



Annual report 2014

West Midlands Integrated Transport Authority (ITA) Pension Fund

Chair's Statement

2013/2014 saw the West Midlands Integrated Transport Authority Pension Fund focus on implementing the changes to the Local Government Pension Scheme (LGPS) from 1 April 2014. The changes included many aspects including working with our software provider to ensure system changes were implemented, developing communication strategies to ensure all stakeholders were kept up to date with the important changes to the way pensions are calculated and training Fund staff and employers on new responsibilities and data requirements needed for the new scheme.

The implementation of LGPS 2014 does not see the end of changes for the LGPS, and we recently submitted our views on the Government's long-term plans to reform its structure. Previously, there had been suggestions of merging the current structure of the scheme from 89 funds into one fund or a small number of larger funds. However, the current proposals detail significant savings that could be delivered using common investment vehicles (CIVs) throughout the LGPS.

Changes to the governance structure of the LGPS will come into effect from 1 April 2015 and, whilst more information on this will be published later in 2014, Fund officers are already working on planning for these changes.

The last twelve months also saw the Fund receive recognition for excellence in customer service and staff development with accreditations in Customer Service Excellence (CSE) and Investors in People (IIP). In fact, the Fund gained the highly-coveted Investors in People Silver Award which it achieved on its first attempt.

The Fund has worked hard over the past twelve months to strengthen its customer focus with member roadshows, retirement courses, employer events and further support of our employers in a series of LGPS 2014 employer events.

During the year, much work also went into the Fund's triennial actuarial valuation which involved extensive stakeholder consultation and negotiation with the two participating employers. This was achieved in the context of a difficult economic environment and funding parameters have now been agreed on how the employers' liabilities will be met going forward. Information relating to this and the actuary's final report can be found on the Fund's website at wmpfonline.com.

Needless to say, ensuring a cost-efficient service is a key consideration for the Fund and, as ever, the Fund works to continually identify changes where it can make its business more efficient and customer focused.

In closing, I'd like to thank the officers of the West Midlands Pension Fund for all their hard work in administering the West Midlands Integrated Transport Authority Pension Fund. With their expertise and dedication, I am confident that the Fund is capable of meeting the challenges that lie ahead.

Councillor Roger Lawrence
Leader of Wolverhampton City Council

Date: September 2014

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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 01 April 2013 to 31 March 2014.

This report has been prepared in accordance with the revised Code of Practice on Local Authority Accounting in Great Britain published by the Chartered Institute of Public Finance and Accountancy.

The report is set out in the following order:

- **The Treasurer's Report** which gives 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 gives investment managers and investment principles plus a review of investment performance at the year end and custodial arrangements.
- **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** – required under Regulation 34(1)(d) of the Local Government Pension Scheme (Administration) Regulations 2008.

Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

The Treasurer's Report

1. Description of the Fund

The West Midlands Passenger Transport Authority Pension Fund (the 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).

The West Midlands Integrated Transport Authority (the ITA) is responsible for the administration of the Fund, but has appointed Wolverhampton City Council as agents to administer the Fund on its behalf. The Fund is administered under the rules of the Local Government Pension Scheme as set out in the Local Government Pension Scheme Regulations 1997 (as amended).

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 (WMPF) 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 strategic management of the assets is fundamentally the responsibility of the Pension Fund and Bus Shelter Appeals Sub-Committee established by the ITA (the administering authority) which has representation from the major admitted bodies. The Committee determines the strategic management of the assets based upon the professional advice it receives and the investment objectives set out.

During 2013/14, the members of the Committee were as follows:

- **Councillor Bryan Cotterill (Chairman)**
- **Councillor Allah Ditta** – (member to 23 June 2013, Vice-Chairman from 24 June 2013)
- **Councillor Elias Mattu (Vice-Chairman)** – retired 23 June 2013
- **Councillor Patrick Harley**
- **Councillor Robert Alden**
- **Councillor Mariam Khan** – retired 23 June 2013
- **Councillor Des Hughes** – appointed 24 June 2013
- **Councillor Catherine Miks** – appointed 24 June 2013
- **Councillor Paulette Hamilton** – appointed 24 June 2013, retired 3 March 2014

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 Wolverhampton City Council. Against this background, its principal advisors are as follows:

- **Mercer Human Resource Consulting**
Actuarial matters
- **Mercer Investment Consulting**
Policy and investment matters relative to liabilities
- **Wolverhampton City Council Officers**
Investment implementation and administration, oversight of cash flows and pensions administration.
- **Grant Thornton**
Scheme auditors

4. Membership

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

31 March 2013 No.		31 March 2014 No.
744	Active members	586
3,612	Pensioners	3,702
903	Deferred pensioners	938
5,259	Total members	5,226

5. Funding

Benefits are funded by contributions and investment earnings. Contributions are made by active members of the Fund in accordance with the LGPS (Benefits, Membership and Contributions) Regulations 2007 and range from 5.5% to 7.5% of pensionable pay for the financial year ended 31 March 2014 depending on the level of pay.

In addition, employers' contributions are paid into the Fund based on triennial actuarial funding valuations. The 31 March 2010 valuation set rates for the period from 1 April 2011 to 31 March 2014. The latest valuation, completed as at 31 March 2013, has set the rates for the period from 1 April 2014 to 31 March 2017. The detail of employer's contributions and the actuarial valuation are set out in note 21 to the accounts.

