category three employers – 10% loading on past service liabilities									
Pre-retirement mortality	Set with reference to GAD tables with a rating of 120% for males and 135% for females									
Post-retirement mortality	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	Type	Base table	Adjustment (M/F)	Pensioners	S2PA	110%/105%	Dependants (current)	S2PMA/ S2DFA	140%/110%
Type	Base table	Adjustment (M/F)								
Pensioners	S2PA	110%/105%								
Dependants (current)	S2PMA/ S2DFA	140%/110%								
Retirement	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.									
Commutation	Members will convert 50% of the maximum possible amount of pension into cash									

OUR YEAR

ACTUARIAL STATEMENT

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 slightly 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 D MUIR FFA

Partner

Barnett Waddingham LLP

STATEMENT OF ACCOUNTS

OUR YEAR

STATEMENT OF ACCOUNTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CITY OF WOLVERHAMPTON COUNCIL
ON THE CONSISTENCY OF THE PENSION FUND FINANCIAL STATEMENTS INCLUDED IN THE
PENSION FUND ANNUAL REPORT

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES

THE COUNCIL'S RESPONSIBILITIES

The council is required to:

- i) Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this council, that officer is the Director of Finance.
- ii) Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- iii) Approve the Statement of Accounts.

THE DIRECTOR OF FINANCE'S RESPONSIBILITIES

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

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

- i) Selected suitable accounting policies and then applied them consistently.
- ii) Made judgements and estimates that were reasonable and prudent.
- iii) Complied with the Code.

The Director of Finance has also:

- i) Kept proper accounting records which were up to date.
- ii) Taken reasonable steps for the prevention and detection of fraud and other irregularities.

CERTIFICATION OF THE DIRECTOR OF FINANCE

I certify that the above responsibilities have been complied with and the Statement of Accounts herewith presents a true and fair view of the financial position of the council as at 31 March 2016 and its income and expenditure for the year ended the same date.

CLAIRE NYE

Chief Accountant
26 May 2017

OUR YEAR

STATEMENT OF ACCOUNTS

FUND ACCOUNT

2015/16 £m		Notes	2016/17 £m
	Contributions and benefits		
(504.3)	Contributions receivable	8	(529.8)
(11.1)	Transfers in	9	(16.6)
(15.5)	Other income	10	(15.1)
(530.9)	Total contributions and other income		(561.5)
514.7	Benefits payable	11	531.3
35.6	Payments to and on account of leavers	12	27.7
0.3	Other payments		0.4
550.6	Total benefits and other expenditure		559.4
74.9	Management expenses	13	71.0
	Returns on investments		
(168.6)	Investment income	14	(205.8)
429.4	Changes in value of investments		(2,115.1)
(552.1)	Profits and losses on disposal of investments		(381.7)
(291.3)	Net return on investments		(2,702.6)
(196.7)	Net (increase) in the Fund during the year		(2,633.7)
11,464.0	Net assets of the Fund at the beginning of the year		11,660.7
11,660.7	Net assets of the Fund at the end of the year		14,294.4

STATEMENT OF ACCOUNTS

NET ASSETS STATEMENT

31 March 2016 £m		Notes	31 March 2017 £m
	Investment assets (at market value)	15	
180.1	Fixed interest securities		192.4
1,036.2	UK equities		1,368.4
4,137.2	Overseas equities		5,920.3
4,921.5	Pooled investment vehicles		5,574.4
694.5	Property		756.4
171.1	Foreign currency holdings		111.8
459.8	Cash deposits		304.1
-	Other investment assets		0.2
35.7	Outstanding dividend entitlement and recoverable withholding tax		24.7
11,636.1	Investment assets		14,252.7
	Investment liabilities (at market value)	15	
(2.6)	Other investment liabilities		-
(2.6)	Investment liabilities		-
11,633.5	Net investment assets		14,252.7
-	Long-term investments	27	0.1
12.6	Other long-term assets	19	16.2
52.6	Current assets	20	58.2
(38.0)	Current liabilities	21	(32.8)
11,660.7	Net assets of the Fund at the end of the year		14,294.4

The accounts summarise the transactions of the Fund and deal with the net assets at its disposal. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial position of the Fund, which does take account of such obligations, is dealt with in the actuarial certificate/statement.

The notes form part of these financial statements.

OUR YEAR

STATEMENT OF ACCOUNTS

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 2017, 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 admitted bodies. At 31 March 2017, the Fund had 607 participating employers, and 302,092 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 2016 No.		31 March 2017 No.
107,984	Active members	117,005
85,558	Pensioner members	88,496
94,332	Deferred members	96,591
287,874	Total	302,092

The Council's Pensions Committee has delegated responsibility for administering the Fund. It meets at approximately quarterly intervals, and has members from each of the seven metropolitan district councils in the West Midlands. An Investment Advisory Sub-Committee and a Pensions Board were also in operation during 2016/17.

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

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 2017. In addition to employee contributions, employer contributions are paid as set based on triennial actuarial funding valuations. The valuation in relation to 2016/17 contribution rates was conducted at 31 March 2013 and the last such valuation was at 31 March 2016. Employer contribution rates during 2016/17 ranged from 5.0% to 45.3% of pensionable pay.

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

2 BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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.

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

3 STATEMENT OF ACCOUNTING POLICIES

a) Fund Account

In the Fund Account, income and expenditure are accounted for in the year in which they arise by the creation of payables and receivables at the year end where necessary. However, provision has not been made where the amount payable or receivable in relation to transfers was not agreed at the year end (see note 9).

b) Contribution Income

Contributions receivable have been included in the accounts on the accruals basis at the rates recommended by the Fund's actuary for basic contributions. Additional contributions as notified by employers for the period have also been included. Past service deficit contributions are accounted for on the due dates on which they are payable under the schedule of contributions set by the scheme actuary.

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

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

c) Transfers To and From Other Schemes

Transfer values represent the amounts received and paid during the year for members who had either joined or left the scheme as at 31 March 2017, calculated in accordance with the Local Government Pension Scheme Regulations (see notes 9 and 12). Transfers in respect of individuals are accounted for when received or paid, which is normally when the member liability is accepted or discharged. Group transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

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

d) Investment Income

i) Interest Income

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

ii) Dividend Income

Dividend income is recognised on the date the shares are quoted ex-dividend. Any amounts not received by the end of the reporting period, where known to be due, have been accrued for in the accounts.

iii) Distributions from Pooled Funds

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the Net Assets Statement as a current financial asset.

iv) Property-Related Income

Property-related income (consisting primarily of rental income from operating leases) is recognised on a straight-line basis over the term of the lease. Any lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rents based on the future amount of a factor that changes other than with the passage of time, such as turnover rents, are only recognised when contractually due.

v) Changes in the Value of Investments

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

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

e) Taxation

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

f) Benefits Payable

Pensions and lump-sum benefits payable include all amounts known to be due as at 31 March 2017. 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 Knight Frank LLP, chartered surveyors, as at 31 March 2017. One third of the commercial property portfolio is valued fully in March each year, with the remaining two thirds being a 'desktop' valuation. Agricultural properties were valued by Savills plc, agricultural valuers, at the same date.

i) Foreign Currencies

Investments held in foreign currencies have been valued as set out in paragraph g) above and translated at exchange rates ruling at 31 March 2017.

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 2017.

j) 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.

k) 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.

l) 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.

m) 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, and as such will fluctuate as the valuations change. In addition, performance-related fees are negotiated with a number of managers and the amounts of such fees are provided in note 13.

STATEMENT OF ACCOUNTS

NOTES 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.

n) Actuarial Present Value of Promised Retirement Benefits

The actuarial present value of promised retirement benefits is assessed on a triennial basis by the scheme actuary in accordance with the requirements of IAS 19 and relevant actuarial standards. As permitted under the Code, the Fund has opted to disclose the actuarial present value of promised retirement benefits by way of a note to the Net Assets Statement (note 5).

o) Additional Voluntary Contributions

The Fund provides an additional voluntary contributions (AVC) scheme for its members, the assets of which are invested separately from those of the Fund. The Fund has appointed Prudential and Equitable Life as its AVC providers. AVCs are paid to the provider by employers and are specifically for providing additional benefits for individual contributors. Each contributor receives an annual statement showing the amount held in their account and the movements in the year. AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (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 2017 was £1,343.6million (£1,319.1 million at 31 March 2016).

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.

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

5 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

Actuarial Present Value of Promised Retirement Benefits

Uncertainties

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

Effect if actual results differ from assumptions

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

Change in assumptions – year ended 31 March 2017	Approximate % increase in liabilities	Approximate monetary value £m
0.5% pa decrease in discount rate	9%	2,060.0
One-year increase in member life expectancy	4%	824.0
0.5% pa increase in salary increase rate	1%	305.2
0.5% pa increase in CPI inflation	8%	1,744.3

Private Equity

Uncertainties

Private equity investments are not publicly listed and, as such, there is a degree of estimation involved in the valuation.

Effect if actual results differ from assumptions

The total private equity investments in the financial statements are £1,343.6 million. There is a risk that this investment may be under- or overstated in the accounts. Given a tolerance of +/-5% around the net asset values on which the valuation is based, this would equate to a tolerance of +/- £67.2million.

6 ACTUARIAL VALUATION OF THE FUND

A full actuarial valuation of the Fund was made as at 31 March 2013 by the Fund's former Actuary, P Middleman of Mercer Human Resource Consulting Limited. The Actuary has determined the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the valuation revealed that the value of the Fund's assets of £9,886.0 million represented 70% of the funding target of £14,091.0 million at the valuation date. The valuation also showed that a common rate of contribution of 13.3% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date. It allows for the new LGPS benefit structure effective from 1 April 2014.

Adopting the same method and assumptions as used for calculating the funding target, the deficit could be eliminated by an average additional contribution rate of 10.3% of pensionable pay for 22 years.

In practice, each individual employer's position is assessed separately and the contributions required are set out in the report dated 31 March 2014. In addition to the certified contribution rates, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

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

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

As a result of the valuation, a revised rates and adjustments certificate was prepared for the three years commencing 1 April 2014. For comparison purposes, the figures for the two preceding years are also shown. The rates payable by the seven councils were certified as follows:

Future service rate (% of pay) plus lump-sum (£)	2012/13	2013/14	2014/15	2015/16	2016/17
Birmingham City Council	12.1% plus £27,800,000	12.1% plus £29,100,000	12.3% plus £40,113,600	12.9% plus £41,870,400	13.4% plus £43,724,800
Coventry City Council	12.1% plus £6,600,000	12.1% plus £6,900,000	12.2% plus £9,467,000	12.7% plus £12,395,000	13.1% plus £15,518,000
Dudley MBC	11.8% plus £5,700,000	11.8% plus £6,000,000	12.1% plus £7,418,000	12.7% plus £9,174,000	13.2% plus £10,931,000
Sandwell MBC	11.7% plus £7,900,000	11.7% plus £8,300,000	13.1% plus £11,614,400	13.1% plus £15,323,200	13.1% plus £19,227,200
Solihull MBC	11.7% plus £4,300,000	11.7% plus £4,500,000	12.3% plus £17,217,000	12.9%	13.5%
Walsall MBC	11.7% plus £8,000,000	11.7% plus £8,400,000	13.2% plus £14,250,000	13.2% plus £14,835,000	13.2% plus £15,518,000
City of Wolverhampton Council	12.2% plus £7,400,000	12.2% plus £7,800,000	12.6% plus £9,000,000	13.1% plus £9,900,000	13.5% plus £10,900,000

The valuation was carried out using the projected unit actuarial method and the main actuarial assumptions used for assessing the funding target and the common contribution rate were as follows:

	For past service liabilities	For future service liabilities
Rate of return on investments	5.6% per annum	5.6% per annum
Rate of pay increases	4.35% per annum*	4.35% per annum*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum	2.6% per annum

*Allowance was also made for short-term public sector pay restraint over a three/five-year period depending on the individual employer.

The assets were assessed at market value.

The 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

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 2016	31 March 2017
Rate of return on investments (discount rate)	3.7% per annum	2.7% per annum
Rate of pay increases	3.85% per annum*	4.2% per annum*
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.1% per annum	2.7% per annum

*Includes a corresponding allowance to that made in the actuarial valuation for short-term public sector pay restraint.

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2016 was estimated as £16,796.5 million. The effect of the changes in actuarial assumptions between 31 March 2016 and 31 March 2017 as described above is to increase the liabilities by £4,712.6 million. Adding interest over the year increases the liabilities by £614.0 million, and allowing for net benefits accrued/paid over the period increases the liabilities by £48.4 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 2017 is therefore £22,171.5 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

2015/16 £m		2016/17 £m
	From employers	
365.6	Basic contributions	387.1
0.2	Augmented membership	0.1
28.4	Additional cost of early retirement	31.9
394.2		419.1
	From members	
109.4	Basic contributions	110.1
0.7	Additional contributions	0.6
110.1		110.7
504.3	Total contributions	529.8

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

Contributions receivable by type of employer

2015/16 £m		2016/17 £m
33.1	Administering authority	33.3
447.2	Scheme employers	470.5
24.0	Admitted employers	26.0
504.3	Total	529.8

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

9 TRANSFERS IN

2015/16 £m		2016/17 £m
11.1	Individual transfers in from other schemes	16.6

10 OTHER INCOME

2015/16 £m		2016/17 £m
	Benefits recharged to employers	
8.5	Compensatory added years	8.2
7.0	Pensions increases	6.9
15.5	Total	15.1

11 BENEFITS PAYABLE

Benefits payable by type:

2015/16 £m		2016/17 £m
	Pensions	
375.9	Retirement pensions	390.6
28.0	Widows' pensions	28.1
0.9	Children's' pensions	0.9
4.3	Widowers' pensions	4.6
0.1	Ex-spouse	0.1
0.1	Equivalent pension benefits	0.2
0.1	Cohabiting partners	0.1
409.4	Total pensions	424.6
	Lump-sum benefits	
93.1	Retiring allowances	94.1
12.2	Death grants	12.6
105.3	Total lump-sum benefits	106.7
514.7	Total benefits payable	531.3

Benefits payable by type of employer:

2015/16 £m		2016/17 £m
45.7	Administering authority	45.7
434.7	Scheme employers	448.6
34.3	Admitted employers	37.0
514.7	Total	531.3

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

12 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16 £m		2016/17 £m
25.7	Individual transfers	23.0
5.7	Group transfers	-
1.0	Refunds of contributions	1.6
0.4	State scheme premiums	0.5
2.8	Bulk pension transfer increases	2.6
35.6	Total	27.7

13 MANAGEMENT EXPENSES

2015/16 £m		2016/17 £m
3.3	Administrative costs	3.3
69.4	Investment management expenses, comprising:	65.2
47.6	- Management fees	48.9
19.5	- Performance-related fees	14.5
2.3	- Transaction costs	1.8
0.4	Custody fees	0.5
1.8	Oversight and governance costs	2.0
74.9	Total management costs	71.0

Performance-related fees are negotiated with a number of managers. Included in external management of investments are performance-related fees of £14.5million in 2016/17 and £19.5 million in 2015/16.

The guidance requires that external investment management fees that are deducted from asset values (rather than invoiced and paid directly) are shown gross. Wherever possible, these figures are based on actual costs disclosed by the manager; where actual costs were not available, best estimates have been made using other available information.

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

14 INVESTMENT INCOME

2015/16 £m		2016/17 £m
	Dividends and interest	
	Fixed-interest securities	
8.5	UK private sector – quoted	8.1
	Equities	
37.2	UK	45.2
94.6	Overseas	118.8
	Pooled investment vehicles	
3.3	UK	9.4
1.0	Overseas equities	0.5
2.7	Interest on cash deposits	3.0
1.7	Stocklending	2.5
-	UK tax, irrecoverable	(0.1)
(4.0)	Overseas taxation	(7.0)
-	Other investment income	1.7
145.0	Total dividends and interest	182.1
31.6	Property management income	36.6
(8.0)	Property management expenses	(12.9)
23.6	Total property management	23.7
168.6	Total investment income	205.8

Stocklending

The stocklending programme provides for direct equity investments to be lent. At the year end, the value of quoted equities on loan was £512.6m (2016: £406.0m) in exchange for which the custodian held collateral worth £547.6m (2016: £442.3m). Collateral consists of acceptable securities and government debt.