6. Benefits

The benefits payable under the Fund are set out in the LGPS (Benefits, Membership and Contributions) Regulations 2007. 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.

Explanatory Foreword and the Report of the Treasurer of the West Midlands Integrated Transport Authority Pension Fund

The Treasurer's Report

As from 1 April 2014, the Government has introduced the new career average scheme which will apply to earnings after this date subject to various rules. The principle changes are the replacement of 1/60th of pensionable pay for each year of pensionable service to 1/49th. Each year, the annual benefit accrued will be increased by CPI rather than be based on the final salary on retirement. The definition of pensionable pay has changed to include contractual and non-contractual overtime and members can now choose to pay 50% of the contribution for 50% of the benefits. The normal pension age has also changed to the individual member's state pension age rather than 65.

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 16 to the accounts.

8. Investment Strategy

Following the bulk annuity arrangement detailed above, an Investment Strategy Panel was convened by the ITA Pension Fund in order to consider the revised investment strategy, with regard to the residual assets and the employing bodies.

The finding of the Investment Strategy Panel was that the residual asset allocation was no longer optimal, due to its strong bias towards equity markets. Members agreed that the inclusion of additional asset classes would be a way of achieving greater diversification and enhancing returns, whilst avoiding a significant increase in volatility.

There were no further changes in 2013/14 other than a rebalancing exercise undertaken in September 2013.

The revised investment strategy and Statement of Investment Principles was reported to the Pension Fund and Bus Shelter Appeals Sub-Committee for approval and implemented accordingly, with the resulting asset allocation being detailed further in this report.

James Aspinall

Treasurer to the Integrated Transport Authority

Date: September 2014

Statement Of Responsibilities for the Pension Fund Accounts

The Integrated Transport Authority's Responsibilities

The 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 Account 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 2014.

In preparing this Statement of Account, 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/LASSAC 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 Account presents fairly the position of the West Midlands Integrated Transport Authority Pension Fund at 31 March 2014 and the financial transactions for the year ended 31 March 2014.

James Aspinall

Treasurer to the Integrated Transport Authority

Date: September 2014

Approval of the Accounts

I certify that the Statement of Account has been approved by a resolution of the Finance, Delivery and Performance Monitoring Committee on 29 September 2014.

Chairman to the Finance, Delivery and Performance Monitoring Committee

Date: September 2014

Investment Report

1. Investment Managers

The Fund has appointed three managers: Legal and General Investment Management, Baillie Gifford and Barings. Legal and General manage equities, gilts and non-government bonds whilst Baillie Gifford and Barings manage diversified growth funds.

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

Total market value 31 March 2013 £'m %			Total market value 31 March 2014 £'m %		
115.5	65%	Legal and General Investment Management	117.0	64%	
31.0	18%	Baillie Gifford	33.3	18%	
30.7	17%	Barings	32.9	18%	
177.2	100%		183.2	100%	

2. Investment Principles

As required by Section 35 of the Pensions Act 1995 a Statement of Investment Principles was produced (in May 2013) and is available on request or from the Fund's website (www.wmpfonline.com/Publications/Corporate+Information). This statement is reviewed at least every three years.

3. Review of Investment Performance

With the exception of corporate bonds, Legal and General manage 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 above average market returns using manager's skills to outperform the market. In respect of Barings and Baillie Gifford, unlike traditional portfolios, diversified growth funds do not measure their performance against indices. Instead, they aim to earn a consistent percentage above cash or the rate of inflation.

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

	Year ended 31 March				
	2010	2011	2012	2013	2014
Fund	27.7%	7.0%	6.5%	12.6%	3.0%
Benchmark	26.8%	7.2%	6.8%	12.3%	3.8%
Relative	0.9%	-0.2%	-0.3%	0.3%	-0.8%

* 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	3.0%	7.3%	11.0%	7.8%
Benchmark	3.8%	7.6%	11.1%	7.8%
Relative	-0.8%	-0.3%	-0.1%	0.0%

During the year to 31 March 2014, the Fund underperformed the benchmark by -0.8% or 80 basis points (bp). Almost all of this underperformance was attributable to the diversified growth funds which returned 1.65% against a target of 4.29% for the 12-month period. The equity portfolio outperformed its benchmark returning 6.62% against a benchmark of 6.17%. Cash was relatively high at the end of the period in readiness for a proposed rebalancing that was earmarked for Q2 2014; this contributed to a slight drag on performance of -0.05%. The fixed income sector produced a negative return of -1.1% although it outperformed the benchmark of -1.24%. The only positive contributor in this sector was corporate bonds which returned 1.74% against a benchmark of 1.55%.

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

4. Custodial Arrangements

Direct investments of the ITA will be held by our Custodian, HSBC. Investments with external managers, such as DGFs, will be held by their own custodians.