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15 NET INVESTMENT ASSETS

31 March 2016 £m restated		31 March 2017 £m
	Fixed-interest securities	
180.1	UK companies - segregated (external)	192.4
180.1		192.4
	UK equities	
1,036.2	Quoted	1,368.4
1,036.2		1,368.4
	Overseas equities	
2,901.8	Quoted	4,265.7
1,235.4	Quoted - segregated (external)	1,654.6
4,137.2		5,920.3
	Pooled investment vehicles	
	Managed funds	
505.1	UK fixed interest	554.2
669.2	Other fixed interest	726.8
723.1	UK quoted, index-linked	867.0
-	Overseas equities	-
263.1	UK unquoted equities	300.4
1,396.5	Overseas unquoted equities	1,437.4
480.4	UK absolute returns	549.1
129.7	Overseas absolute returns	178.8
52.8	UK property	47.2
156.3	Foreign property	161.5
	Unit trusts	
96.8	UK quoted equities	154.2
442.5	Overseas equities	591.0
6.0	Overseas property	6.8
4,921.5		5,574.4
	Property	
638.6	UK freehold	703.1
55.9	UK leasehold*	53.3
694.5		756.4

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31 March 2016 £m restated		31 March 2017 £m
	Foreign currency holdings	
3.5	Australian Dollars	1.0
2.3	Canadian Dollars	0.6
0.7	Czech Koruna	0.6
1.5	Danish Kroner	0.8
7.4	Euro	3.4
0.6	Hong Kong Dollars	0.7
0.5	Hungarian Forints	0.4
1.9	Japanese Yen	1.1
0.2	New Zealand Dollars	0.6
1.3	Norwegian Kroner	-
0.4	Polish Zloty	0.6
0.4	Singapore Dollars	1.0
0.7	Swedish Kroner	0.5
2.8	Swiss Francs	0.7
0.6	Turkish Lira	0.5
146.3	United States Dollars	99.3
171.1		111.8
	Cash deposits	
459.8	UK	304.1
	Other investments	
(2.6)	Broker balances	0.2
35.7	Outstanding dividend entitlement and recoverable withholding tax	24.7
11,633.5	Total net investment assets	14,252.7

**All leasehold properties are held on long leases*

Segregated accounts are held separately from the main account by the global custodian and contain assets managed by some of the Fund's external managers.

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The following investment represents more than 5% of the net assets of the scheme:

31 March 2016			31 March 2017	
Market value £m	% of total market value		Market value £m	% of total market value
		Security		
723.1	6.2	Legal & General - All Stocks Index-Linked Gilts Fund	769.3	5.4

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 2016			31 March 2017	
Market value £m	% of total market value		Market value £m	% of total market value
5,260.9	45.3	In-house	6,810.2	47.9
35.1	0.3	Managers: UK quoted	42.9	0.3
859.7	7.4	Managers: emerging markets	1,168.6	8.2
818.2	7.1	Managers: global equities	1,077.0	7.6
2,077.5	17.9	Managers: fixed interest	2,340.4	16.4
276.8	2.4	Managers: indirect property	323.1	2.3
340.4	2.9	Managers: infrastructure funds	394.3	2.8
610.1	5.3	Managers: absolute return	727.9	5.1
1,319.1	11.4	Managers: private equity	1,343.6	9.4
11,597.8	100.0		14,228.0	100.0
35.7		Outstanding dividend entitlement and recoverable withholding tax	24.7	
11,633.5		Total investment assets	14,252.7	

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16 INVESTMENT MARKET VALUE MOVEMENTS ANALYSIS

	Value as at 31 March 2016 £m	Purchases at cost £m	Sales at book value £m	Change in market value £m	Value at 31 March 2017 £m
Bonds	180.1	-	(0.2)	12.5	192.4
UK equities	1,036.2	227.7	(30.1)	134.6	1,368.4
Overseas equities	4,137.2	717.8	(170.9)	1,236.2	5,920.3
Pooled investment vehicles	4,921.5	496.6	(566.8)	723.1	5,574.4
Property	694.5	68.7	(15.6)	8.8	756.4
	10,969.5	1,510.8	(783.6)	2,115.2	13,811.9
Broker balances	(2.6)				0.2
Outstanding dividend entitlement and recoverable 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.

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 £1.8 million (2015/16: £2.3 million). In addition to the transaction costs disclosed below, indirect costs are incurred through the bid-offer spread of investments within pooled investment vehicles. The amount of indirect costs is not separately provided to the scheme.

31 March 2016 £m		31 March 2017 £m
2.3	Equities - overseas quoted	1.8
2.3		1.8

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.

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The change in the value of investments during 2015/16 is set out below:

	Value as at 31 March 2015 £m	Purchases at cost £m	Sales at book value £m	Change in market value £m	Value at 31 March 2016 £m
Bonds	185.9	-	(0.2)	(5.6)	180.1
UK equities	1,019.6	83.5	(102.6)	35.7	1,036.2
Overseas equities	3,861.3	692.4	(141.2)	(275.3)	4,137.2
Pooled investment vehicles	5,102.5	1,237.0	(1,188.3)	(229.7)	4,921.5
Property	656.4	16.2	(23.6)	45.5	694.5
	10,825.7	2,029.1	(1,455.9)	(429.4)	10,969.5
Broker balances	1.6				(2.6)
Outstanding dividend entitlement and recoverable withholding tax	44.3				35.7
Foreign currency	91.9				171.1
Cash deposits	458.3				459.8
Total investments	11,421.8				11,633.5

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 £532.6 million which represents profit realised on sale of the Fund's assets.

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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 2017.	n/a	n/a
Quoted bonds	1	Market bid price based on current yields.	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
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 and absolute return/diversified growth funds)	3	Value is based on the latest investor reports and financial statements provided by the fund managers of the underlying funds, adjusted for transactions arising after the date of such reports.	Earnings before interest, tax, depreciation and amortisation (EBITDA) multiple, revenue multiple, discount for lack of marketability.	Valuations could be affected by material events occurring between the date of 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 following ranges and has set out below the potential impact on the closing value of investments at 31 March 2017.

Level 3 assets	Valuation range	Valuation at 31 March 2017 £m	Valuation increase £m	Valuation decrease £m
Freehold and leasehold property	14.2	756.4	863.9	649.0
Private equity	28.5	1,343.6	1,726.5	960.6
Infrastructure	20.4	394.3	474.7	313.8
Absolute return/diversified growth	12.5	727.9	818.9	636.9
Total		3,222.2	3,884.0	2,560.3

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17 i) FAIR VALUE HIERARCHY

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

Level 1

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

Level 2

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

Level 3

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

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.

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m	With significant unobservable inputs Level 3 £m	Total £m
Values at 31 March 2017				
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

	Quoted market price Level 1 £m	Using observable inputs Level 2 £m (restated)	With significant unobservable inputs Level 3 £m	Total £m
Values at 31 March 2016				
Financial assets				
Financial assets at fair value through profit and loss	7,142.2	884.4	2,248.5	10,275.1
Non-financial assets at fair value through profit and loss		694.5		694.5
Net financial assets	7,142.2	1,578.9	2,248.5	10,969.6

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17(ii) RECONCILIATION OF FAIR VALUE MEASUREMENTS WITHIN LEVEL 3

	Market value 1 April 2016 £000	Transfers into level 3 £000	Transfers out of level 3 £000	Purchases during the year £000	Sales during the year £000	Unrealised gains/ losses £000	Realised gains/ losses £000	Market value 31 March 2017 £000
Freehold and leasehold property	-	694.5	-	68.7	-15.6	8.3	0.5	756.4
Private equity	1,298.0	-	-	92.5	-164.1	-34.6	151.7	1,343.6
Infrastructure	340.4	-	-	84.8	-79.2	33.6	14.7	394.3
Absolute return/diversified growth	610.1	-	-	218.7	-140.9	-18.8	58.8	727.9
Total	2,248.5	694.5	0.0	464.7	-399.8	-11.5	225.7	3,222.2

a) transferred from level 2 to 3 due to reappraisal of property valuation techniques

18 INVESTMENT CAPITAL COMMITMENTS

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

31 March 2016 £m		31 March 2017 £m
692.2	Non-equities	831.7
132.8	Property	122.1
825.0		953.8

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 2016 £m		31 March 2017 £m
-	Administering authority	-
12.6	Other local authorities	16.2
12.6	Total	16.2

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20 CURRENT ASSETS

31 March 2016 £m		31 March 2017 £m
	Receivables and prepayments	
	Contributions receivable	
17.6	• Employers	18.3
6.2	• Members	5.8
27.8	Other receivables	25.1
51.6	Total receivables and prepayments	49.2
1.0	Cash	9.0
52.6	Total current assets	58.2

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 2017 is £9.6 million (31 March 2016: £12.9 million).

31 March 2016 £m		31 March 2017 £m
	Analysis of receivables	
3.2	Administering authority	3.1
14.9	Other local authorities	15.7
33.5	Other entities and individuals	30.4
51.6	Total	49.2

21 CURRENT LIABILITIES

31 March 2016 £m		31 March 2017 £m
	Payables and receipts in advance	
(2.0)	Pensions and lump-sum benefits	-
(36.0)	Other payables	(32.8)
(38.0)	Total	(32.8)
	Analysis of payables	
(3.8)	Central government bodies	(3.6)
(7.9)	Administering authority	(4.6)
-	Other local authorities	(5.7)
(26.3)	Other entities and individuals	(18.9)
(38.0)	Total	(32.8)

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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 2016			31 March 2017	
Equitable Life £m	Prudential £m		Equitable Life £m	Prudential £m
2.1	38.7	Opening value of the Fund	1.9	37.4
0.1	6.2	Income	-	6.8
(0.3)	(7.7)	Expenditure	(0.2)	(8.1)
-	0.2	Change in market value	0.2	2.6
1.9	37.4	Closing value of the Fund	1.9	38.7

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 2016 £m restated		31 March 2017 £m
	Financial assets	
474.9	Fair value through profit and loss	(2,106.4)
474.9	Total	(2,106.4)

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.

	2015/16 £m	2016/17 £m
Financial assets		
Financial assets at fair value through profit and loss	10,275.1	13,055.5
Loans and receivables	730.3	515.3
Financial liabilities at amortised cost	(36.7)	(32.8)
Net financial assets	10,968.7	13,538.0

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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 a 90% exposure to return seeking assets such as equities, property, other alternatives with equity-like returns, including emerging market debt and higher return fixed interest investments. The remaining 10% is allocated to stabilising assets, such as UK Government bonds or gilts, both index linked and conventional.

Risks in return-seeking assets include market risk (the greatest risk), issuer risk and volatility, which are partly mitigated by diversification across asset classes, global markets and investments funds. Mitigating interest rate risk and inflation risk points to significant investment in bonds, but doing so at the expense of return-seeking assets would increase the costs of funding. Stabilising assets backed by the UK Government are considered low risk. However, corporate bonds carry some additional issuer risk.

Counterparty Risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by Fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund-specific requirements.

Credit Risk

The Fund's deposits with financial institutions as at 31 March 2017 totalled £287.6 million in respect of temporary loans and treasury management instruments (31 March 2016: £452.6 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 2017 is shown overleaf:

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Credit Rating Sensitivity Analysis

Summary	Long-term Fitch rating	Value at 31 March 2016 £m	Value at 31 March 2017 £m
Money market funds			
AIM STIC Global Sterling Portfolio	A-	35.0	-
HSBC Sterling Liquidity Fund	AA-	230.2	-
LGIM Liquidity Fund	AAA	-	115.0
Short-term deposits			
Nationwide Building Society	A	2.4	-
Principality Building Society	BBB+	10.0	25.0
Nottingham Building Society	BAA1	10.0	15.0
Leeds Building Society	A-	10.0	20.0
Newcastle Building Society	BB+	10.0	-
Barclays	A	35.0	35.0
Skipton Building Society	BBB+	-	25.0
West Bromwich Building Society	B1	5.0	-
Santander UK	A	35.0	-
Lloyds Bank plc	A+	-	-
Coventry Building Society	A	-	10.0
Northamptonshire County Council		-	10.0
Mid Suffolk County Council		-	5.0
Swindon Borough Council		-	8.0
Bank deposit accounts			
NatWest Corporate Cash Manager Account	BBB+	50.0	-
GBP Current Accounts	AA-	1.0	9.1
HSBC Global Active	AA-	19.0	10.5
Total		452.6	287.6

*Moody's rating used if
no Fitch rating available

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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 2017, £512.6 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 2016: £406.4 million). The loans were covered by non-cash collateral in the form of equities, gilts, DBVs and G10 sovereign debt, totalling £547.6 million, giving a margin of 6.8% (2015/16, £442.3 million, margin of 8.8%).

Collateral is marked to market, adjusted daily and held by a tri-party agent on behalf of the Fund. Net income from stocklending amounted to £2.5 million during the year (2015/16: £1.7 million) and is detailed in note 14 to the accounts. The Fund retains its economic interest in stocks on loan, and therefore the value is included in the Fund valuation. There is, however, an obligation to return collateral to the borrowers; therefore, its value is excluded from the Fund valuation. The securities lending programme is indemnified, giving the Fund further protection against losses.

Reputational Risk

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

Other Price Risk

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

Other Price Risk: Sensitivity Analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's performance advisors, the Fund has determined that the following movements in market price risk are reasonably possible for the 2016/17 reporting period (overleaf):

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Market Risk - Other Price Risk

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, of which £77.4 relates to forestry)

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 11.7%. On this basis, the total value on increase is £16,134.3 million, and the total value on decrease is £11,489.9 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.

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Currency Risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (£UK). The Fund holds both monetary and non-monetary assets denominated in currencies other than £UK. The following tables summarise the Fund's currency exposure as at 31 March 2017:

Currency Risk by Asset Class

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 2017 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Interest Rate Risk - Sensitivity Analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The Fund's consulting actuary has advised that the assumed interest rate volatility is 100 basis points (BPS) per annum.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits of a +/-100 BPS change in interest rates:

Asset Type	Carrying amount as at 31 March 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	15	565.49
£100 - £500	0	0.00
Over £500	0	0.00
Total	15	565.49

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

Write-off analysis

Individual value	Number	Total £
Less than £100	2	130.84
£100 - £500	50	11,653.19
Over £500	16	40,181.12
Total	68	51,965.15

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 £33.3 million were receivable from the City of Wolverhampton Council for 2016/17 (2015/16: £33.1 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, Sparks and Mutton
Active:	Councillors Brookfield, Hevican and T Singh

Each member of the Pensions Committee is required to declare any interests relevant to the matters being discussed at each meeting.

There are five employing bodies of the Fund in which a member of the Committee has declared an interest for 2016/17. Contributions from each of these are set out below.

Contributions receivable 2015/16 £000		Contributions receivable 2016/17 £000
3,331	West Midlands Fire and Rescue Service	3,478
4,211	Wolverhampton Homes	4,497
20	Kingswood Trust	18
161	Wolverhampton Girls High School	174
115	Black Country Housing Group	82

LGPS CENTRAL

The Fund is working with eight other LGPS funds across the Midlands to set up LGPS Central Ltd. a FCA-authorised investment manager which will manage the investment assets of the nine funds. The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, West Midlands Pension Fund was the only shareholder. During the 2017/18 financial year shares will be issued to seven other pension funds (on an equal shares basis). There were no transactions of the company during 2016/17 and no balances at 31 March 2017. The initial investment costs are shared equally between the eight participating LGPS funds and at 31 March 2017 the Fund's share was £0.1m and this is disclosed in the financial statements as a long-term investment.

KEY MANAGEMENT PERSONNEL

The Fund's senior management comprises six individuals: the Strategic Director of Pensions, the Director of Pensions, the Chief Investment Officer, the Head of Client and Funding Management, the Head of Governance and the Head of Finance. The total salary paid to the senior management team in 2016/17 was £536,000 (2015/16: £454,000, for six individuals). In addition to this, employer's pension contributions of £125,000 (2015/16: £98,000) were met from the Fund in respect of these individuals.

PENSION ADMINISTRATION STRATEGY (PAS) 2017

POLICY DOCUMENT

The Fund published the last version of its PAS in 2015. The strategy is kept under review and revised to reflect changes to LGPS regulations and Fund policies. Most recently, in March 2016, a revised and more detailed charging structure was issued to supplement the current PAS, which was approved by Pensions Committee in March 2017.

A copy of the previous version can be found here:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=6944&p=0>

PENSION ADMINISTRATION STRATEGY (PAS) 2017

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 and revised to reflect changes to LGPS regulations and Fund policies. This document sets out a framework by way of outlining the policies and performance standards to be achieved 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.

2 AIMS

The aims of this pension administration strategy are to:

- provide a high quality pension service to members
- set out the quality and performance standards expected of the Fund and its scheme employers; and
- promote good working relationships and improve efficiency between the Fund and its scheme employers.

The efficient delivery of the benefits of the scheme is reliant upon 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.

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 might be taken where standards are not met by employers and/or when persistent non-compliance occurs.

The administration strategy effective from 1 April 2017 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.

3.1 Scheme Employer

3.1.1 Duties and Responsibilities

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 portal	By 30 April each year (to be submitted via 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	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 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

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

OUR YEAR

PENSION ADMINISTRATION STRATEGY (PAS) 2017

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 as per the valuation or on commencement as a scheme employer within the Fund
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
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	At 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	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
4)	Member information and general administration	
4.1	Provide the Fund with the following member information on one monthly file (via portal) ² : <ul style="list-style-type: none"> • 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

²The implementation deadline for transitioning to monthly data and contribution submissions is September 2017. In the interim, the 2015 PAS will be applicable.