- **Custodian:** HSBC Bank plc
HSBC Securities Services, 8 Canada Square, London, E14 5HQ
- **Assets will be held in the name of:**
HSBC Global Custody Nominee (UK) Ltd

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

Fund Account and Net Assets Statement

2012/13 £'000		Notes	2013/14 £'000
	Dealings with members, employers and others directly involved in the Fund		
(10,401)	Contributions	5	(10,493)
(189)	Transfers in from other pension funds	6	-
(2,655)	Other employer contributions	7	(2,788)
(302)	Exceptional income due from WMPF	8	-
(13,547)			(13,281)
26,357	Benefits	9	27,279
-	Payments to and on account of leavers	10	29
2	Other payments	11	6
211	Administration expenses	12	321
26,570			27,635
13,023	Net withdrawals from dealing with members		14,354
	Returns on investments		
(17,835)	Investment income	13	(17,321)
(18,826)	Profits and losses on disposal of investments and changes in the market value of investments	15	(5,886)
1,123	Bulk annuity insurance buy-in	16	25,180
471	Investment management expenses	14	549
(35,067)	Net return on investments		2,822
(22,044)	Net decrease/(increase) in the net assets available for benefits during the year		17,176
426,892	Net assets of the Fund at 1 April		448,936
448,936	Net assets of the Fund at 31 March		431,760

31 March 2013 £'000		Notes	31 March 2014 £'000
177,209	Investment assets	15	183,319
270,000	Bulk annuity insurance buy-in	16	244,820
2,058	Current assets	17	4,210
(331)	Current liabilities	18	(589)
448,936	Net assets of the Fund available to fund benefits at the period end		431,760

Notes to the Accounts

1. Basis of Preparation

The Statement of Accounts summarises the Fund's transactions for the 2013/14 financial year and its position at the year end as at 31 March 2014. The accounts have been prepared in accordance with the Code of Practice on Local Authority accounting in the United Kingdom 2013/14 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 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 23 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.

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 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 including reinvested income.

iv) Benefits underwritten

The annuity purchased (see note 16) 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.

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 Wolverhampton City 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 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 Wolverhampton City Council on the same basis as the administration expenses recharge.

Net Assets Statement

h) 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 with original maturities of three months or less. 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.

The values of investments and the insurance buy-in as shown in the net assets statement have been determined as follows:

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.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published. In the case of pooled investment vehicles that are accumulation funds, change in market value are based on the difference between holding value at the beginning of

Notes to the Accounts

the year or purchase price to the year end. Income that is reinvested in the Fund is net of applicable withholding tax, and is treated as a purchase, with changes in the market value of the investment based on any increment or reduction from the date of purchase

Diversified growth funds invest in a variety of liquid assets. The value of the underlying assets 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.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years.

The value of the buy-in is derived by mapping projected cashflows to a yield curve (based on market returns on UK government gilt stocks and other instruments of varying durations) in order to determine a market consistent gilt yield for the profile and duration of the buy-in beneficiaries, alongside other demographic assumptions consistent with the 2013 valuation of the Fund.

i) Financial Liabilities

Financial liabilities include amounts due for benefits and administration/investment 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.

j) Foreign Currency Transactions

The Fund has no financial assets denominated in foreign currencies.

k) 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 23).

l) 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 2009 (SI 2009/3093) but are disclosed as a note only (note 19).

3. Critical Judgements in Applying Accounting Policies

Pension Fund Liability

The ITA 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 22. This estimate is subject to significant variances based on changes to the underlying assumptions.

4. Assumptions Made About the Future and Other Major Sources of Estimation and Uncertainty

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

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

Change in assumptions – year ended 31st March 2014	Approx % increase in liabilities	Approx monetary value £m
0.5% p.a. decrease in discount rate	8%	38
One-year increase in member life expectancy	2%	10
0.5% p.a. increase in salary increase rate	1%	4
0.5% p.a. increase in CPI inflation	7%	36

Bulk Annuity Insurance Buy-In

As detailed in note 16, 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 Midlands Travel Limited pensioners on the pension payroll at 11 August 2011 in return for the payment of a premium.

The value of the buy-in is recalculated at each year end by the consulting actuary. The value as at 31 March 2014 is based on the roll-forward of the actuarial valuation as at 31 March 2013 and adjusted for estimated pension payments and discount rate.

The main reason for the fall in the valuation of the buy-in asset from 31 March 2013 to 31 March 2014 was the change in discount rate adopted by the actuary in their calculations from 2.5% p.a. to 3.1% p.a. (reflecting market conditions as at the year-end). This is consistent with the value of the equivalent liabilities of the Fund to pay the pensions covered by the buy-in policy. The converse would also be true had the discount rate fallen over the year, ie, an increase in the valuation of the buy-in asset, all other things being equal.

The key underlying inputs for the buy-in valuation are the discount rate and life expectancy. The impact of changes in these is shown below:

Change in assumptions – year ended 31st March 2014	Approx % increase in liabilities	Approx monetary value £m
0.5% p.a. decrease in discount rate	5%	12.7
One-year increase in member life expectancy	3%	7.2

Notes to the Accounts

5. Contributions Receivable

2012/13 £'000		2013/14 £'000
	Employers	
3,284	Normal contributions	3,046
5,900	Deficit funding	5,900
51	Early retirement costs	466
9,235		9,412
	Members	
1,161	Normal contributions	1,076
5	Additional contributions	5
1,166		1,081
10,401	Total by category	10,493
10,401	Analysed by member body: Admitted bodies	10,493
10,401	Total by authority	10,493

Following the 31 March 2010 valuation, employers' contributions for the period from 1 April 2011 to 31 March 2014 have been set at 18.4% (normal contributions) plus £5,500,000 deficit funding for West Midlands Travel Limited and £400,000 deficit funding for Preston Bus Limited (see note 22 for details).

Following the 31 March 2013 valuation, employers' contributions for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% (normal contributions) plus £5,500,000 deficit funding for West Midlands Travel Limited and £350,000 deficit funding for Preston Bus Limited.

6. Transfer In from Other Pension Funds

2012/13 £'000		2013/14 £'000
	Transfers in	
189	Individual transfers	-
189	Total	-

7. Other Employer Contributions

Payments of £2.788m (2013: £2.655m) were made by West Midlands Passenger Transport Executive in line with the agreement detailed in note 8. The payments are made on a monthly basis into the Fund and relate to the unfunded element of members' annual pension increase.

8. Exceptional Income Due from WMPF

When the Fund was created in November 1991, it was agreed that any pre-October 1986 pension increase liabilities would remain the responsibility of the West Midlands Passenger Transport Executive as an employer within the WMPF and not West Midlands Travel Limited. The Executive has made its contribution via annual payments into the WMPF. As individuals retire, the WMPF should then transfer the appropriate pension value across to the Fund to cover actual payments made.

As a result of the work undertaken for the bulk annuity insurance buy-in during the 2011/12 financial year, it became apparent that no transfer had been made since October 1995. Including compound interest, this was valued as at 31 March 2012 at £24.776m.

This amount was recorded as an exceptional contribution to the Fund account in the 2011/12 year with a corresponding 31 March debtor (note 17). The final calculation for amounts due at 31 March 2012 was £25.078m and the additional £0.302m has been recorded as an exceptional item to the Fund account in the 2012/13 financial year.

9. Benefits Payable

2012/13 £'000		2013/14 £'000
	Pensions	
20,893	Retirement pensions	21,552
1,491	Widows' pensions	1,615
20	Children's pensions	17
14	Widowers' pensions	14
22,418		23,198
3,680	Commutation and lump-sum retirement benefits	3,863
268	Lump-sum death benefits	228
(9)	Benefits recharged - compensatory added years	(10)
26,357	Total by category	27,279
26,357	Analysed by member body: Admitted bodies	27,279
26,357	Total by authority	27,279

10. Payments To and On Account of Leavers

2012/13 £'000		2013/14 £'000
	Transfers out	
-	Individual transfers out to other schemes and personal pensions	29
-	Total	29

11. Other Payments

2012/13 £'000		2013/14 £'000
2	Interest on late payments	6
2	Total	6

12. Administrative Expenses

2012/13 £'000		2013/14 £'000
120	Administration - Wolverhampton City Council	120
42	Administration and accountancy - ITA	34
8	Subscriptions	8
11	Actuarial fees	138
30	Audit fees	21
211	Total	321

The increase in actuarial fees represents the cost of the triennial valuation.

Notes to the Accounts

13. Investment Income

2012/13 £'000		2013/14 £'000
-	Interest on cash deposits	1
17,835	Benefits underwritten	17,320
17,835	Total	17,321

The investment income relates to income received from the insurance contract with Prudential meeting the liabilities relating to West Midlands Travel Limited pensioners on the pension payroll at 11 August 2011.

14. Investment Management Expenses

2012/13 £'000		2013/14 £'000
209	Management fees - external	480
30	Management fees - in house	30
6	Performance monitoring service	6
95	Legal fees	9
127	Professional advisors' fees	22
4	Bank charges and interest	2
471	Total	549

15. Investments

Reconciliation of movements in investments:

Movements during 2013/14

	Market value 1 April 2013 £'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 2014 £'000
Pooled investment vehicles (unquoted)						
UK - unitised insurance policies	52,338	-	(353)	-	487	52,472
Overseas - unitised insurance policies	63,222	353	(2,800)	-	3,792	64,567
Diversified growth funds	61,649	3,500	-	(176)	1,307	66,280
Total investments	177,209	3,853	(3,153)	(176)	5,586	183,319

Prior-year comparatives:

Movements during 2012/13

	Market value 1 April 2012 £'000	Purchases during the year £'000	Sales during the year £'000	Change in market value during the year £'000	Market value 31 March 2013 £'000
Pooled investment vehicles (unquoted)					
UK - unit trust	41,366	-	(42,038)	672	-
UK - unitised insurance policies	260,431	39,513	(253,227)	5,621	52,338
Overseas - unitised insurance policies	97,641	-	(43,303)	8,884	63,222
Diversified growth funds	-	58,000	-	3,649	61,649
Total investments	399,438	97,513	(338,568)	18,826	177,209

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 and reinvested income.

Investments analysed by fund manager:

31 March 2013			31 March 2014	
Market value £'000	% of total fund		Market value £'000	% of total fund
115,560	65%	Legal and General Investment Management	117,039	64%
30,982	18%	Baillie Gifford	33,347	18%
30,667	17%	Barings	32,933	18%
177,209	100%		183,319	100%

Notes to the Accounts

Investments analysed by security:

31 March 2013 Market value £'000	% of total fund		31 March 2014 Market value £'000	% of total fund
UK equities				
10,735	6%	UK Equity Index	11,697	6%
10,735	6%		11,697	6%
Overseas equities				
18,337	10%	Europe (ex UK) Equity Index	20,638	11%
20,686	12%	North America Equity Index	22,420	12%
7,609	4%	Japan Equity Index	6,431	4%
9,733	5%	World Emerging Markets Equity Index	8,675	5%
6,856	4%	Asia Pacific (ex Japan) Dev Equity Index	6,402	4%
63,221	35%		64,566	36%
Gilts and bonds				
18,764	11%	All Stocks Index-Linked Gilts	18,062	10%
18,680	11%	Active Corporate Bond - All Stocks	19,006	10%
4,160	2%	All Stocks Gilts Index	3,708	2%
41,604	24%		40,776	22%
Diversified growth funds*				
30,982	18%	Baillie Gifford	33,347	18%
30,667	17%	Barings	32,933	18%
61,649	35%		66,280	36%
177,209	100%	Total market value	183,319	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.