PENSION ADMINISTRATION STRATEGY (PAS) 2017

Function/task		Expectation
4.2	Notify the Fund (via portal) when a member is due to retire including an accurate assessment of final pay details and authorisation of the reason for retirement	<ul style="list-style-type: none"> Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> 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) <p>S4 form to be submitted via portal</p>
4.3	Notify the Fund (via portal) when a member leaves employment including an accurate assessment of final pay details	<p>Within 30 days of month end of date of leaving</p> <p>S4 form to be submitted via portal</p>
4.4	Notify the Fund (via portal) of the death of a scheme member	As soon as practicable, but within a maximum of ten days of the employer being notified

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	<p>Payment of monthly employee and employer contributions in full by the 19th of the following month.</p> <p>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.</p>
2)	Member information and general administration	
2.1	Provide 2016/17 year-end information specified by the Fund ³	By 30 April 2017 (following the year-end)
2.2	To ensure optimum accuracy of year-end information, in line with the specified extract	Less than 5% of rows (entries) on the file to error on import into the pension administration system
2.3	Submission of a monthly data file via portal which includes the following in month data: <ul style="list-style-type: none"> 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

³This is only required for the 2016/17 submission and monthly data and contribution submissions will apply thereafter.

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PENSION ADMINISTRATION STRATEGY (PAS) 2017

Performance area		Measurement (working days where applicable)
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	<ul style="list-style-type: none"> Notify the Fund when a member is due to retire: <ul style="list-style-type: none"> 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)
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	S4 form to be submitted via portal Within 30 days of month end of date of leaving S4 form to be submitted via portal
2.6	Respond to enquiries from the Fund in regards to member data queries (ie, S15, N15 etc)	Within ten days from receipt of enquiry
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

3.2 West Midlands Pension Fund

3.2.1 Duties and Responsibilities

This section outlines the key responsibilities of the Fund, what the Fund will do and by when. It is focussed on the key activities which scheme employers and scheme members are involved in and should not be viewed as an exhaustive list.

Function/task		Expectation
1.1	Regularly review the Fund's pensions administration strategy and consult with all scheme employers	In advance of the policy being adopted
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 governance and compliance statement	Publish by 30 September, following the year-end or within 30 days of the policy being agreed by the Pensions Committee
1.5	Regularly review the Fund's termination policy statement and publish	Within 30 days of any changes being made to the policy
1.6	Publish the Fund's annual report	By 31 December, following the year-end
1.7	Publish the Fund's annual statement of accounts	By 30 September following the year-end or following the issue of the auditor's opinion

PENSION ADMINISTRATION STRATEGY (PAS) 2017

Performance area		Measurement (working days where applicable)
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 signing off of 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
3)	Support for employers	
3.1	Provide support for employers through: <ul style="list-style-type: none"> • a dedicated helpline; • face to face meetings; and • written communications 	<ul style="list-style-type: none"> • Dedicated helpline: Monday - Thursday 8.30am - 5.00pm Friday 8.30am - 4.30pm • Meetings to be held twice per annum (usually June/July and November/December) • Written communication as per the Fund's communication policy
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
3.4	Provide a facility (via 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
4)	Member information and general administration	
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

OUR YEAR

PENSION ADMINISTRATION STRATEGY (PAS) 2017

3.2.2 Performance Measurements

The Fund has a performance management framework in place which is scrutinized by the Pensions Committee, Local Pensions Board and could be reviewed by The Pensions Regulator. 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. The Fund aims to maintain performance at 90%.

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
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
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
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
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

PENSION ADMINISTRATION STRATEGY (PAS) 2017

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

In addition to the above, the Fund monitors IDRPs and targets completion of stage 1 and stage 2 reviews within two months. For more information, please see the Fund's IDRPs policy.

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PENSION ADMINISTRATION STRATEGY (PAS) 2017

4 MONITORING PERFORMANCE

4.1 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). 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 then be issued to the scheme employer clearly setting out the calculations of any loss resulting to the Fund, or additional cost, taking account of time and resources in resolving the specific area(s) of poor performance, in accordance with the charging scale set out in this document. A report will be presented to the quarterly Committee meeting detailing charges levied against scheme employers and outstanding payments.
- 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 will consider reporting the employer to The Pension Regulator.

PENSION ADMINISTRATION STRATEGY (PAS) 2017

4.2 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.

4.3 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

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PENSION ADMINISTRATION STRATEGY (PAS) 2017

Item	Charge
1) Monthly task Failure to comply with one or both of the following requirements: <ul style="list-style-type: none"> • Payment of monthly employee and employer contributions[^] in full by the 19th of the following month; • Provision of a fully-completed and accurate CON1B form by the 19th of the following month (only required until an employer transitions to monthly data and contribution submissions (between April and September 2017)). 	£100 per occasion plus interest*
2) Annual task Failure to comply with one or both of the following requirements: <ul style="list-style-type: none"> • Submission of the member data file by 30 April • Submission of the final statement by 30 April 	£250 standing charge, plus: <ul style="list-style-type: none"> • 5p per member** per working day late for the first month following the deadline • 10p per member** per working day late for the second month following the deadline • 15p per member** per working day late for the third month following the deadline and every month thereafter A minimum daily rate will be set at: <ul style="list-style-type: none"> • £5 per day for the first month following the deadline • £10 per day for the second month following the deadline • £15 per day for the third month following the deadline
3) Annual quality review Quality of the year-end information provided is below the acceptable tolerance level set at 5% for % of errors received	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
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

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

*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.

**Number of active members held on the Fund administration system at 31 March 2016.

Please note:

- If an employer annual return is received by 30 April and the return is accepted, no charge will apply.
- If the annual return is received by 30 April and the return is rejected⁴ but subsequently re-submitted and accepted within two weeks of being notified of the rejection, no charge will apply.

⁴A 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 (PAS) 2017

4.4 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

POLICY DOCUMENT

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>

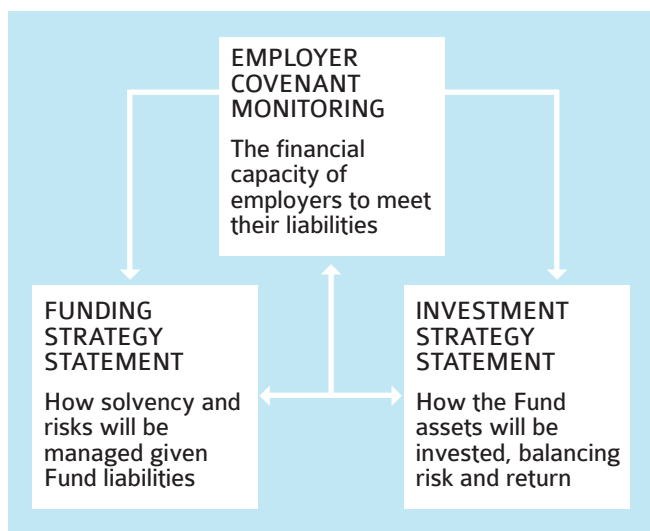
FUNDING STRATEGY STATEMENT (FSS) 2017

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.

OUR YEAR

FUNDING STRATEGY STATEMENT (FSS) 2017

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).

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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; and
- 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.

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FUNDING STRATEGY STATEMENT (FSS) 2017

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 crosssubsidy 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.

FUNDING STRATEGY STATEMENT (FSS) 2017

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. Where significant increases in employer contributions are required from April 2017, and an employer provides evidence to the Fund that these are not affordable, the increase from the contributions payable in the year 2017/18 may be implemented in steps, at the discretion of the administering authority and as agreed with individual employers prior to April 2017, noting that rates will need to increase to the level indicated, no later than 2019/20.

Where an employer has a guarantee from a statutory body participating in the Fund, or from another organisation approved for that purpose by the administering authority, the administering authority will recognise the requirement for the guarantor to be kept abreast of the funding position of the relevant employer, and share funding information

with the guarantor on request, unless the employer indicates otherwise in writing to the Fund.

On the cessation of an employer's participation in the Fund, the actuary will be asked to make a termination assessment. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the administering authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Fund to another participating employer. Details of the approach to be adopted for such an assessment on termination are set out in the termination policy published by the Fund.

Any employing body with a surplus of assets over liabilities may have a reduction in contributions to reflect the surplus applied over a period of 20 years.

Employers are required to meet all costs of early retirement strain (non ill-health) by immediate capital to the Fund.

In all cases, the administering authority reserves the right to apply a different approach as its sole discretion, taking into account the risk associated with an employer in proportion to the Fund as a whole.

Where the administering authority does agree to an alternative contribution plan for a particular employer, as described above, this will represent an employer-specific funding plan, and will be documented separately, together with any conditions surrounding this agreement.

8.4 In determining the funding and contribution strategy above, the administering authority has had regard to:

- the responses made to the FSS consultation with employers, representatives and other interested parties;
- relevant guidance issued by the CIPFA Pensions Panel;
- the need to balance a desire to attain the funding target as soon as possible against the short-term cash constraints of participating employers; and
- the administering authority's views on the relative strength of the participating employers' covenants.

8.5 For employers where it is understood that in the event that they were unable to meet their pension obligations to the Fund, their liability would fall on other Fund employers, an employer risk reserve has been established as contingency. The reserve is based upon a review of those employers without a guarantor and the associated liability exposure and the contributions required to establish this reserve have been built into rates assessed for all employers within the Fund at this valuation. This reserve is subject to review at subsequent actuarial valuations.

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FUNDING STRATEGY STATEMENT (FSS) 2017

9 LINKS TO INVESTMENT POLICY SET OUT IN THE INVESTMENT STRATEGY STATEMENT (ISS)

- 9.1** The Fund has, for many years, regularly used an asset liability study and stochastic modelling in order to assist the process of formulating a strategic asset allocation. The outcomes are reflected in the Fund's ISS.
- 9.2** 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.

10 THE IDENTIFICATION OF RISKS AND COUNTERMEASURES

- 10.1** 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.
- 10.2** Some of the key risks taken into account are:

Investment risk – the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

- assets not delivering the required return (for whatever reason, including manager underperformance);
- systemic risk with the possibility of interlinked and simultaneous financial market volatility;
- insufficient funds to meet liabilities as they fall due;
- inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon; and
- counterparty failure.

Liquidity/maturity risk – changes in local government will impact upon the maturity profile of the LGPS and have potential cash flow implications. The increased emphasis on outsourcing and other alternative models for service delivery, which result in active members leaving the LGPS; transfers of responsibility between different public sector bodies; scheme changes which might lead to increased opt-outs; the implications of spending cuts (the ONS recently reported that employment in local government was at its lowest levels since 1999) – all of these will result in workforce reductions that will reduce membership, reduce contributions and prematurely increase retirements in ways that may not have been taken account of fully in previous forecasts.

Liability risk – life expectancy and other demographic changes resulting in benefits being paid for longer. In addition, inflation, interest rate and salary inflation will all impact upon future liabilities.

Regulatory and compliance risk – changes to legislation can impact on scheme benefits, new entrants, member options, administration and funding and investment strategy. Increased disclosure, transparency and reporting could also impact funding approaches risking a 'race to the bottom' and 'herd' behaviour. Any 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.

Employer risks – Sustainability of an employer or their ability to meet their liabilities within the agreed funding strategy. The Fund's approach to the outcome of the valuation has had regard to balancing the needs of funding the liabilities and the cost to employers. This is reflected in the approach of placing employers into different categories and greater tailoring of funding strategy to individual employers, taking into account the risks associated with the investment strategy.

As outlined in the Fund's employer covenant framework, a risk assessment of the sustainability of all employers has been undertaken seeking to establish the risk of an employer failing to meet their pension liabilities. This has been used to determine an appropriate pace of funding. In determining the actual recovery period to apply for any particular employer or employer grouping, the administering authority may take into account some or all of the following factors:

- the size of the funding shortfall;
- the business plans of the employer;
- the assessment of the financial covenant of the employer; and the security of future income streams
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc; and
- length of expected period of participation in the Fund.

A number of organisations have significant financial challenges due to falling revenues and/or income streams. The Fund will work with these bodies to ensure all interests are considered and an acceptable funding strategy for the pension liabilities is achieved that does not put the Fund's position at an increased risk. In respect of bodies that have fixed-term funding, the aim is that a fully funded position should be achieved with a high degree of certainty by the end of the funding period.

FUNDING STRATEGY STATEMENT (FSS) 2017

Governance Risks

Examples of risk include:

- administering authority unaware of structural changes in an employer's membership (eg, large fall in employee members, large number of retirements);
- administering authority not advised of an employer closing to new entrants; and
- an employer ceasing to exist with insufficient funding or adequacy of a bond.

The Fund has established inter-valuation monitoring and working relations with its employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels and the assessment of the financial standing of employers that are not tax-raising bodies.

Insurance of Certain Benefits

The Fund has explored insurance cover to help mitigate employer financial implications of unexpected additional ill-health costs, with the primary advantage being the protection of employers with weaker covenants or smaller workforce against the significant strain costs that can arise following an ill-health early retirement. The Fund has considered the associated risk mitigation and employer desirability across the Fund as a whole following extensive consultation. As a result, following quotations, the Fund will facilitate access to an ill-health insurance arrangement with effect from 1 April 2017. Any employer can elect this cover at an additional cost (premium) and any employer in category 3 will be encouraged to take out such insurance.

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FUNDING STRATEGY STATEMENT (FSS) 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.

FUNDING STRATEGY STATEMENT (FSS) 2017

APPENDIX 1 - ACTUARIAL VALUATION AS AT 31 MARCH 2016

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.

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	1.0% pa for four years	1.0% pa for three years
- Long term	3.9% pa (CPI plus 1.5% pa)	4.35% pa (CPI plus 1.75% pa)
- Salary increments	Age-related allowance	No allowance

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FUNDING STRATEGY STATEMENT (FSS) 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

Pre-retirement mortality - base table	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		
Post-retirement mortality - base table	CMI self-administered pension schemes (SAPS) tables with scheme-specific adjustments as appropriate following analysis by Barnett Waddingham's longevity table.		
	Type	Base table	Adjustments (M/F)
	Normal health	S2PA	110%/105%
	Ill health	S2PA	Normal health
	Dependants	S2PMA/S2DFA	140%/110%
Allowances 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 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

FUNDING STRATEGY STATEMENT (FSS) 2017

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:

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

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.

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.

¹Note 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.

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FUNDING STRATEGY STATEMENT (FSS) 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.

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POLICY DOCUMENT

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 2017.

A link to the previous SIP can be found here:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=7813&p=0>

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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 Strategic Director of Pensions who, in turn, delegates to the fund managers. The Investment Advisory Panel advises the Strategic 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 responsibilities 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 liabilities. 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 Covenant Monitoring 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:

- To be a leading performer in the LGPS sector
- To provide excellent customer service
- To achieve target investment returns
- To ensure the solvency of the Fund and its ability to pay pensions

In aiming to be a leading performer within the LGPS, the Fund is striving to achieve a fund management capability of institutional standard. 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.

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- 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).

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.

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

- maintaining a comprehensive risk register with regular reviews;
- operation of robust internal compliance arrangements;
- 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 Strategic 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 Strategic 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.

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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, which together represent around 33% of total assets, may be difficult to realise quickly in certain circumstances.

Monitoring the Performance of Fund Investments

The performance of the internally managed assets and of the external investments is independently measured. In addition, officers of the Fund meet external investment managers (both segregated and pooled) regularly to review their arrangements and the investment performance. The 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 implementation 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

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to climate change risk, the Fund recognises that the scale 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

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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 Strategic Director of Pensions oversees the implementation of Committee policy and the management of the day-to-day operational functions through the pensions staff delivering Fund services. The Committee are advised and supported by the Strategic 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 Strategic 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.

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APPENDIX B - STRATEGIC ALLOCATION INVESTMENT BENCHMARK (SIAB) AND RANGES

	Medium-term asset allocation May 2017	Medium-term strategic ranges
	%	%
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

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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.

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RESPONSIBLE INVESTMENT FRAMEWORK

1 INTRODUCTION

This framework defines the commitment of West Midlands Pension Fund ('the Fund') to responsible investment (RI). Its purpose is to detail the approach that Fund aims to follow in integrating environmental, social and governance (ESG) issues in its investments. It is considered supplementary to the Fund's Statement of Investment Principles and thus in alignment with its fiduciary duty.

1.1 Beliefs and Guiding Principles

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

ESG Integration

The Fund believes that effective management of financially material ESG risks should support the Fund's requirement to protect returns over the long term. With regard to climate change risks, the Fund recognises that the scale of the potential impacts is such that a proactive and precautionary approach is needed in order to address them.

The Fund considers RI to be relevant to the performance of the entire Fund across asset classes.

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

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

Engagement Versus Exclusion

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

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

Fees and Incentives

Managing fees and costs matter in low-return environments. Fee arrangements with external fund managers – as well as the remuneration policies of investee companies – should be aligned with the Fund's long-term interests. The Fund recognises that it is part of its fiduciary duty to ensure that there is appropriate alignment.

An Evolving and Flexible Approach

The Fund recognises that it, along with the entire investment chain, is on a journey with respect to RI. This framework will remain flexible and will evolve over time to reflect evolving market developments.

1.2 Oversight and Application

The Pensions Committee is at all times responsible for the Fund's investments, including oversight of the RI strategy. Responsibility for oversight of the Fund's RI framework sits with the Strategic Director of Pensions and Assistant Director (Investments). Responsibility for the implementation of this framework sits with the RI Officer. This policy applies to all members of the Pensions Committee and the Fund officers.

The Pensions Committee will review this policy at a minimum annually (in June of each year), or at such time as the Fund sees fit to revise its RI policies and procedures.

1.3 Content

The RI framework is divided into two distinct sections:

- What the Fund expects of itself, companies and fund managers with respect to RI (Section 2).
- How the RI beliefs and guiding principles are implemented in practice (Section 3).