16. Bulk Annuity Insurance Buy-In

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, in return for the payment of a premium of £271.1m. The buy-in price was funded by the sale of assets (note 15).

Benefits recharged to Prudential during the year have been credited to the Fund account and the buy-in recognised in the net assets statement as follows:

31 March 2013 £'000		31 March 2014 £'000
272,234	Premium paid brought forward	270,000
(1,111)	Capital repayment	-
271,123	Cost of buy-in contract	270,000
(1,123)	Movement in value	(25,180)
270,000	Closing value	244,820

17. Current Assets

31 March 2013 £'000		31 March 2014 £'000
Debtors		
95	Contributions due - employers	103
33	Contributions due - members	34
44	Sundry debtors	575
172		712
1,886	Cash balances	3,498
2,058	Total	4,210
Analysis of debtors:		
9	Other local authorities and pension funds	239
163	Other entities and individuals	473
172		712

Notes to the Accounts

18. Current Liabilities

31 March 2013 £'000		31 March 2014 £'000	
1	Benefits payable	65	
330	Sundry creditors	524	
331	Total	589	
Analysis of creditors:			
198	Central government bodies	214	
-	Other local authorities and pension funds	150	
133	Other entities and individuals	225	
331	Total	589	

19. 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) (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.

2012/13			2013/14	
Equitable Life £'000	Prudential £'000		Equitable Life £'000	Prudential £'000
163	899	Opening value of the Fund	153	571
1	75	Income	1	129
(20)	(432)	Expenditure	(3)	(136)
9	29	Change in market value	8	106
153	571	Closing value of the Fund	159	670

Notes to the Accounts

20. Financial instruments

The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading, together with a comparison to their fair value. No financial assets were reclassified during the accounting period.

31 March 2013					31 March 2014			
Carrying amount £'000	Fair value £'000	Amortised cost £'000	Gains and losses/ interest income £'000		Carrying amount £'000	Fair value £'000	Amortised cost £'000	Gains and losses/ interest income £'000
				Financial assets				
177,209	177,209		18,826	- Investment assets	183,319	183,319		5,586
270,000	270,000		(1,123)	- Bulk annuity insurance - buy in	244,820	244,820		(25,180)
447,209	447,209		17,703		428,139	428,139		(19,594)
				Loans and receivables:				
172		172	-	- Debtors	712		712	-
1,886		1,886	-	- Cash balances	3,498		3,498	-
2,058		2,058	-		4,210		4,210	-
449,267	447,209	2,058	17,703	Total financial assets	432,349	428,139	4,210	(19,594)
				Financial liabilities				
(331)		(331)	-	- Creditors	(589)		(589)	-
(331)		(331)	-	Total financial liabilities	(589)		(589)	-

The following methods and assumptions were used to estimate fair values:

Debtors, cash balances and creditors approximate to their carrying amounts due to the short-term nature of these instruments. Investment assets are carried in the net assets statement at fair value. These all consist of pooled investment vehicles valued by the respective fund managers based on the bid market quotation of the relevant stock exchange of the individual investments making up the Fund portfolio.

The Fund's actuary provides a valuation of the bulk annuity insurance buy-in based on the original value 'rolled forward' subject to actuarial assumptions being applied. On a triennial basis, the value of the buy-in will be revised based upon the detailed outcomes of the actuarial valuation exercise, with the value being 'rolled forward' in the intervening years. The next valuation will take place as at 31 March 2016.

Valuation of Financial Instruments Carried at Fair Value

The valuation of financial instruments has been classified into three levels, according to the quality and reliability of information used to determine fair values.

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.

Notes to the Accounts

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.

Values at 31 March 2014	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	117,039	66,280	244,820	428,139
Financial assets at amortised cost	4,210	-	-	4,210
Total financial assets	121,249	66,280	244,820	432,349
Financial liabilities				
Financial liabilities at amortised cost	(589)	-	-	(589)
Total financial liabilities	(589)	-	-	(589)
Net financial assets	120,660	66,280	244,820	431,760

Values at 31 March 2013	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	115,560	61,649	270,000	447,209
Financial assets at amortised cost	2,058	-	-	2,058
Total financial assets	117,618	61,649	270,000	449,267
Financial liabilities				
Financial liabilities at amortised cost	(331)	-	-	(331)
Total financial liabilities	(331)	-	-	(331)
Net financial assets	117,287	61,649	270,000	448,936

21. Pension Fund Risk Management

The Fund's primary long-term risk is that the Fund's assets will fall short of its liabilities (ie, promised benefits payable to members). Therefore, the aim of investment risk management is to minimise the risk of an overall reduction in the value of the Fund and to maximise the opportunity for gains across the whole Fund portfolio. The Fund achieves this through asset diversification to reduce exposure to market risk (price risk, currency risk and interest rate risk) and credit risk to an acceptable level. In addition, the Fund manages its liquidity risk to ensure there is sufficient liquidity to meet the Fund's forecast cash flows. The Fund manages these investment risks as part of its overall ITA 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 Pension Fund and Bus Shelter Appeals Sub-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.

Notes to the Accounts

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 had no deposits with financial institutions as at 1 April 2013 or the 31 March 2014 in respect of temporary loans or other treasury management instruments. 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.

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 funds' 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 2013/14 closing values:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	11,726	12.1%	13,146	10,307
Overseas equities	64,737	12.0%	72,519	56,954
Total bonds	22,799	5.3%	23,996	21,602
Index linked	18,113	7.6%	19,485	16,742
Diversified growth funds	66,280	7.9%	71,538	61,022
Cash	3,473	0.0%	3,474	3,472
Total assets	187,128		204,158	170,099

The potential price changes on the 2012/2013 closing values are shown below for comparison purposes:

Asset type	Value £'000	% Change	Value on increase £'000	Value on decrease £'000
UK equities	10,735	13.1%	12,138	9,331
Overseas equities	63,221	13.3%	71,623	54,819
Total bonds	22,840	4.8%	23,932	21,748
Index linked	18,764	7.2%	20,110	17,418
Diversified growth funds	61,649	7.1%	66,026	57,272
Cash	1,886	0.1%	1,887	1,885
Total assets	179,095		195,716	162,473

Notes to the Accounts

Interest Rate Risk and Sensitivity Analysis

The Fund's investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Fund's direct exposure to interest rate movements as at 31 March 2014 and 31 March 2013 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 2013 £'000	Change in year in the net assets available to pay benefits		Asset type	Carrying amount as at 31 March 2014 £'000	Change in year in the net assets available to pay benefits	
	£'000	£'000			£'000	£'000
	+180BPS*	-180BPS*			+100BPS*	-100BPS*
1,886	34	(34)	Cash and cash equivalents	3,498	35	(35)
41,604	749	(749)	Fixed interest securities	40,776	408	(408)
43,490	783	(783)	Total change in assets	44,274	443	(443)

*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.

22. Funding Arrangements

In line with the Local Government Pension Scheme (Administration) Regulations 2008, the Fund's actuary (Mercer Human Resource Consulting) 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 2013. As a result, employers' contributions have been adjusted from 1 April 2014.

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 valuations as at 31 March 2010 and 31 March 2013 and the actuarial assumptions used are shown below and overleaf.

Valuation results	31 March 2013 Valuation	31 March 2010 Valuation
Funding target as % of existing and prospective liabilities	100%	100%
Common rate of employer's contributions (calculated using the attained age method)	21.5%	18.4%
Market value of the Fund	£449m	£382m
Actuarial value of the Fund	£563m	£453m
Funding level in relation to past service liabilities	84%	84%
Offset to allow for market changes after the valuation date*	(£28m)	n/a
Deficit in relation to past service	(£86m)	(£71m)

*Allows for impact on assets and liabilities

Notes to the Accounts

Valuation assumptions	2013 valuation Funding target	2010 valuation Funding target
Investment return pre-retirement	5.5% p.a.	7.0% p.a.
Investment return post-retirement (non-retired members)	3.5% p.a.	5.0% p.a.
Investment return (retired members - non buy-in)	3.5% p.a.	4.5% p.a.
Investment return (retired members - buy-in)	3.0% p.a.	n/a
Salary increases	2.6% p.a.	4.5% p.a.
Pension increases in payment	2.6% p.a.	3.0% p.a.
Retired members' mortality - base tables	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments	CMI self-administered pensions schemes (SAPS) tables with scheme and member category specific adjustments
Retired members' mortality - future improvements	CMI 2013 model methodology with 1.25% p.a. long-term trend	CMI 2009 model methodology with 1.0% p.a. long-term trend
Commutation assumption	50% of retiring members will take the maximum tax-free lump-sum available and 50% will take the standard 3/80ths cash sum	

Following the 31 March 2013 valuation, employers' contribution rates for the period from 1 April 2014 to 31 March 2017 have been set at 21.5% plus £5,500,000 per annum for West Midlands Travel Limited. This is conditional on the provision of suitable guarantee arrangements being put in place relating to its participation in the Fund. These arrangements were approved by the Pension Fund Committee in May 2011 and continue to apply.

A rate of 0% plus £350,000 per annum was determined as the appropriate rate for Preston Bus Limited following the 31 March 2013 valuation. This followed the decision by Preston Bus Limited to opt out of the scheme in February 2006. The annual lump-sum only payment will continue to be paid in order to cover the past service default that has accrued.

If non-ill-health retirements exceed those provided for in the valuation, it may be necessary to review the employers' contribution rate. The funding method adopted is known as the 'attained age method' which is consistent with the funding objective and appropriate as the Fund is closed to new members and has an ageing membership profile.

The Fund's assets at 31 March 2013 valuation was £449m, of this £270m was in respect of the buy-in asset value with the remaining representing the Fund's invested assets.

23. 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 2014 was £494m (2013 £498m). 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 2013 triennial funding valuation (see note 21) because IAS 19 stipulates a discount rate rather than a rate which reflects market rates.

31 March 2013	Assumptions used	31 March 2014
4.2%	Rate of return on investments (discount rate)	4.4%
3.9%	Rate of pay increases	2.4%
2.4%	Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4%

24. Related Party Transactions

The costs of the Treasurer to the ITA have been apportioned and are included within the ITA administration charge to the Fund (note 12). There are no other related party disclosures, as none of the members of the Pension Fund and Bus Shelter Appeals Sub-Committee or the employees of the Fund's advisors and officers who hold key positions are members of the Fund.