Definitions are also provided in Section 4.

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RESPONSIBLE INVESTMENT FRAMEWORK

2 RI EXPECTATIONS

2.1 Fund

2.1.1 General

The Fund aims to:

- 1) Be aware of and monitor financially material ESG issues in the context of investment and manager selection. Depending on the asset class and nature of the proposed mandate or vehicle, the Fund will monitor:
 - ESG issues in relation to internally managed investments (equities, direct property);
 - the extent to which the external managers incorporate ESG issues into their investment processes; and
 - hold external managers to account for improvement in their ESG performance over a reasonable timeframe.
- 2) Make full use of its ownership rights, including voting and engagement activities. Either directly, collaboratively or through specialist service providers:
 - hold constructive dialogue with listed companies;
 - encourage the disclosure by companies of ESG issues; and
 - participate in the development of public policy on ESG issues.
- 3) Disclose and maintain a policy for identifying and managing conflicts of interest with the aim of taking all reasonable steps to put the interests of the Fund's beneficiaries first.
- 4) Participate as a signatory to the Principles of Responsible Investing (PRI) a principles-based framework designed to encourage the incorporation and analysis of ESG into investment decision-making.
- 5) Keep our beneficiaries aware of our RI activities through:
 - making its RI policy documents public, eg, voting policies, RI policy;
 - providing a summary of the Fund's RI activities in the annual report;

- publishing aggregate voting and company engagement statistics on a quarterly basis
- tracking its progress on implementing its RI strategy using the PRI framework.

- 6) Strive to be a good corporate citizen, in alignment with what we expect of companies in which we invest.

2.1.2 Climate Change

The Fund aims to:

- encourage improvement in the level of disclosure by companies of material climate change impacts through collaborative initiatives, for example via our partnership with the LAPFF, the Carbon Disclosure Project (CDP), and the Institutional Investors Group on Climate Change (IIGCC);
- support – and where applicable co-file – reasonable shareholder proposals to disclose/justify a company's approach to climate change risk;
- review its fund managers to understand their approach to incorporating climate change considerations and encourage improvements in identifying and assessing the potential impact of climate change;
- contribute to public policy with regard to climate change as it relates to investment considerations through participation with organisations such as the IIGCC. In support of this aim, the Fund is a signatory to the Global Investor Statement on Climate Change¹;
- increase awareness of climate change as it applies to investment decision making through participation in relevant industry forums and collaborative initiatives; and
- keep up to date on the latest research and thinking on the financial materiality and interconnectedness of climate change within and across asset classes.

2.2 Companies

The Fund expects UK companies to adhere to the UK Corporate Governance Code² on a comply or explain basis. Further, the Fund has bespoke UK corporate governance guidelines which are available on its website³, which aim to deal with issues that are either not covered by the Code, require greater emphasis or are specifically left open for shareholders to resolve with company boards.

¹ <http://www.iigcc.org/publications/publication/2014-global-investor-statement-on-climate-change>

² <https://www.frc.org.uk/Our-Work/Publications/Corporate-Governance/UK-Corporate-Governance-Code-2014.pdf>

³ <http://www.wmpfonline.com/article/5693/Voting-Globally>

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The Fund expects companies outside the UK to adhere to international voting principles⁴, recognising local application and development.

Environmental and Social Risks

The Fund expects companies to manage and disclose its environmental and social risks to the extent required for an understanding of the development, position and performance of the company. In alignment with the Association of British Insurers' position⁵, there are aspects of environmental and social reporting on which the Fund places particular value given their relevance across all sectors, its holistic approach to risk management, and the view that owners should not micro-manage companies. This is narrative reporting which:

- sets ESG risks in the context of the whole range of risks and opportunities facing the company;
- contains a forward looking perspective; and
- describes the actions of the board in mitigating these risks.

In terms of the specific environmental and social issues to focus upon, the Fund prefers to take a case-by-case, sector-based approach.

2.3 Fund Managers

2.3.1 Due Diligence

The Fund collects the following information from each manager before they are appointed where applicable to the asset class:

- Copy of their ESG, active ownership policies or equivalent which articulates how ESG factors (stemming from research, active ownership activities or other sources) are integrated into their investment process.
- Case studies or examples of where ESG issues have influenced an investment decision.
- Information on the process for integrating any third party ESG data (for example, MSCI) into their company financial models, investment strategies and portfolio construction.
- RI reporting format.
- Whether they are a signatory of the UN-backed Principles for Responsible Investment (PRI) and Stewardship Code, copy of their PRI public report and annual assessment scores if applicable.

2.3.2 Appointment

The Fund assesses the ESG capability of a fund manager as a factor within each of the people, process and performance categories. In its decision to appoint a fund manager, the Fund takes a balanced consideration of all relevant factors including ESG. However, the Fund will pay particular attention to adherence to relevant soft regulatory codes⁶ depending on the market in which it invests.

In practice, this means the Fund is willing to hire a fund manager at an early stage of developing its RI approach so long as there is a demonstrable RI commitment and a willingness to improve in their approach over time. In alignment with our guiding principles on 'engagement versus exclusion', the Fund believes that there is added value in working with them to improve their approach.

2.3.3 Monitoring and Reporting

Each external fund manager is expected to report⁷ at agreed intervals to the Fund on how their RI activities are contributing to improved long-term risk-adjusted returns.

Examples of information that can be provided in aid of this objective include but are not limited to the following:

- The evolution of how the manager integrates the consideration of ESG issues into its investment and active ownership activities.
- How investment and active ownership functions are combined to protect and/or enhance shareholder value.
- How the manager exercised the Fund's voting rights.
- Any outcomes arising from the manager's engagement with companies and their effectiveness.

Further details on the Fund's future expectations of listed equity fund managers on RI reporting can be found on the Fund's website here:

<http://www.wmpfonline.com/article/5708/Engagement-through-partnerships>

⁴Draws from international best practice corporate governance standards such as OECD and ICGN: <http://www.wmpfonline.com/article/5693/Voting-Globally>

⁵https://www.avis.co.uk/media/5893/ABI_RID_guidelines.pdf

⁶For example, UK and Japanese Stewardship Codes

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

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RESPONSIBLE INVESTMENT FRAMEWORK

3 RI IMPLEMENTATION

The Fund's active ownership approach can be divided into three distinct areas: voting globally, engagement through partnerships and shareholder litigation. This section briefly outlines the Fund's processes for each.

3.1 Voting Globally

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

Where practical⁸, the Fund aims to vote in every single market in which it invests. In the interests of sending a consistent signal to investee companies, the Fund has decided to use a third party provider for analysis of governance issues and executing its proxy voting rights across all markets in which it invests. At the present time, the Fund believes that the advantage of a consistent signal outweighs the inherent disadvantages to disconnecting the voting function from the investment and engagement decisions of external fund managers. However, given market developments in this area, the Fund will re-evaluate this position on a yearly basis.

Reference to the Fund's voting policies is provided in Section 2.2 under 'Company Expectations'.

Securities Lending Programme

The Fund has an active securities lending programme. To ensure that the Fund is able to vote all its shares at important meetings has worked with service providers to establish procedures to restrict lending for certain stocks and recall shares in advance of shareholder votes. The Fund monitors the meetings and proportion of the securities on loan, and will restrict and/or recall lent stock in select circumstances.

3.2 Engagement Through Partnerships

The Fund uses various engagement platforms to maximise its influence as an active owner in collaboration with other like-minded investors. The Fund's primary engagement partnerships are highlighted below.

Local Authority Pension Fund Forum

The Fund is a founding member of the Local Authority Pension Fund Forum (LAPFF) and the Fund's Strategic Director of Pensions is the Honorary Treasurer. LAPFF is the UK's leading collaborative shareholder engagement group encompassing 64 local authority pension funds from across the country with combined assets of over £160 billion.

The Fund is an active participant in LAPFF's engagement programs. Membership of LAPFF provides the Fund with:

- independent research and advice on the ESG risks of companies to inform further stakeholder engagement;
- advice on the governance practices of companies;
- a forum to engage with companies to improve governance practices; and
- proxy voting advice on proxy voting for annual general meetings.

UN-backed Principles for Responsible Investment

The Fund signed the PRI in 2011 and the Fund's Assistant Director (Investments) is a member of the PRI Board⁹. The PRI is a set of six aspirational principles¹⁰ designed to encourage and assist investors integrate ESG into their investment processes.

The Fund is an active participant in the PRI's engagement program. The Fund considers the following criteria amongst others in determining its participation in PRI-related initiatives:

- Initiative is in alignment with the Fund's RI policy.
- The ESG issue or company of concern is considered to be particularly material to the Fund.
- Certain impediments (eg, geographic) make investor collaboration the preferred option.

Industry Engagement

In collaboration with other like-minded investors, the Fund may engage with public policy makers, regulators, trade bodies, indexes and other players in the financial markets to achieve the aim of promoting sustainable growth. The Fund considers these initiatives on a case-by-case basis.

⁸Issues such as power of attorney or share blocking in certain markets may prevent the Fund's ability to do so

⁹<http://www.unpri.org/about-pri/pri-governance/pri-association-board-members/>

¹⁰The six principles can be found here: <http://www.unpri.org/about-pri/the-six-principles/>

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3.3 Shareholder Litigation

The Fund frequently hold securities that are the subject of individual and class action securities litigation. There are a number of litigation options available when a company has violated securities laws that result in losses to the Fund. For US-based claims, the options would be to:

- remain in the class action and file proof of claim through our claims administrator Goal Group;
- participate as a lead plaintiff in a class action; or
- opt out and file a private action.

For non-US based claims, the options would be to join an existing group action or file a group action as a lead plaintiff. The Fund takes a case-by-case approach in determining whether or not to join a class action but considers factors such as:

- advantages and disadvantages of the Fund becoming actively involved;
- relative size of the Fund's potential losses compared to other organisations;
- likelihood of success; and
- whether the Fund is fully indemnified against costs, expenses, counterclaims and any other losses.

4 DEFINITIONS

Responsible Investment

'The integration of environmental, social and corporate governance (ESG) considerations into investment management processes and active ownership practices in the belief that these factors can have an impact on financial performance.'¹¹ The Fund also supports the PRI's definition of responsible investment which can be found here:

<http://www.unpri.org/introducing-responsible-investment>

ESG

Environmental, social and governance factors which may impact on company performance and therefore investment returns. Examples include resource management and pollution prevention, climate change impacts, labour management, product integrity, executive compensation, board independence and audit function.

Governance

The process and principles by which a company or organisation undertakes its business. For the Fund, governance includes how it undertakes both its operational and investment responsibilities on behalf of its members.

Active Ownership

Refers to the responsibility of the Fund to participate, where appropriate, in the governance decision-making of companies in which it invests by way of voting and by engagement with company management, either directly or via its fund managers. It also recognizes the relevance of engaging with regulatory bodies and other market players to support policies that promote long-term sustainable growth.

Fund

West Midlands Pension Fund

Pensions Committee

Body established by City of Wolverhampton Council (the administering authority) in charge of the management of the administration of benefits and strategic management of the Fund's assets, which has representation from the seven West Midlands metropolitan district councils and local trade unions.

¹¹Mercer, ABC of ESG, 2014

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COMPLIANCE WITH THE MYNERS' REPORT

Introduction

In 2000, UK government commissioned Paul Myners to undertake a review of institutional investment, publishing a report in 2001 which became established as the Myners' Principles on Good Investment Governance. The principles were updated through a Treasury report in October 2008, *'Updating the Myners' Principles: A Response to Consultation'*.

Local government pension funds are required, by regulation, to produce a statement on their compliance with the Myners' Principles on the basis of 'comply or explain', including the statement in their annual report. CIPFA produces guidance and advises on the application of the Myners' Principles to local government pension funds. This guidance (Investment Decision Making and Disclosure 2009) has been followed in the production of this statement.

Executive Summary

West Midlands Pension Fund aims to comply with all of the Myners' Principles, recognising it is in all parties' interests if the Fund operates to standards of investment decision-making and governance identified as best practice. It is also recognised as important to demonstrate how the Fund meets such principles and best practice.

The power to establish and maintain pension funds is set out in various local government regulations, some of which establish limits and controls on investment activity. The Myners' Principles support and complement these regulations. The Secretary of State has previously highlighted the principle contained in *Roberts v Hapwood* whose administering bodies exercise their duties and powers under regulations governing the investment and management of funds:

"A body charged with the administration for definite purposes of funds contributed in whole or in part by persons other than members of that body owes, in my view, a duty to those latter persons to conduct that administration in a fairly businesslike manner with reasonable care, skill and caution, and with a due and alert regard to the interest of those contributors who are not members of the body. Towards these latter persons, the body stands somewhat in the position of trustees or managers of others."

The Myners' Principles are seen as supporting this approach.

This statement links with and is supported by the Fund's ISS (Investment Strategy Statement), FSS (Funding Strategy Statement) and Governance Strategy, where much supporting detail is contained.

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COMPLIANCE WITH THE MYNERS' REPORT

Demonstration of Compliance with Myners' Principles

The table demonstrates how Myners-compliant the Fund is; details of which are further described on the following pages.

	Myners' Principle					
Supporting Documents and Operational Arrangements	1	2	3	4	5	6
a) City Council Constitution	✓					
b) Fund Strategies and Statement						
• SIP	✓	✓	✓	✓	✓	✓
• FSS	✓	✓	✓	✓		✓
• Social Responsibility Statement	✓	✓			✓	✓
• Fund Governance Statement	✓					✓
• Communication Strategy	✓					✓
c) Procedures						
• Compliance Manual	✓		✓			
• External Audit			✓			
• Internal Audit			✓			
• Risk Assessment			✓			
• Business Plan	✓		✓	✓	✓	✓
• Valuation Report		✓	✓			✓
• Annual Report and Governance Report		✓	✓	✓	✓	✓
d) Fund Reporting						
• Quarterly Technical Asset Allocation	✓		✓	✓		
• Property Strategy	✓	✓		✓		
• Annual Returns	✓		✓	✓		✓
• Quarterly Compliance Report				✓		✓
• Quarterly Governance Activity					✓	✓
• Quarterly Investment Activity	✓			✓		✓
• Employing Body Brief		✓				✓
• Annual Benefit Statements						✓
e) Advisors						
• Investments	✓	✓	✓	✓		
• Actuary	✓	✓	✓	✓		
• Company Governance	✓	✓			✓	
• Finance and Legal	✓	✓	✓			
f) Support Arrangements						
• Custodian	✓					
• Management Agreements	✓	✓	✓		✓	

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COMPLIANCE WITH THE MYNERS' REPORT

Principles	Key points	Demonstration of Compliance
PRINCIPLE 1: EFFECTIVE DECISION-MAKING		
<p>Administering authorities should ensure that:</p> <ul style="list-style-type: none"> • decisions are taken by persons or organisations with the skills, knowledge, advice and resources necessary to make them effective and monitor their implementation; and • those persons or organisations have sufficient expertise to be able to evaluate and challenge the advice they receive, and manage conflicts of interest. 	<ol style="list-style-type: none"> 1) Elected members have a fiduciary duty to the Fund, scheme members and local taxpayers. 2) Functions can be delegated and investment managers used, but overall responsibility rests with members. 3) Proper advice should be taken and the regulations define this as: "the advice of a person who is reasonably believed...to be qualified by his ability in and practical experience of financial matters." 4) The Wednesbury Principle (1945) applies to all parties involved in the arrangements and ensures they direct themselves properly in law and demonstrate reasonable behaviour. 5) All councils must appoint one of its officers to have responsibility for ensuring arrangements are in a place for the proper/financial administration of its financial affairs. 6) The role of the Pensions Committee and key officers should be clear in the Council's constitution. 7) Best governance practices should be followed. 8) The Pensions Committee should ensure it has appropriate skills and is run in a way to facilitate effective decision-making. 	<p>The Fund produces a business plan and a medium-term financial plan, together with supporting codes and policies:</p> <ul style="list-style-type: none"> • ISS (Investment Strategy Statement) • FSS (Funding Strategy Statement) • Governance Statement <p>The functions delegated and the administration of the Fund's activities are undertaken with appropriately trained staff and use of professional advisors where necessary, in accordance with the Council's constitution and the Fund's compliance manual and procedures.</p> <p>A trustee training policy is in place for Pensions Committee and IASC members, including non-voting members/observers and the Local Pensions Board.</p> <p>Training is structured to fulfil the CIPFA knowledge and skills requirements.</p> <p>Training needs analysis is carried out by the Trustee Management Officer and through evaluation forms which ask Trustees which areas they feel they need training on.</p> <p>All training is logged and disclosed in the annual report.</p>
PRINCIPLE 1: CLEAR OBJECTIVES		
<p>An overall investment objective(s) should be set out for the fund that takes account of the Scheme's liabilities, the potential impact on local tax payers, the strength of the covenant for non-local authority employers, and the attitude to risk of both the administering authority and Scheme employers, and these should be clearly communicated to advisors and investment managers.</p>	<ol style="list-style-type: none"> 1) A three-yearly actuarial valuation as required by regulation. 2) A full range of investment opportunities should be considered. 3) A strategic asset allocation should be used and reviewed regularly. 4) Robust investment management agreements should be used. 5) The targeted investment return and associated risks should reflect the liabilities, assets held and link to the actuarial process. 6) The provision for taking proper advice should be demonstrated. 	<p>The Fund takes a range of specialist advice in formulating its investment strategy, ISS and FSS, ensuring all link to the common objectives that arise from the actuarial process with emphasis on managing investment risk relative to fund cashflows and need for stable contribution rates. These policies are reviewed regularly and interim valuations used to track progress between valuations.</p> <p>The Pensions Committee places significant emphasis on reviewing and monitoring the investment strategy with regular reviews and input from professional and experienced advisors. The Investment Advisory Sub-Committee regularly reviews new investment opportunities and make up of asset portfolios.</p> <p>Robust agreements are in place with investment managers.</p>

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COMPLIANCE WITH THE MYNERS' REPORT

Principles	Key points	Demonstration of Compliance
PRINCIPLE 3: RISKS AND LIABILITIES		
<p>In setting and reviewing their investment strategy, administering authorities should take account of the form and structure of liabilities.</p> <p>These include the implications for local tax payers, the strength of the covenant for participating employers, the risk of their default and longevity risk.</p>	<ol style="list-style-type: none"> 1) The Pensions Committee should set a clear investment objective. 2) Investment risk should be fully evaluated, monitored and the link to employing bodies' ability to meet liabilities recognised. 3) Appropriate guarantees should be used to protect against employer default. 4) The need for affordable, stable contributions should be reflected in the work of the Pensions Committee. 5) The Pensions Committee and Pensions Board should satisfy itself that the standards of internal controls applied are sound and robust. 6) An understanding of risk should be demonstrated and reported upon. 	<p>Trustees set the Fund's investment strategy having regard to the liabilities and achieving stable affordable contributions, consulting with interested parties regularly.</p> <p>The investment setting process takes account of short-term market volatility, but with strong positive cashflows places great emphasis on the medium- to long-term view.</p> <p>The Fund's annual report includes a statement on overall risk management of all activities.</p> <p>The Pensions Committee receive quarterly compliance and risk monitoring reports.</p> <p>All new employers are required to have a guarantor and the Fund monitors the strength of existing employer covenants, taking action where necessary.</p>
PRINCIPLE 4: PERFORMANCE ASSESSMENT		
<p>Arrangements should be in place for the formal measurement of performance of the investments, investment managers and advisors.</p> <p>Administering authorities should also periodically make a formal assessment of their own effectiveness as a decision-making body and report on this to scheme members.</p>	<ol style="list-style-type: none"> 1) Extensive formal performance measurement of investments, managers and advisors should be in place and relate to the investment objectives. 2) Effectiveness of the Pensions Committee should be reported upon at regular intervals. 3) Returns should be measured on a quarterly basis in accordance with the regulations; a longer time frame (three to seven years) should be used in order to assess the effectiveness of fund management arrangements and review the continuing compatibility of the asset/liability profile. 	<p>The overall investment objectives link to portfolios and the individual investment objectives. The performance measurement is made up of targets driven by the investment strategy and its component parts.</p> <p>An external measurement service is used to provide robust and reliable information. Off-target performance is reviewed by the Pensions Committee and Investment Advisory Sub-Committee and appropriate action agreed.</p> <p>The regular annual report details the work and achievement of the Committees and Board.</p>

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COMPLIANCE WITH THE MYNERS' REPORT

Principles	Key points	Demonstration of Compliance
PRINCIPLE 5: RESPONSIBLE OWNERSHIP		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> • adopt, or ensure their investment managers adopt, the Institutional Shareholders' Committee Statement of Principles on the responsibilities of shareholders and agents. • include a statement of their policy on responsible ownership in the Statement of Investment Principles. • report periodically to scheme members on the discharge of such responsibilities. 	<ol style="list-style-type: none"> 1) Disclose approach to responsible ownership in ISS. 2) Define expectations of managers on responsible ownership. 3) The former Institutional Shareholders' Committee of Principles for institutional shareholders and/or agents (now the UK Stewardship Code) should be followed. 	<p>The Fund executes its ownership responsibilities through its Responsible Investment Framework.</p> <p>Voting and responsible investment policies, as well as quarterly reports on voting and engagement, are published on the Fund's website. The Fund has also published a statement of compliance with the UK Stewardship Code which, in respect of investments in the United Kingdom, requires managers to have due regard to the UK Corporate Governance Code and, in respect of overseas investments, have due regard to relevant recognised standards. Compliance with the UK Stewardship Code is required in Investment Management Agreements with fund managers. The Fund is a signatory to the UN-backed Principles for Responsible Investment.</p>
PRINCIPLE 6: TRANSPARENCY AND REPORTING		
<p>Administering authorities should:</p> <ul style="list-style-type: none"> • act in a transparent manner, communicating with stakeholders on issues relating to their management of investment, its governance and risks, including performance against stated objectives. • provide regular communication to scheme members in the form they consider most appropriate. 	<ol style="list-style-type: none"> 1) Maintain a sound governance policy and demonstrate its implementation. 2) Maintain a communication policy and strategy. 3) Ensure all required strategies and policies are published in a clear transparent manner. 4) Annual reports are a demonstration of accountability to stakeholders and should be comprehensive and readily available. 	<p>The Fund produces and reviews regularly its key policy and strategy documents, publishing them on its website. All members, actives, deferred and pensioners receive regular communications on the Fund's activities and performance.</p> <p>A comprehensive annual report is produced.</p>

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

POLICY DOCUMENT

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

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.

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ADMINISTERING AUTHORITY POLICY STATEMENT 2014

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.

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

Certificate Produced by an IRMP Under the 2008 Scheme [TP]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority can use a certificate produced by an IRMP under the 2008 scheme to make a determination under the 2014 scheme.

The certificate will be allowed except in circumstances of a particular case the certificate is not compliant with the requirements of the 2014 scheme.

Early Payment on Ill-Health Grounds – Deferred Member [R38]

In cases where the employer or the former employer has ceased to exist to be a scheme employer, the administering authority shall decide whether the deferred member meets the criteria of being permanently incapable of carrying out their former job and are unlikely to be capable of undertaking gainful employment before normal pension age or for at least three years, whichever is sooner.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Early Payment on Ill-Health Grounds – Deferred Pensioner Member [R38]

In cases where the employer or the former employer has ceased to be a scheme employer, the administering authority can decide whether a deferred pensioner is unlikely to be capable of undertaking gainful employment before normal pension age because of ill health.

Where a request is received each case will be considered individually and a decision will be made based on the medical evidence and opinion provided by the independent registered medical practitioner.

Payment of the Death Grant [R40, R43, R46, TP17 & B23, B32, B35]

The administering authority has absolute discretion in determining the recipients of any death grant payable from the scheme.

Normally, the death grant will be paid to the nominated beneficiary or the death grant could be paid to the estate of the deceased. Where either or both of these options are seen to be inappropriate or impossible, the Council shall exercise its absolute discretion as to who should receive the death grant.

No Double Entitlement – Benefits Due Under Two or More Regulations [R49 & B42]

The administering authority may decide, in the absence of an election form from a member, which benefit is to be paid where the member would be entitled to a benefit under two or more regulations for the same period of scheme membership.

The member would be notified of the payment of the benefit that would provide the highest level of payment.

Admission Agreement Funds [R54]

The administering authority may establish an admission agreement fund.

The Council has chosen not to set up an admission agreement fund.

Governance Compliance Statement [R55]

The administering authority must prepare a governance policy stating whether the administering authority delegates its functions or part of its functions in relation to maintaining a pension fund to a committee, a sub-committee or an officer of the administering authority, and if they do so delegate, state:

- the terms, structure and operational procedures of the delegation;
- the frequency of any committee or sub-committee meetings; 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

OUR YEAR

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

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.

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

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 than 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 [RSch1 & 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.

OUR YEAR

ADMINISTERING AUTHORITY POLICY STATEMENT 2014

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

OUR YEAR

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
- Bournville College of Further Education
- Cadbury Sixth Form College
- City College Coventry
- City of Wolverhampton College
- Dudley College of Technology
- Halesowen College
- Henley College
- Hereward College
- Joseph Chamberlain College
- King Edward VI College
- Sandwell College
- Solihull College
- Solihull Sixth Form College (The)
- South and City College Birmingham
- Walsall College

Other Bodies

- Academy Transformation Trust
- Ace Academy - Education Central MAT
- Acocks Green Primary Academy
- Albert Bradbeer Junior School - Education Central MAT
- Alderbrook School
- Aldersley High School - Amethyst Academy Trust

PARTICIPATING EMPLOYERS IN THE FUND

- Aldridge School - A Science College
- All Saints National Academy - St Chads Academy Trust
- Alston Primary School - Leigh Trust
- Arden Academy - Arden MAT
- ARK St Albans Academy
- ARK Boulton Academy
- ARK Chamberlain Academy
- ARK Kings Academy
- ARK Rose Primary Academy
- ARK Tindal Primary Academy
- Arthur Terry Learning Partnership
- Aston Manor Academy
- Aston 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
- Balsall Parish Council - *terminated 2 September 2016*
- Barr Beacon School - Matrix Academy Trust
- Barr's Hill School - The Futures Trust
- Bartley Green School
- Baverstock Academy - The Leap Academy Trust
- 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 Museums Limited
- 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 Academy Limited (The)
- Blue Coat Church of England (Walsall) Trust
- Birmingham Ormiston Academy
- Bournville School and Sixth Form Centre - Fairfax MAT
- Bramford Primary - Griffin Schools 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
- Castle Bromwich Parish Council
- Caludon Castle School
- Calthorpe Academy

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- Calthorpe Vocational Centre - Calthorpe Vocational Trust
- Canterbury Cross Primary School - Canterbury Cross Educational Trust
- Cardinal Wiseman Catholic School - Romero MAC
- 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
- City of Wolverhampton Academy Trust
- Clifford Bridge Academy - Inspire Education Trust
- Cockshut Hill School - Ninestiles 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
- Coventry and Solihull Waste Disposal Company Limited (The)
- Coventry University Enterprises Limited
- Crestwood School (The) - Invictus Education Trust
- Cromwell Primary School - Cromwell Learning Community Academy Trust
- CTC Kingshurst Academy
- Croft Primary Academy - The Elliot Foundation Academies Trust
- 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
- Dunstall Hill Primary School - Perry Hall MAT
- 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
- Fairfax School - Fairfax MAT
- Fairway Primary Academy - Education Central MAT

PARTICIPATING EMPLOYERS IN THE FUND

- Fibbersley Park Academy - Victoria Academies Trust
- Field View Primary School - St. Martin's MAT
- Finham Park School - Finham Park MAT
- Finham Park 2 - Finham Park MAT
- Firs Primary School - Community Education Partnership Trust
- Fordbridge Parish Council
- Four Dwellings Primary Academy - Academies Enterprise Trust
- Four Dwellings Academy - Academies Enterprise Trust
- Futurelets Limited
- George Betts Academy - The Elliot Foundation Academies Trust
- George Dixon Academy
- Good Shepherd Primary School - Romero MAC
- Goldsmith Primary Academy - Windsor Academy Trust
- Gossey Lane Academy - Washwood Heath MAT
- Grace Academy
- Great Barr Primary School
- Great Barr Academy - The Shaw Education Trust
- Greenholm Primary School
- Green Meadow Primary School
- 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
- Hamstead Hall Academy - Hamstead Hall Academy Trust
- Handsworth Wood Girls' Academy
- Harborne Academy
- Hawkesley Church Primary Academy
- Health Futures UTC
- Heartlands E-ACT Academy
- Heart of England School
- Heathfield Primary School - Prince Albert Community Trust
- Heathlands Academy - Education Central MAT
- Heath Park Academy - Central Learning Partnership Trust
- Highfield Junior and Infant School - Prince Albert Community Trust
- Highfields School
- Hill Avenue Academy - Manor MAT
- Hillcrest School and Sixth Form Centre
- Hill Farm Academy - Castle Phoenix Trust
- Hillstone Junior and Infants Academy
- High Arcal School Academy Trust (The)
- Hob Green Primary School - DRB Ignite MAT
- Hockley Heath Academy
- Hodge Hill School - Create Partnership Trust
- Holy Cross - John Paul II Multi-Academy
- Holy Rosary Catholic Primary - Pope John XXIII MAC

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- Holy Trinity C of E Primary Academy (Handsworth)
- Holly Hall Academy
- Holyhead School
- Inspire Education Trust
- James Brindley School
- Jervoise School - DRB Ignite MAT
- John Henry Newman Catholic College
- Joseph Leckie Academy
- Jubilee Academy Mossley - Academy Transformation Trust
- Jubilee Park Academy Trust
- Keresley Grange Primary Academy - The Futures 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 Primary School - Leigh Trust
- 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 Way Primary Academy - Windsor Academy Trust
- Manor Primary School - Manor MAT
- Manor Park Primary Academy - REAch2 Academy Trust
- Mansfield Green E-ACT Primary Academy
- Marston Green Infant Academy
- Meriden Parish Council
- Merritts Brook E-ACT Primary Academy
- Mesty Croft Academy
- Moor Green Primary Academy - HTI MAT
- Moor Green Primary Academy - REAch2 MAT

PARTICIPATING EMPLOYERS IN THE FUND

- Montgomery Primary Academy - Academies Enterprise Trust
- 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
- Ninestiles Academy Trust
- Nishkam School Trust
- Nonsuch Primary School - Barchelai MAT
- North Birmingham E-ACT Academy
- Northern House School Academy Trust
- Northern House School (City of Wolverhampton) - Northern House School Academy Trust
- Northern House School (City of Wolverhampton) Primary PRU
- Northfield Manor Primary Academy - Victoria Academies Trust
- Northwood Park Primary Academy
- Oaklands Primary - Ninestiles Academy Trust
- Oasis Community Learning - Foundry Primary
- Oasis Community Learning - Hobmoor Primary
- Oasis Community Learning - Matthew Boulton
- Oasis Community Learning - Short Heath Primary
- Oasis Community Learning - Blakenhale Infants
- Oasis Community Learning - Blakenhale Junior
- 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 Forge Academy
- Ormiston George Salter Academy
- Ormiston Sandwell Community Academy
- Our Lady & St. Chad's Catholic Sports College - Pope John XXIII MAC
- Our Lady of Fatima Catholic Primary School - St Nicholas Owen Catholic MAC
- Our Lady and St Hubert's Catholic Primary Academy - St Catherine of Siena MAC
- Oval School (The) - DRB Ignite MAT
- Oxley Primary School - Reach2 Academy Trust
- Parkgate Primary School - The Futures Trust
- Park Hall Academy – Arden MAT
- Park Hall Infant Academy
- Park Hall Junior Academy
- Palmers Cross Primary Academy - Elston Hall MAT
- Parkfield Academy Trust
- Pegasus Academy - Ninestiles Academy Trust
- Percy Shurmer Primary School
- Perry Beeches - The Academy
- Perry Hall Primary School
- Phoenix Academy - Academy Transformation Trust

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- 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
- 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
- Reaside Academy - Education Central MAT
- Reach Free School
- Reedswood E-ACT Primary Academy
- Redhill School
- Ridgewood High School - A King Edward's and Halesowen Colleges' Academy Trust
- Rivers Primary Academy - Windsor Academy Trust
- Riverbank Academy - Sidney Stringer Academy Trust
- Robin Hood Academy
- Rockwood Academy - The Core Education Trust
- Romero Catholic Academy (The)
- Rookery School
- Rough 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
- Ormiston Shelfield Community Academy
- Shenley E-ACT Academy
- Shireland Collegiate Academy - The Collegiate Academy Trust
- Shireland Hall Academy - The Elliot Foundation Academies Trust
- Shire Oak Academy Trust
- Shirestone Community Academy - The Elliot Foundation Academies Trust
- Sidney Stringer Academy Trust
- Sidney Stringer Free Primary School - Sidney Stringer Academy Trust
- Silvertrees Academy Trust
- Smestow School - Education Central MAT
- Smith's Wood Parish Council
- Smith's Wood Primary Academy
- SS Peter and Paul Catholic Primary School - Romero MAC
- Solihull Community Housing
- Stanton Bridge Primary School - Stanton Bridge MAT
- 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