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 a 2.2% 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 members pension rights.

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 Regulations 2013.

An actuarial valuation of the West Midlands Integrated Transport Authority Pension Fund was carried out as at 31 March 2013 to determine the contribution rates for the period 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, and after allowance for significant changes in financial markets following the valuation date, the final valuation balance sheet as at 31 March 2013 showed there to be a deficit of £86 million, representing a funding level of 84%. This position allowed for the value of the insurance policy held with Prudential in relation to certain pension payments from the Fund (the "buy-in" asset).

This deficit of £86 million was taken into account when considering the deficit contribution requirements for employers were required to stabilise contribution rates (alongside any previous arrangements with employers regarding contribution rates that were in place).

The valuation also showed that a common rate of contribution of 21.5% of pensionable pay per annum was required from employers based on consistent market conditions with the deficit of £86 million. 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.

Further details regarding the results of the valuation, the approach adopted and underlying assumptions are contained in the formal report on the actuarial valuation dated 31 March 2014.

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.

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

The valuation was carried out using the attained age actuarial method and the main actuarial assumptions as at 31 March 2013 (ie, prior to any adjustment for post valuation date changes in market conditions) used for assessing the Funding Target and the common contribution rate were as follows (split between the two participating employers in the Fund as required):

West Midlands Travel Ltd (Liabilities and Common Contribution Rate)

Rate of return on investments (discount rate)	
• pre-retirement (non-pensioners)	5.5% per annum
• post-retirement (non-pensioners)	3.5% per annum
• post-retirement (non-buy-in pensioners)	3.5% per annum
• post retirement (buy-in pensioners)	3.0% per annum
• buy-in asset valuation	2.5% per annum
Rate of pay increases	2.6% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum

Preston Bus Ltd (Liabilities only)

Rate of return on investments (discount rate)	
• pre-retirement	5.0% per annum
• post-retirement	3.0% per annum
Rate of pay increases	n/a
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.6% per annum

Further details regarding the assumptions and the allowance for changes in post valuation date market conditions are contained in the formal report on the actuarial valuation dated 31 March 2014.

The Scheme'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.

The next triennial actuarial valuation of the Fund is due as at 31 March 2016. Based on the results of this valuation, the contribution rates payable by the individual employers will be revised with effect from 1 April 2017.

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, we have used the following financial assumptions as at 31 March 2014 (the 31 March 2013 assumptions are included for comparison):

	31 March 2013	31 March 2014
Rate of return on investments (discount rate)	4.2% per annum	4.4% per annum
Rate of pay increases	3.9% per annum	2.4% per annum
Rate of increases in pensions in payment (in excess of guaranteed minimum pension)	2.4% per annum	2.4% per annum

The demographic assumptions are the same as those used for funding.

During the year, corporate bond yields increased, resulting in a higher discount rate being used for IAS26 purposes at the year end than at the beginning of the year (4.4% pa versus 4.2% pa). In addition, the allowance for real pay increases of 1.5% pa was removed consistent with the approach adopted at the 2013 actuarial valuation.

Statement by the Consulting Actuary

The value of the Fund's promised retirement benefits for the purposes of IAS26 as at 31 March 2013 was estimated as £498 million.

The effect of the changes in actuarial assumptions between 31 March 2013 and 31 March 2014 as described above is to decrease the liabilities by c£16 million. Adding interest over the year increases the liabilities by c£21 million, and allowing for net benefits accrued/paid over the period decreases the liabilities by c£20 million (allowing for any increase in liabilities arising as a result of early retirements/augmentations). Finally, allowing for actual vs. expected membership experience, which emerged at the 2013 valuation, gives an increase in liabilities of c£11 million.

The net effect of all the above is that the estimated total value of the Fund's promised retirement benefits as at 31 March 2014 is therefore £494 million.

Paul Middleman

Fellow of the Institute and Faculty of Actuaries
Mercer Limited

Date: September 2014

Statement by the Consulting Actuary

Actuarial Valuation as at 31 March 2013

Rates and Adjustments Certificate issued in accordance with Regulation 36 of the Administration Regulations

Name of Fund

**West Midlands Integrated Transport Authority
Pension Fund**

Primary Contribution Requirements

I hereby certify that, in my opinion, the common rate of employers' contributions payable in each year of the period of three years beginning 1 April 2014 should be at the rate of 21.5 per cent of Pensionable Pay.

I hereby certify that, in my opinion, the amount of the employers' contributions payable in each year of the period of three years beginning with 1 April 2014, as set out above, should be individually adjusted as set out in the attached schedule. Contributions will be paid monthly in arrears with each payment normally being due by the 19th of the following month (or the 22nd if paid electronically).

Further Adjustments

A further individual adjustment shall be applied in respect of each early retirement occurring in the period of three years covered by this certificate. This further individual adjustment will be calculated in accordance with methods agreed from time to time between the Fund's Actuary and the Administering Authority.

The contributions set out in the attached schedule represent the minimum contribution which may be paid by each employer in total over the 3 years covered by the certificate. Additional contributions or a different pattern of contributions may be paid if requested by the employer concerned at the sole discretion of the Administering Authority as agreed with the Actuary.

The total contributions payable by each employer will be subject to a minimum of zero. The individual employer contributions may be varied as agreed by the Actuary and Administering Authority to reflect any changes in contribution requirements as a result of any benefit costs being insured with a third party or parties including where the third party or parties participate in the Fund.