PARTICIPATING EMPLOYERS IN THE FUND

- Streetsbrook Infant and Early Years Academy - Streetsbrook Academy Trust
- St Bartholomew's C of E Primary School - St Bartholomew's CE Multi Academy Trust
- St Bartholomew's C of E Primary Academy - Diocese of Coventry MAT
- 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 C of E Primary School
- St George's Academy Newtown
- St Gregory's Academy - St Catherine of Siena MAC
- St Gregory's School Coventry - Romero MAC
- Stirchley Primary School - Evolve Education Trust
- St James' Catholic Primary School - Lumen Christi Catholic MAT
- St John Fisher Primary School - Romero MAC
- St John's C of E Primary School
- St John's C of E Primary Academy - Diocese of Coventry MAT
- St John's C of E Primary Academy - St. Chad's Academy Trust
- St John's and St Peters C of E Academy - All Saints MAT
- St Joseph's - John Paul II Multi-Academy
- St Joseph's Academy - The St John Bosco CAT
- St Joseph's Catholic Primary School - Lumen Christi Catholic MAT
- St Josephs' Catholic Primary School - St Nicholas Owen Catholic MAC
- St Jude's Academy - The Wulfrun Academies Trust
- St Laurence's Primary Academy - Diocese of Coventry MAT
- St Martin's C of E Primary School - St. Martin's MAT
- St Mary's Catholic Primary School - St Nicholas Owen Catholic MAC
- St Mary's Catholic Primary - Pope John XXIII MAT
- St Mary's C of E Primary Academy and Nursery
- St Michael's Catholic Primary Academy and Nursery - Bishop Cleary Catholic MAC
- St Michael's C of E Primary School - Barchelai MAT
- St Michael's C of E Primary Academy Handsworth
- St Nicholas' - John Paul II Multi-Academy
- St Patrick's Church of England Primary Academy
- St Patrick's Catholic Primary School - Romero MAC
- St Paul's C of E Primary Academy
- St Paul's Catholic Primary School - Lumen Christi Catholic MAT
- St Peter's Church of England Academy Trust
- St Philip's Catholic Primary Academy - St Catherine of Siena MAC
- St Teresa's Catholic Primary Academy - Bishop Cleary Catholic MAC
- St Thomas Aquinas Catholic Primary School - Lumen Christi Catholic MAT
- St Thomas CE Academy - All Saints MAT
- Streetly Academy (The)
- Stretton Primary Academy - Diocese of Coventry MAT

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- Sutton Coldfield Grammar School for Girls Academy Trust
- Tame Valley Academy - Education Central MAT
- Tenterfields Primary Academy
- The University of Birmingham School
- Three Spires Academy - RNIB Specialist Learning Trust
- Tile Hill Wood School and Language College
- Timberley Academy Trust
- Timbertree Primary - United Learning Academies
- Tiverton Academy - 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
- Twickenham Primary Academy
- Urban Enterprises (Bournville) Limited
- Victoria Park Academy - Victoria Academies Trust
- Walsall Adult Community College
- Walsall City Academy Trust Limited
- Walsall Studio School - The Vine Trust
- Walsgrave C of E Academy - Inspire Education Trust
- Warren Farm Primary School
- Washwood Heath Academy - Washwood Heath MAT
- Waverley School - The Waverley Education Foundation Limited
- Waverley Studio College
- Wednesbury Oak Primary Academy
- Wednesfield High Specialist Engineering Academy - Education Central MAT
- West Midlands Construction UTC Trust
- Westminster Primary School - Westminster Academy Trust
- West Walsall E-ACT Academy
- Westcroft Sport & Vocational College - Central Learning Partnership Trust
- Westwood Academy (Coventry) (The)
- Whittle Academy - Inspire Education Trust
- Willenhall E-ACT Academy
- Whitley 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
- Woodhouse Primary Academy - Education Central MAT
- Wood Green Academy Trust
- Woodlands Academy
- Woodlands Academy of Learning

PARTICIPATING EMPLOYERS IN THE FUND

- 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

- Bickenhill Parish Council
- Black Country University Technical College
- Charles Cuddy Walker Academy
- Golden Hillock
- Mirus Academy - Walsall College Academies Trust
- Sandwell Homes Limited

Community Of Interest Admission Bodies - Admitted Bodies

With Active Members

- 4 Towers TMO Limited
- Acivico (Building Consultancy)
- Acivico (Design Construction and Facilities Management)
- Action Indoor Sports Birmingham CIC Limited
- Age Concern Birmingham
- Age Concern Birmingham (VSOP)
- 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
- Broadening Choices for Older People - *terminated 16 May 2016*
- 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 (Birmingham South) - *terminated 31 March 2017*
- Home Start (Stockland Green/Erdington)
- Home Start (Walsall)
- Kingswood Trust
- Leamore Residents Association Limited
- Lieutenancy Services (West Midlands) Limited
- Life Education Centres West Midlands - *terminated 31 March 2017*

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- Lighthouse Media Centre
- Manor Farm Community Association
- Marketing Birmingham Limited
- Midland Heart Limited
- Millennium Point Trust - *terminated 13 November 2015*
- Murray Hall Community Trust Limited
- Murray Hall Community Trust (Oldbury) - *terminated 31 March 2017*
- Murray Hall Community Trust (Rowley) - *terminated 31 March 2017*
- Murray Hall Community Trust (Wednesbury) - *terminated 31 March 2017*
- 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)
- Rightstepcareers Ltd (formally CSW Partnership Limited) - *terminated 31 August 2016*
- S4E Limited
- Sandbank Tenant Management Organisation Limited
- Sandwell Community Caring Trust (The)
- Sandwell Community Caring Trust (The) (Sandwell Care Homes)
- SIPS Education Limited
- Sandwell Leisure Trust
- Sickie Cell and Thalassaemia Support Project (Wolverhampton)
- Solihull Care Limited
- 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

PARTICIPATING EMPLOYERS IN THE FUND

- Birmingham and Solihull Connexions Services
- Birmingham and Solihull Learning Exchange (The)
- Birmingham Heartlands Development Corporation
- Black Business in Birmingham
- Black Country Connexions
- Black Country Museum Development Trust (The)
- Burrowes Street Tenant Management Organisations Limited
- BXL
- Cannon Hill Trust (now Midlands Arts Council)
- Cerebral Palsy Midlands
- Community Justice National Training Organisation
- Coventry Heritage and Arts Trust
- Coventry Voluntary Service Council
- CV One Limited
- Druids Heath TMO
- Dudley Zoo Development Trust
- East Birmingham Family Service Unit
- Family Care Trust
- Heath Town Estate Management Board
- Heart of England Care
- Job Change Limited
- Leisure and Community Partnership Limited
- Metropolitan Authorities Recruitment Agency (METRA)
- Millennium Point Trust
- Moor Green Primary Academy - HTI MAT
- Moseley and District Churches Housing Association Limited
- Museum of British Road Transport Trust (Coventry) Limited
- National Urban Forestry Unit
- National Windows (Homes Improvements) Limited
- Newman College
- Priory Family Centre CIC Limited
- Relate
- Roman Way Estate CIC
- Sandwell Arts Trust
- Sandwell Regeneration Company Limited
- Selly Oak Nursery
- Smethwick Asra Limited
- Solihull Care Trust
- Solihull Community Caring Trust
- South Birmingham Family Services Unit
- South Warwickshire Tourism Limited
- Springfield/Horseshoe Housing Management Co-operative Limited
- St Basil's Centre
- Sunderland ARC Limited
- The Chris Laws Day Care Centre for Older People
- Three Tuns Neighbourhood Project

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- 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)
- ABM Catering Limited (Cannon Park) - *terminated 27 May 2016*
- ABM Catering Limited (John Shelton Community Primary School)
- ABM Catering Limited (St Andrews CE Infant School)
- ABM Catering Limited (St Johns C of E Academy) - *terminated 31 July 2016*
- Action for Children (Smethwick) - *terminated 31 March 2017*
- Action for Children (West Bromwich) - *terminated 31 March 2017*
- 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 (Ernesford Grange) - *terminated 31 August 2016*
- 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 (Joseph Leckie) - *terminated 16 February 2017*
- Alliance in Partnership Limited (King Edward VI Sheldon Heath)
- Alliance in Partnership Limited (Pedmore Primary School)
- Alliance in Partnership Limited (President Kennedy)
- Alliance in Partnership Limited (Stoke Park)

PARTICIPATING EMPLOYERS IN THE FUND

- Alliance in Partnership Limited (Unity Cluster)
- Amey Highways Limited
- Amey LG Limited
- APCOA Parking (UK) Limited (Wolverhampton)
- Aspen Services Limited (Gosford Park)
- 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 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
- Barnardos (Sandwell) - *terminated 31 March 2017*
- 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
- Black Country Housing Group (New Bradley Hall)
- Call First Cleaning
- Capita IT Services Limited - *terminated 31 October 2016*
- Catering Academy Limited (John Gulson)
- Catering Academy Limited (Synergy Schools)
- Carillion plc (Highfield & Pennfields)
- Carillion (AMBS) Limited (Heath Park Academy)
- Carillion (AMBS) Limited (St Mathias)
- Change, Grow, Live Limited
- Churchill Contract Catering Limited (Calthorpe School) - *terminated 23 July 2016*
- Churchill Contract Services Limited (Cottesbrook Junior School) - *terminated 3 August 2016*
- Churchill Contract Services Limited (Walsall College)
- Churchill Contract Services Limited (Whitehall School)
- Civica UK Limited (ARK Schools)

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- Compass Contract Services (UK) Limited (Hall Green Secondary School)
- Creative Support Limited
- Dodd Group (Midlands) Limited
- DRB Contract Cleaning Limited (Yew Tree Primary) - *terminated 28 April 2016*
- DRB Contract Cleaning Limited (Wychall Primary School) - *terminated 28 April 2016*
- 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 (Sheldon Heath 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)
- European Electronique Limited (Tile Hill Wood School)
- Fortem Solutions Limited (Birmingham South)
- Galliford (UK) Limited
- Harrison Catering Services Limited (Shenley Academy) - *terminated 31 August 2016*
- Holroyd Howe (Wolverhampton Grammar School)
- Housing and Care 21 Limited
- Interserve Catering Services Limited (Rowley)
- Interserve Catering Services Limited (Smethwick)
- Integral UK Limited (Coventry)
- Integral UK Limited (Queensbridge School) - *terminated 31 July 2016*
- Interserve FM Limited (Rowley Campus)
- Interserve FM Limited (OCOS/Wodo/Tipton)
- KCLS Limited (Alderbrook School) - *terminated 30 June 2016*
- KCLS Limited (Manor Park Primary School)
- Keepmoat Regeneration Limited
- KGB Cleaning & Support Services Limited (Bishop Ullathorne School)
- KGB Cleaning and Support Services Limited (Lyndon School) - *terminated 31 March 2017*
- 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 (E-ACT)
- 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)

PARTICIPATING EMPLOYERS IN THE FUND

- Lend Lease Construction (Europe) Limited (The Sixth Form College Solihull)
- Lend Lease Construction (Europe) Limited (Waverley School)
- Mazars Limited (Walsall MBC)
- Mitie PFI Limited
- NSL Limited (BCC)
- NSL Limited (Solihull)
- Pell Frischman Consultants Limited
- Pendergate Limited
- Places For People Leisure Limited (Wolverhampton)
- Places For People Leisure Limited (Harborne Pool)
- Premier Security Services Limited - *terminated 31 July 2016*
- Premier Support Services Limited (Alumwell Junior School)
- Premier Support Services Limited (Alumwell Infant School)
- Priory Education Services Limited - ADD
- Prospects Services (Coventry and Warwickshire)
- Quadron Services Limited
- Regent Office Care Limited (Henley College) - *terminated 31 July 2016*
- Regent Office Care Limited (Ormiston Shelfield Academy)
- Schools Plus Limited (John Henry Newman Catholic College)
- Serco Limited (Sandwell)
- Service Birmingham Limited
- Sodexo Limited - *terminated 31 July 2016*
- Superclean Services Wolthorpe Limited (Finham Park)
- Superclean Services Wolthorpe Limited (Fordbridge Community Primary School)
- Tarmac Limited
- Taylor Shaw Limited (Great Barr Birmingham)
- Taylor Shaw Limited (Colton Hills School) - *terminated 31 March 2017*
- T(n)S Catering Management Limited (Potters Green School)
- T(n)S Catering Management Limited (Moat House School)

Without Active Members

- Accord Operations (Birmingham)
- ACUA Limited
- Alliance in Partnership Limited (Aston)
- APCOA Parking (UK) Limited (Solihull)
- APCOA Parking (UK) Limited
- AWG Facilities Services Limited
- Birmingham Accord Limited
- Bovis Lend Lease Management Services
- British Telecom plc
- Catering Academy Limited (Walsall)
- Central Parking Systems
- Edith Cadbury Nursery School
- Enterprise (AOL) Limited (Shrewsbury)
- Enterprise (AOL) Limited (Shropshire)
- Forest Community Association

OUR YEAR

PARTICIPATING EMPLOYERS IN THE FUND

- GF Tomlinson Birmingham Limited
- Icare GB Limited
- Interserve Construction Limited (Smethwick Campus)
- Interserve Construction Limited (OCOS/WODO/Tipton Schools)
- Interserve Construction Limited (Rowley Campus)
- Interserve Facilities Management Limited (Smethwick)
- JDM Accord Limited (Shrewsbury & Atcham)
- JDM Accord Limited (Shropshire)
- JDM Accord Limited (Tamworth)
- JDM Accord Limited (Telford & Wrekin)
- KCLS Limited (Coventry)
- KGB Cleaning and Support Services Limited (Alderbrook)
- Kite Food Services Limited
- Lawrence Cleaning Limited (Woodthorne School)
- Leisure Living Limited
- 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 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 (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
- Select Windows (Homes Improvements) Limited
- Serco Limited (Stoke)

PARTICIPATING EMPLOYERS IN THE FUND

- Serco Limited (Walsall)
- Service Team Limited
- Strand Limited
- Superclean Services
- Target Excel plc (Magistrates Courts)
- Target Excel plc (Solihull MBC)
- Target Excel plc (Walsall MBC)
- Taylor Shaw Limited (Brownhills)
- 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

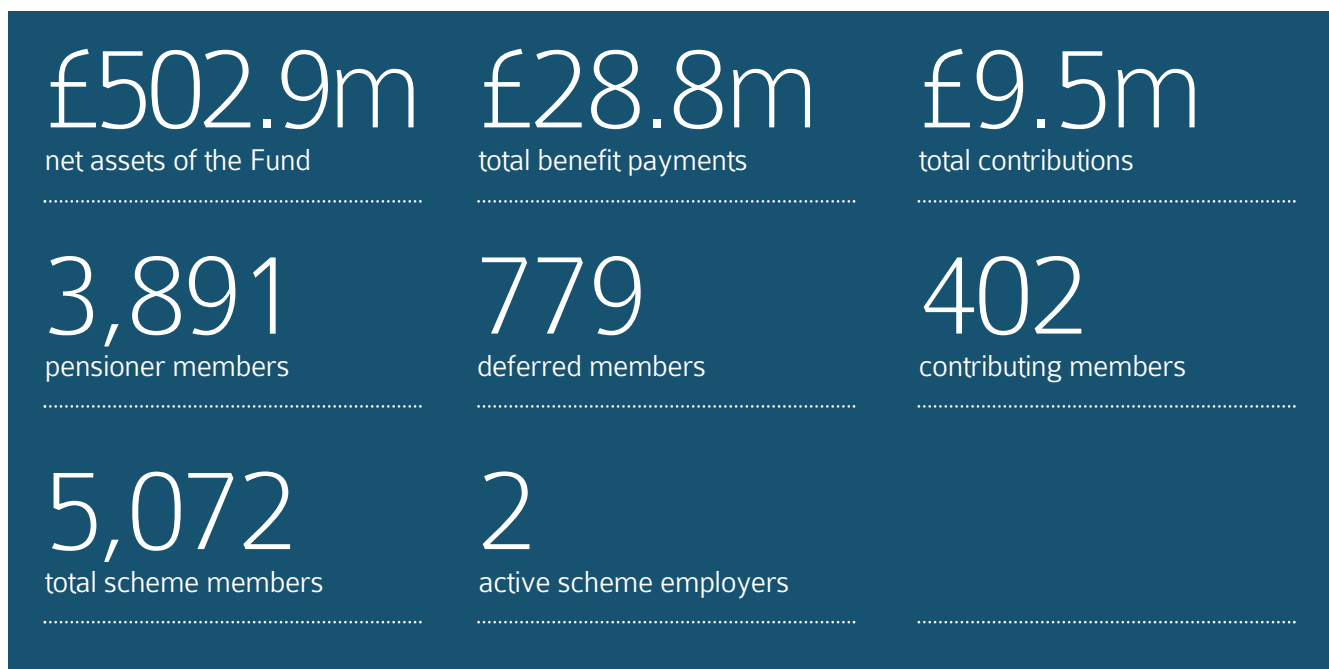
WEST MIDLANDS ITA PENSION FUND

MANAGEMENT AND FINANCIAL PERFORMANCE

- Fund Highlights
- Scheme Management and Advisors (as at 31 March 2017)
- Administrative Management Performance

MANAGEMENT AND FINANCIAL PERFORMANCE

FUND HIGHLIGHTS AS AT 31 MARCH 2017



OUR FOUR CORE OBJECTIVES



To be a leading performer in the LGPS sector



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



To achieve target investment returns



To provide excellent customer service

OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

SCHEME MANAGEMENT AND ADVISORS AS AT 31 MARCH 2017

Officers Administering the Fund

- G Drever
Strategic Director of Pensions
- R Brothwood
Director of Pensions
- J Fletcher
Chief Investment Officer
- R Howe
Head of Governance
- S Taylor
Head of Client and Funding Management
- D Kane
Head of Finance

Investment Managers

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

AVC Provider

Prudential and Equitable Life

Actuary

Barnett Waddingham LLP

Main Service Providers

- City of Wolverhampton Council in-house solicitors
- HSBC
- Portfolio Evaluation Ltd
- Eversheds

Banker

NatWest

West Midlands Combined Authority Accountants

- Rachel Teoh
- Christine Robertson

Auditor

Grant Thornton LLP

Scheme Administrator

West Midlands Combined Authority

Independent Investment Consultant

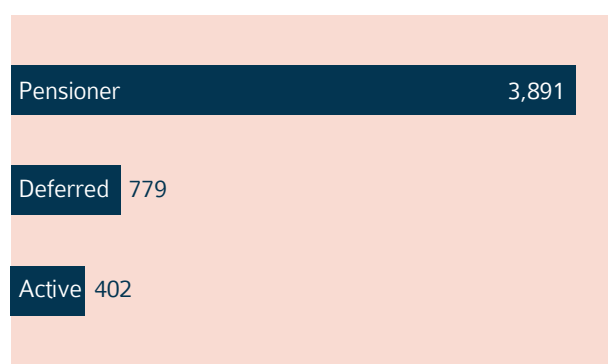
Hymans Robertson

MANAGEMENT AND FINANCIAL PERFORMANCE

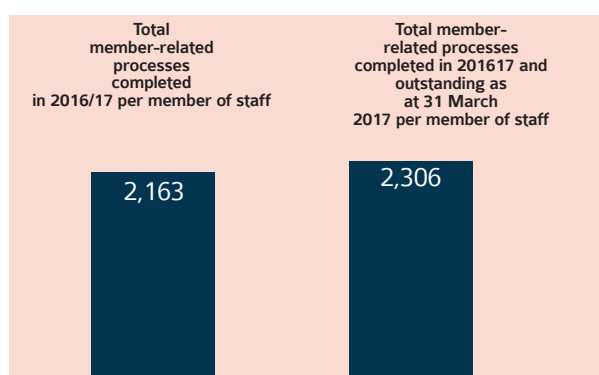
ADMINISTRATIVE MANAGEMENT PERFORMANCE

ADMINISTRATION AND KEY OPERATION DATA

FUND MEMBERS BY TYPE AS AT 31 MARCH 2017

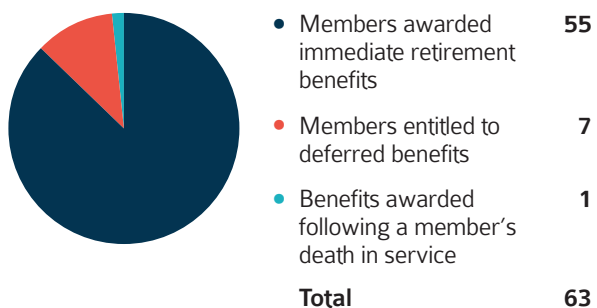


AVERAGE CASES PER MEMBER OF STAFF



Based on an average of one member of staff

WITHDRAWALS FROM THE FUND



OUR YEAR

MANAGEMENT AND FINANCIAL PERFORMANCE

ADMINISTRATIVE MANAGEMENT PERFORMANCE

ADMINISTRATION AND KEY OPERATION DATA

FIVE-YEAR DETAIL

	Employer name	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
2013	West Midlands Travel Ltd	744	858	17	3,044	452	5,115
	Preston Borough Transport	0	0	0	2	0	2
	Preston Bus Ltd	0	28	0	93	21	142
	Total	744	886	17	3,139	473	5,259
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

Preston Bus Ltd liabilities and Preston Borough Transport liabilities have been aggregated.

MANAGEMENT AND FINANCIAL PERFORMANCE

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	6	49	116
Beneficiary pensioner	0	0	4	3	3	0	0	2	3	4	11
Deferred	0	0	0	0	0	0	0	0	44	125	271
Deferred ex-spouse	0	0	0	0	0	0	0	0	0	2	3
Pensioner	0	0	0	0	0	0	0	0	0	6	27
Pensioner ex-spouse	0	0	0	0	0	0	0	0	0	0	0
Preserved refund	0	0	0	0	0	0	0	0	9	3	2
Total	0	0	4	3	3	0	0	2	62	189	430

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	135	50	41	5	0	0	0	0	0	0	402
Beneficiary pensioner	37	42	93	136	136	78	21	3	0	0	576
Deferred	267	35	9	0	0	0	0	0	0	0	751
Deferred ex-spouse	5	1	1	0	0	0	0	0	0	0	12
Pensioner	66	460	825	893	680	286	69	1	0	0	3,313
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	512	588	971	1,034	816	364	90	4	0	0	5,072

Active Members

The Fund has a total active membership of **402**. Since 31 March 2016, the number of contributing employees in membership has reduced by **68**.

Deferred Members

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

Pensioner Members

Pensions and other benefits amounting to **£28.8m** were paid in the year to beneficiary retired members.

WEST MIDLANDS ITA PENSION FUND

INVESTMENT POLICY AND PERFORMANCE

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 investment returns, ensure the solvency of the fund and its ability to pay pensions.

1 INVESTMENT MANAGERS

At 31 March 2017, the market value of the ITA Pension Fund was £502.9m. The largest component of this was an insurance policy valued at £255.0m, and a further £247.2m was invested with three Fund managers. £152.6m was invested with Legal & General Investment Management, £47.3m with Baillie Gifford and £47.3m 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 overleaf for 2015/2016 and 2016/2017.

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

Total market value 31 March 2016 £m %			Total market value 31 March 2017 £m %		
128.4	62	Legal & General Investment Management	152.6	62	
38.8	19	Baillie Gifford	47.3	19	
40.5	19	Newton	47.3	19	
207.7	100		247.2	100	

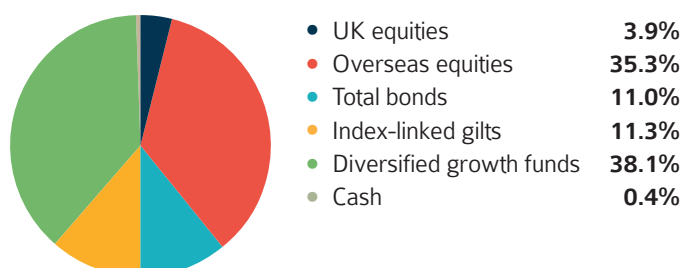
2 INVESTMENT STRATEGY STATEMENT (ISS)

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 2017.

A copy of the previous *Statement of Investment Principles* and a copy of the current *Investment Strategy Statement* can be found on the Fund's website at <http://www.wmpfonline.com/wmita>

3 ASSET ALLOCATION

The asset distribution as at 31 March 2017 is illustrated in the following chart:



OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

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

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

	Year ending 31 March				
	2013	2014	2015	2016	2017
Fund	+12.6%	+3.0%	+12.7%	-0.7%	+18.2%
Benchmark	+12.3%	+3.8%	+11.5%	+0.9%	+17.2%
Relative	+0.3%	-0.8%	+1.2%	-1.6%	+1.0%

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

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

	One year	Three years	Five years	Ten years
Fund	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 2017, the Fund outperformed the benchmark by 1.0%. Most of this outperformance was attributable to the diversified growth funds which returned 6.6% against a target of 4.1% for the 12-month period. The equity portfolio matched its benchmark returning 32.4%. The fixed income sector produced a positive return of 14.5%, also matching the benchmark.

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

5 CUSTODIAL AND ACCOUNTING ARRANGEMENTS

The ITA 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 requirement 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 the underlying assets) and obtains and reviews reporting accountants' reports on internal controls from the relevant investment managers to ensure control arrangements are suitable and risks are effectively managed.

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

HSBC



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

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

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

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT REPORT

2016/2017 Gross Returns

	Legal & General Actual	General Index	Baillie Gifford Actual	Gifford Index	Newton Actual	Newton 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%

2015/2016 Gross Returns

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

OUR YEAR

INVESTMENT POLICY AND PERFORMANCE

INVESTMENT REPORT

Asset Allocation Benchmark and Actual

	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

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 14 of the accounts)

	31 March 2016 Benchmark %	31 March 2016 Actual %
UK equities	3.9	3.6
Overseas equities:	34.5	35.2
- Europe	9.6	9.6
- North America	11.5	12.5
- Japan	3.8	4.2
- Pacific Basin	3.8	3.7
- Emerging markets	5.8	5.2
Diversified growth funds	38.6	37.8
Total growth	77.0	76.6
Index-linked gilts	11.3	11.3
Corporate bonds	11.3	11.0
Cash	0.4	1.1
Total defensive	23.0	23.4
Total assets	100.0	100.0

Shareholder Voting

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

WEST MIDLANDS ITA PENSION FUND

ACTUARIAL STATEMENT

AS AT 31 MARCH 2017

OUR YEAR

ACTUARIAL 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.

The valuation also showed that a primary rate of contribution of 25.1% of pensionable pay pa 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 contributions rates, in addition to those paid by the members of the Fund, are set to be sufficient to meet:

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

Assumptions

The assumptions used to value the benefits at 31 March 2016 are summarised below (split between the two employers):

Assumption	31 March 2016
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

ACTUARIAL STATEMENT

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.

Updated Position Since the 2016 Valuation

Since March 2016, the financial position of the Fund is likely to have improved, mainly due to asset returns being better than assumed 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 D MUIR FFA

Partner
Barnett Waddingham LLP

STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS

EXPLANATORY FOREWORD AND THE REPORT OF THE TREASURER OF THE WEST MIDLANDS INTEGRATED TRANSPORT AUTHORITY PENSION FUND

Explanatory Foreword

The following statements comprise the Financial Report for the West Midlands Integrated Transport Authority ('ITA') Pension Fund ('the Fund'). The accounts cover the financial year from 1 April 2016 to 31 March 2017.

This report has been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

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

OUR YEAR

STATEMENT OF ACCOUNTS

THE TREASURER'S REPORT

1 DESCRIPTION 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 9th 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 administrator of the Fund. City of Wolverhampton Council was appointed by the then ITA as agent to administer the Fund on its behalf. The name of the Fund remain 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 4 active members remaining at 31 March 2006 subsequently agreed to the same offer. There is no provision in the admission agreement for new employees of West Midlands Travel Limited to be admitted to the Fund.

2 MANAGEMENT OF THE FUND

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 (WMCA);
- put in place and monitor administration of contributions and payment of benefits; and
- determine and review the provision of resources to discharge the function of the administering authority.

STATEMENT OF ACCOUNTS

THE TREASURER'S REPORT

3 ADVISORS AND OFFICERS

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

Against this background its principal advisors are as follows:

HSBC Bank plc	Performance measurement and unitisation
Barnett Waddingham LLP	Actuarial matters
Hymans Robertson LLP	Policy and investment matters relative to liabilities
City of Wolverhampton Council officers	Investment implementation and administration, oversight of cashflows and pensions administration.
Grant Thornton UK LLP	Scheme auditors

4 MEMBERSHIP

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

31 March 2016 No.		31 March 2017 No.
470	Active members	402
3,845	Pensioner members	3,891
814	Deferred members	779
5,129	Total	5,072

5 FUNDING STRATEGY STATEMENT (FSS)

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 2017 depending on the level of pay.

Employee contributions are matched by employers' contributions. 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 of the *Funding Strategy Statement* was approved by the Pensions Committee in March 2017 and can be found on the Fund's website at www.wmpfonline.com/wmita

6 BENEFITS

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

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

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

OUR YEAR

STATEMENT OF ACCOUNTS

THE TREASURER'S REPORT

7 BULK ANNUITY INSURANCE ARRANGEMENT

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

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

8 INVESTMENT STRATEGY

As a result of the buy-in impacting the liabilities of only one of the underlying employers, each employer has their own investment strategy. In 2015, the assets attributable to the Fund's two employers were unitised to improve reporting and monitoring of the different investment strategies as well as to enable performance information for both employers to be reported separately. Concurrently, HSBC was commissioned to provide the fund accounting platform for these funds.

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

In accordance with regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, a new investment strategy for the Fund was issued in March 2017 and is available on the Fund's website at www.wmpfonline.com/wmita

On behalf of the Combined Authority Board

MARK TAYLOR

Director of Finance

Date: May 2017

STATEMENT OF ACCOUNTS

STATEMENT OF RESPONSIBILITIES FOR THE PENSION FUND ACCOUNTS

THE WEST MIDLANDS COMBINED AUTHORITY'S RESPONSIBILITIES

The West Midlands Combined Authority is required:

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

THE TREASURER'S RESPONSIBILITIES

The Treasurer to the Authority is responsible for the preparation of the ITA Pension Fund Statement of Accounts which is required to present fairly the financial position of the ITA Pension Fund at the accounting date and its income and expenditure for the year ended 31 March 2017.

In preparing this Statement of Accounts, the Treasurer has confirmed that:

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

CERTIFICATION OF THE ACCOUNTS

I certify that the Statement of Accounts presents fairly the position of the West Midlands Integrated Transport Authority Pension Fund at 31 March 2017 and the financial transactions for the year ended 31 March 2017.

MARK TAYLOR

Director of Finance
Date: 21 July 2017

APPROVAL OF THE ACCOUNTS

I certify that the Statement of Accounts has been approved by a resolution of the West Midlands Combined Authority Board Committee in July 2017.

ANDY STREET

Mayor and Chair of the West Midlands Combined Authority
Date: 21 July 2017

OUR YEAR

STATEMENT OF ACCOUNTS

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF WEST MIDLANDS
INTEGRATED TRANSPORT AUTHORITY

STATEMENT OF ACCOUNTS

INVESTMENT REPORT

1 INVESTMENT MANAGERS

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

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

Total market value 31 March 2016 £m %			Total market value 31 March 2017 £m %		
128.4	62	Legal & General Investment Management	152.6	62	
38.8	19	Baillie Gifford	47.3	19	
40.5	19	Newton	47.3	19	
207.7	100		247.2	100	

2 INVESTMENT STRATEGY STATEMENT (ISS)

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 2017.

A copy of the previous *Statement of Investment Principles* and a copy of the current *Investment Strategy Statement* can be found on the Fund's website at www.wmpfonline.com/wmita

3 REVIEW OF INVESTMENT PERFORMANCE

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

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

	2013	2014	Year ending 31 March 2015	2016	2017
Fund	+12.6%	+3.0%	+12.7%	-0.7%	+18.2%
Benchmark	+12.3%	+3.8%	+11.5%	+0.9%	+17.2%
Relative	+0.3%	-0.8%	+1.2%	-1.6%	+1.0%

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

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

	One year	Three years	Five years	Ten years
Fund	+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 2017, the Fund outperformed the benchmark by 1.0%. Most of this outperformance was attributable to the diversified growth funds which returned 6.6% against a target of 4.1% for the 12-month period. The equity portfolio matched its benchmark returning 32.4%. The fixed income sector produced a positive return of 14.5% matching the benchmark.

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

OUR YEAR

STATEMENT OF ACCOUNTS

INVESTMENT REPORT

4 CUSTODIAL ARRANGEMENTS

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

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



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

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

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

STATEMENT OF ACCOUNTS

FUND ACCOUNT

2015/16 £'000		Notes	2016/17 £'000
	Dealings with members, employers and others directly involved in the Fund		
(10,482)	Contributions	5	(9,504)
(65)	Transfers in from other pension funds	6	(59)
(2,766)	Other employer contributions	7	(2,654)
(13,313)			(12,217)
28,829	Benefits	8	28,769
457	Payments to and on account of leavers	9	147
6	Other payments	10	8
29,292			28,924
15,979	Net withdrawals from dealing with members		16,707
917	Management expenses	11	866
16,896	Net withdrawals including Fund management expenses		17,573
	Returns on investments		
(18,161)	Investment income	12	(18,326)
2,440	(Profits) and losses on disposal of investments and changes in the market value of investments	13	(37,118)
12,846	(Increase)/decrease in value of bulk annuity insurance buy-in	14	(4,148)
(2,875)	Net return on investments		(59,592)
14,021	Net (increase)/decrease in the net assets available for benefits during the year		(42,019)
474,886	Net assets of the Fund brought forward		460,865
460,865	Net assets of the Fund carried forward		502,884

NET ASSETS STATEMENT

31 March 2016 £'000		Notes	31 March 2017 £'000
207,731	Investment assets	13	247,173
250,874	Bulk annuity insurance buy-in	14	255,022
2,746	Current assets	15	1,190
(486)	Current liabilities	16	(501)
460,865	Net assets of the Fund available to fund benefits at the period end		502,884

These financial statements replaced the unaudited financial statements certified by Mark Taylor on 26 May 2017. Events after the balance sheet have been considered up to the date of approval.

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

1 BASIS OF PREPARATION

The Statement of Accounts summarises the Fund's transactions for the 2016/17 financial year and its position as at 31 March 2017. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17 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.

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

Fund Account – Expense Items

d) Benefits Payable

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

e) Taxation

i) Value added tax

The Fund 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.

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).

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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.

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4 ASSUMPTIONS MADE ABOUT THE FUTURE AND OTHER MAJOR SOURCES OF ESTIMATION AND UNCERTAINTY

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

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

Pension Fund Liability

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. When actual experience is not in line with the assumptions adopted, a surplus or shortfall will emerge at the next actuarial valuation and will require a subsequent contribution adjustment to bring the funding back into line with target.

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

31 March 2016	Assumptions used	31 March 2017
3.1%	Discount rate	2.4%
2.0%	Salary increases	2.5%
2.0%	Pensions increases	2.5%

31 March 2016	Life expectancy from age 65 (years)	31 March 2017
	Retiring today:	
21.5	Males	21.8
24.4	Females	23.8
	Retiring in 20 years:	
23.4	Males	23.9
26.4	Females	26.1

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

Change in assumptions – year ended 31 March 2017	Increase/(decrease) in pension liability	
Adjustment to discount rate	+0.5%	-0.5%
- Present value of total obligation	(£44.2m)	£47.7m
Adjustment to long-term salary increase	+0.5%	-0.5%
- Present value of total obligation	£3.7m	(£3.5m)
Adjustment to pension increases and deferred revaluation	+0.5%	-0.5%
- Present value of total obligation	£43.8m	(£40.9m)
Adjustment to life expectancy assumptions	+1 year	-1 year
- Present value of total obligation	£27.0m	(£25.9m)

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5 CONTRIBUTIONS RECEIVABLE

2015/16 £'000		2016/17 £'000
	Employers	
3,057	Normal contributions	2,767
5,850	Deficit funding	5,850
624	Early retirement costs	26
9,531		8,643
	Members	
947	Normal contributions	859
4	Additional contributions	2
951		861
10,482	Total by category	9,504
	Analysed by member body	
10,482	Admitted bodies	9,504
10,482	Total by authority	9,504

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 TRANSFER IN FROM OTHER PENSION FUNDS

2015/16 £'000		2016/17 £'000
	Transfers in	
65	Individual transfers	59
65	Total	59

7 OTHER EMPLOYER CONTRIBUTIONS

Pre-October 1986 pension increase liabilities are the responsibility of the West Midlands Combined Authority. The Combined Authority makes monthly payments to the West Midlands Pension Fund who then transfers the payments into the Fund. During the year, payments of £2.654m (2016: £2.766m) were made.

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8 BENEFITS PAYABLE

2015/16 £'000		2016/17 £'000
	Pensions	
22,833	Retirement pensions	22,946
1,865	Widows' pensions	2,005
13	Children's pensions	12
18	Widowers' pensions	22
24,729		24,985
3,922	Commutation and lump-sum retirement benefits	3,167
213	Lump-sum death benefits	617
(35)	Benefits recharged	-
28,829	Total by category	28,769
	Analysed by member body	
28,829	Admitted bodies	28,769
28,829	Total by authority	28,769

9 PAYMENTS TO AND ON ACCOUNT OF LEAVERS

2015/16 £'000		2016/17 £'000
	Transfers out	
457	Individual transfers out to other schemes and personal pensions	147
457	Total	147

10 OTHER PAYMENTS

2015/16 £'000		2016/17 £'000
6	Interest on late payments	8
6	Total	8

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11 MANAGEMENT EXPENSES

2015/16 £'000		2016/17 £'000
	Administration expenses	
120	Administration - City of Wolverhampton Council	120
120		120
	Investment management expenses	
615	Management fees - external	615
30	Management fees - internal	30
645		645
	Oversight and governance costs	
41	Administration and accountancy - ITA	22
9	Subscriptions	8
1	Actuarial fees	3
21	Audit fees	21
15	Performance monitoring service	25
12	Legal fees	-
51	Professional advisors' fees	20
2	Bank charges and interest	2
152		101
917	Total	866

12 INVESTMENT INCOME

2015/16 £'000		2016/17 £'000
4	Interest on cash deposits	7
17,076	Benefits underwritten	16,865
1,081	Dividend income	1,454
18,161	Total	18,326

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.

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13 INVESTMENT ASSETS

Reconciliation of movements in investments:

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	3,500	-	-	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	13,400	(10,800)	(276)	37,118	247,173

Prior year comparatives:

Movements during 2015/16	Market value 1 April 2015 £'000	Purchases during the year £'000	Sales during the year £'000	Management fees deducted £'000	Change in market value during the year £'000	Market value 31 March 2016 £'000
Pooled investment vehicles						
Quoted:						
UK - unitised insurance policies	56,244	-	(990)	-	(844)	54,410
Overseas - unitised insurance policies	75,789	-	-	-	(1,756)	74,033
Unquoted:						
Diversified growth funds	79,385	38,216	(38,216)	(257)	160	79,288
Total investments	211,418	38,216	(39,206)	(257)	(2,440)	207,731

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 2016			31 March 2017	
Market value £'000	% of total Fund		Market value £'000	% of total Fund
128,442	62	Legal & General Investment Management	152,614	62
38,838	19	Baillie Gifford	47,281	19
40,451	19	Newton	47,278	19
207,731	100		247,173	100

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Investments analysed by security:

31 March 2016 Market value £'000	% of total Fund		31 March 2017 Market value £'000	% of total Fund
		UK equities		
7,635	4	UK Equity Index	9,697	4
7,635	4		9,697	4
		Overseas equities		
20,257	10	Europe (ex UK) Equity Index	24,584	10
26,326	13	North America Equity Index	29,002	12
8,825	4	Japan Equity Index	9,323	4
10,943	5	World Emerging Markets Equity Index	14,870	6
7,682	4	Asia Pacific (ex Japan) Dev Equity Index	9,807	4
74,033	36		87,586	36
		Gilts and bonds		
23,663	11	All Stocks Index-Linked Gilts	28,122	11
23,111	11	Active Corporate Bond - All Stocks	27,209	11
46,774	22		55,331	22
		Diversified growth funds*		
38,838	19	Baillie Gifford	47,281	19
40,451	19	Newton	47,278	19
79,289	38		94,559	38
207,731	100	Total market value	247,173	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.

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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 2016 £'000		31 March 2017 £'000
263,720	Opening market value	250,874
	Movement in the year	
4,977	Interest on buy-in	4,801
(17,093)	Level pensions paid	(16,854)
-	Experience - actuarial loss	(2,064)
(730)	Change in actuarial assumptions	18,265
(12,846)		4,148
250,874	Closing market value	255,022

The main contributing factor to the increase is due to the 2016 triennial valuation where actuarial assumptions have changed (see note 21) resulting in a gain of £18.3m offset by an actuarial loss of £2.1m.

15 CURRENT ASSETS

31 March 2016 £'000		31 March 2017 £'000
	Debtors	
232	Contributions due - employers	247
73	Contributions due - members	65
93	Sundry debtors	2
398		314
2,348	Cash balances	876
2,746	Total	1,190
	Analysis of debtors	
63	Other local authorities and pension funds	29
335	Other entities and individuals	285
398	Total	314

Included within cash balances is £0.815m placed in West Midlands Pension Fund's STIC Global STG Portfolio (2016: £2.07m RBS Corporate Cash Manager account).

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16 CURRENT LIABILITIES

31 March 2016 £'000		31 March 2017 £'000	
65	Benefits payable	91	
421	Sundry creditors	410	
486	Total	501	
Analysis of creditors			
246	Central government bodies	242	
64	Other local authorities and pension funds	-	
176	Other entities and individuals	259	
486	Total	501	

17 ADDITIONAL VOLUNTARY CONTRIBUTIONS

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

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

2015/16			2016/17	
Equitable Life £'000	Prudential £'000		Equitable Life £'000	Prudential £'000
165	719	Opening value of the Fund	157	696
1	109	Income	1	119
(11)	(135)	Expenditure	-	(141)
2	3	Change in market value	14	45
157	696	Closing value of the Fund	172	719

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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.	n/a	n/a
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.	n/a
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 1.45% 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 2017	Increase/(decrease) in value of buy-in	
Adjustment to discount rate – Value of buy-in	+0.5% (£12.9m)	-0.5% £13.6m
Adjustment to life expectancy assumptions – Value of buy-in	+1 year £11.7m	-1 year (£11.2m)

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.

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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.

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				
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

Values at 31 March 2016	Quoted market price Level 1 £'000	Using observable inputs Level 2 £'000	With significant unobservable inputs Level 3 £'000	Total £'000
Financial assets				
Financial assets at fair value through profit and loss	128,442	79,289	250,874	458,605
Net investment assets	128,442	79,289	250,874	458,605

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 2016			31 March 2017		
Fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000	Fair value through profit and loss £'000	Loans and receivables £'000	Financial liabilities at amortised cost £'000
207,731					
250,874			247,173		
	2,348		255,022		
	398			876	
				302	
458,605	2,746	-	502,195	1,178	-
		(240)			(284)
458,605	2,746	(240)	502,195	1,178	(284)

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Net Gains and Losses on Financial Instruments

31 March 2016 £'000		31 March 2017 £'000
	Financial assets	
15,286	Designed at fair value through profit and loss	(41,266)
(4)	Loans and receivables	(7)
15,282		(41,273)
	Financial assets	
-	Financial liabilities at amortised cost	-
15,282	Total	(41,273)

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 cashflows. 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 Pension Committee. Risk management policies are established to identify and analyse the risks faced by the Fund's activities. Policies are reviewed regularly to reflect changes in activity and in market conditions. Policies covering specific areas relating to the ITA Pension Fund are as follows:

Investment Risk

In order to achieve its statutory obligations to pay pensions, the Fund invests its assets, including employer and employee contributions, in a way that allows it to meet its liabilities as they fall due for payment. It does this by matching assets to liabilities through the triennial actuarial valuation and an appropriate asset allocation.

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

Counterparty Risk

In deciding to effect any transaction for the Fund, considerable steps are taken to ensure that the counterparty is suitable and reliable, that the transaction is in line with the Fund's strategy and that the terms and circumstances of the transaction are the best available in the relevant market at the time. Comprehensive due diligence processes are in place to ensure that any potential counterparty is authorised and regulated, competent to deal in investments of the type and size contemplated and has appropriate administration arrangements with regard to independent auditors, robust administration and accounting, relevant legal structure and experienced staff.

Legal agreements are implemented and continuous monitoring of counterparties is undertaken by fund officers in relation to suitability and performance, in addition to compliance with regulatory and Fund-specific requirements.

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Credit Risk

The Fund's deposits with financial institutions as at 1 April 2016 or the 31 March 2017 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.

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Price Risk Sensitivity Analysis

Price risk represents the risk that the value of a financial instrument will fluctuate as a result of changes in market prices (other than those arising from interest rate risk or foreign exchange risk), whether those changes are caused by factors specific to the individual instrument or its issuer or factors affecting all such instruments in the market.

Potential price changes are determined based on the observed historical volatility of asset class returns. 'Riskier' assets such as equities will display greater potential volatility than bonds as an example, so the overall outcome will depend largely on Fund's asset allocations. In consultation with the Fund's performance advisors, the Fund has determined that the following future movements in market price risk are reasonably possible based on 2016/17 closing values:

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

The potential price changes on the 2015/2016 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	7,635	17.1	8,941	6,329
Overseas equities	74,033	19.6	88,543	59,523
Total bonds	23,111	8.0	24,960	21,262
Index linked	23,663	8.0	25,556	21,770
Diversified growth funds	79,289	12.0	88,803	69,773
Cash	2,348	0.0	2,349	2,349
Total assets	210,079		239,152	181,006

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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 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 2017 and 31 March 2016 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 2016 £'000	Change in year in the net assets available to pay benefits £'000		Asset type	Carrying amount as at 31 March 2017 £'000	Change in year in the net assets available to pay benefits £'000	
	+100BPS*	-100BPS*			+100BPS*	-100BPS*
2,348	23	(23)	Cash and cash equivalents	876	9	(9)
46,774	468	(468)	Fixed interest securities	55,331	553	(553)
49,122	491	(491)	Total change in assets	56,207	562	(562)

*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
- 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.

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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

Valuation assumptions	2016 valuation Funding target	2013 valuation Funding target
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-sum 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 mortality 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.

OUR YEAR

STATEMENT OF ACCOUNTS

NOTES TO THE ACCOUNTS

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 2017 was £650.6m (2016: £560.6m). 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 (see note 21) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2016	Assumptions used	31 March 2017
3.1%	Discount rate	2.4%
2.0%	Salary increases	2.5%
2.0%	Pensions increases	2.5%

23 RELATED PARTY TRANSACTIONS

The West Midlands Combined Authority recharges administrative costs incurred to the Pension Fund. The recharges for the year ended 31 March 2017 are £22,000 (2016: £41,000), 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

The Fund worked with eight other LGPS funds across the Midlands to set up LGPS Central Limited, an FCA-authorised investment manager which will manage the investment assets of the nine funds. The company was incorporated in October 2016, although it will not begin trading until April 2018. On incorporation and at 31 March 2017, West Midlands Pension Fund was the only shareholder.

In 2017/18, shares will be issued to the other seven pension funds and the Fund will not be a shareholder in the company.

STATEMENT OF ACCOUNTS

THE COMPLIANCE STATEMENT

1 TAX STATUS OF THE SCHEME

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

2 PENSION INCREASES

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

3 CALCULATION OF TRANSFERS

Transfer values quoted and subsequently paid by the Fund includes monetary amounts where relevant, to represent any discretionary benefits awarded by an employer or otherwise. Where awarded, discretionary benefits are in the form of service which is included within the total service used to calculate a cash equivalent transfer value which represent the monetary value of the member's pension rights.

ITA FUNDING STRATEGY STATEMENT (FSS) 2017

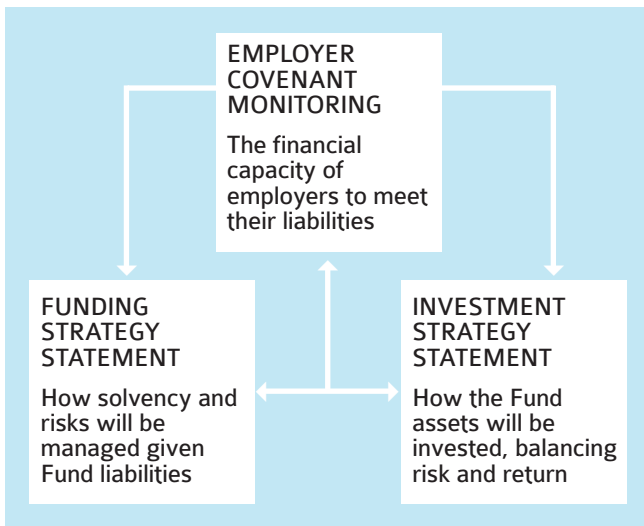
POLICY DOCUMENT

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.

ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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 and framework 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:

- 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
- 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).

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.

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ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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
- 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 BACKGROUND

- 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 PENSION 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).

ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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; and
- 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.

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ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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 short-term 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 meet 100% of the projected accrued liabilities. The level of assets necessary to meet this 100% funding objective is known as the funding target. The role of the actuary in performing the necessary calculations and determining the key assumptions used is an important feature in determining the funding requirements.

The Fund recognizes the different characteristics of the participating employers and their liability profiles, 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 of the 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.

ITA FUNDING STRATEGY STATEMENT (FSS) 2017

- 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 lump-sum 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.

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ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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.

ITA FUNDING STRATEGY STATEMENT (FSS) 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.

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ITA FUNDING STRATEGY STATEMENT (FSS) 2017

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.

ITA FUNDING STRATEGY STATEMENT (FSS) 2017

Summary of Key Whole Fund Assumptions Used for Calculating Funding Target

Financial assumptions	31 March 2016
Allowance for early retirements (non-ill health)	<p>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.</p> <p>The future service rate has been calculated using the retirement assumption above plus one year rather than three years for active members.</p>
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.

ITA INVESTMENT STRATEGY STATEMENT (ISS) 2017

POLICY DOCUMENT

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 2017.

A link to the previous SIP can be found here:

<http://www.wmpfonline.com/CHttpHandler.ashx?id=4542&p=0>

ITA INVESTMENT STRATEGY STATEMENT (ISS) 2017

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.

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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.

Appendix E details the manager arrangements and investment type.

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.

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.

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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

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. Becoming an FCA-registered investment manager will lead to improved governance, transparency and reporting giving the Fund assurance that its 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.

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.

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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

Appendix E Fund Managers

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APPENDIX A – TARGET ASSET ALLOCATION

Asset class	Total Fund %	National Express % (post-buy-in)*	Preston Bus % (non-buy-in)
UK equities	3.9	4.0	2.3
North America equities	11.5	12.0	6.6
Europe (ex UK) equities	9.6	10.0	5.6
Japan equities	3.8	4.0	2.3
Pacific (ex Japan) equities	3.8	4.0	2.3
Emerging market equities	5.8	6.0	3.4
Total equities	38.4	40.0	22.5
Diversified growth funds	38.6	40.0	22.5
Total growth	77.0	80.0	45.0
Index-linked gilts	10.9	10.0	27.5
Corporate bonds	11.5	9.4	26.9
Cash	0.6	0.6	0.6
Total defensive	23.0	20.0	55.0

*The buy-in represented 53% of NX assets as of 31 December 2016.

The tolerance ranges for the combined fund are as follows:

73% - 77% Growth

21% - 27% Defensive

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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 administering 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

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APPENDIX C – LIST OF ADVISORS

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.

Portfolio Evaluation

Performance and risk measurement

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 advisers are agreed on an individual basis for a fixed sum or scale reviewed annually or as work is commissioned.

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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.

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.

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APPENDIX E – FUND MANAGERS

Asset class	Investment type	Manager
Equities		
Global	Passive	Legal & General
Emerging markets	Passive	Legal & General
Fixed Interest		
Index-linked gilts	Passive	Legal & General
Corporate bonds	Active	Legal & General
Diversified growth fund	Active	Baillie Gifford
Diversified growth fund	Active	Newton
Cash	n/a	City of Wolverhampton Council