Regulation 36(8)

No allowance for early retirements (including ill-health retirements) has been made in determining the results of the valuation, on the basis that the costs arising will be met by additional contributions.

Signature:



Name:

Paul Middleman

Qualification:

Fellow of the Institute and Faculty of Actuaries

Date of signing:

31 March 2014

Administrator's Commentary

2013/2014 was a busy year for the West Midlands Integrated Transport Authority (WMITA) Pension Fund. From 1 April 2014, the Local Government Pension Scheme (LGPS) changed to a career average scheme which meant that the Fund had to implement new system changes through working with our software provider, developing communication strategies, ensuring all stakeholders were kept up to date with the important changes to the way their pensions are calculated, together with training Fund staff and employers on new responsibilities and data requirements for the new Scheme.

It also saw the ITA Pension Fund work through the planning phases and into the delivery of the LGPS 2014 which involved extensive stakeholder communication, establishment of systems changes and the development of new communications strategies.

The Fund's valuation report confirmed that the funding level from 2010 had been maintained at 84% with an increase in underlying assets. The final valuation outcomes were achieved after extensive consultation and negotiation with the two participating employers. This was achieved in the context of a difficult economic climate with significant financial pressures for the organisations concerned. In addition, and in conjunction with the Fund actuary, the Fund published a Funding Strategy Statement (FSS) aligned to the valuation, which set out the funding parameters and identified how the employers' liabilities will be met going forward.

The changes which came into effect from 1 April 2014 are not the end of the changes to the LGPS. In addition to the changes in how pension schemes are administered, the Government has outlined its proposals for how those schemes should be governed after 1 April 2015. As part of that outline, Government issued draft regulations detailing how pension schemes should be governed and, following engagement with members and employer representatives, the Fund has submitted a response to that consultation which will assist in shaping how we implement the new arrangements by 1 April 2015. Fund officers have also worked quickly to provide responses to Government consultations on structural change to the LGPS, including the most recent one on collaboration, cost savings and efficiencies.

The Fund delivered annualised returns of 3.00% for the year, slightly underperforming its bespoke benchmark by 0.76%. This was mainly due to the weak relative performance of the diversified growth funds; however, the Fund has matched the benchmark over the five and ten-year period. Investment reviews have been undertaken and a new strategy has been implemented which we will continue to review and develop.

The Fund prides itself on the service it provides to our members, and this was recognised in the reaccreditation of the Fund in Customer Service Excellence together with a new award of Investors in People (Silver).

The Fund has worked hard over the past twelve months to strengthen its customer focus with member roadshows, retirement courses, employer events and further support of our employers in a series of LGPS 2014 employer events, as well as our AGM.

In consideration of our customers' needs and the feedback received, the Fund has developed a new website which is more accessible to our members with user-friendly screens and is a better resource of information for our customers. The website, wmpfonline.com, also hosts a variety of important documents including the Fund's policies and actuarial valuation report.

At the same time, in recognising the need for our website to be more user friendly, we have taken this approach one step further and created a web-portal facility for our members which enables them to gain access to information about their pension, whether active or deferred, instantly at the touch of a button. We first introduced our employers and members to our web portal last year, and we have seen high levels of interest from all parties and a large increase in the exchange of data with us electronically.

The strengthening of the Fund's electronic resources is of great importance for the forthcoming year as we look to reduce Fund costs and, therefore, member costs.

The processing of personal information has always been a hot topic and the Fund has always ensured the timely and appropriate management of our customer's personal information. Over the coming year, we will be assisting our employers with our bulk data import processes to ensure they meet the requirements set by the Pensions Regulator. Discussions with employers on how the bulk transfer process will work and what we require have proved successful thus far, and we will continue to build on those relationships as we implement the requirements to achieve good data quality.

The achievements of the past financial year have prepared us for the important challenges and tasks that will follow in the coming year including any future changes to the LGPS.

Geik Drever
Director of Pensions
West Midlands Pension Fund

Date: September 2014



Independent Auditor's Statement to the Members of West Midlands Integrated Transport Authority on the Pension Fund Financial Statements

Opinion on the Pension Fund Financial Statements

We have examined the pension fund financial statements for the year ended 31 March 2014, which comprise the Fund Account, the Net Assets Statement and the related notes.

This report is made solely to the members of West Midlands Integrated Transport Authority in accordance with Part II of the Audit Commission Act 1998 and for no other purpose, as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of the Treasurer and Auditor

As explained more fully in the Statement of Responsibilities for the Pension Fund Accounts, the Treasurer is responsible for the preparation of the pension fund's financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the pension fund financial statements within the pension fund annual report with the pension fund financial statements in the statement of accounts of West Midlands Integrated Transport Authority, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

We also read the other information contained in the pension fund annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the pension fund financial statements.

The other information consists of only the: Chair's statement; Treasurer's Report; Compliance Statement; Statement by the Consulting Actuary; Financial Services Report; Communications Report; Investment Policy and Performance Report; Administration and Key Operation Data, Risk Management, ITA Governance Compliance Statement 2014; ITA Funding Strategy Statement 2014, ITA Statement of Investment Principles 2013; and ITA Communications Policy Statement 2013.

We conducted our work in accordance with Bulletin 2008/3 issued by the Auditing Practices Board. Our report on the administering authority's full annual statement of accounts describes the basis of our opinion on those financial statements.

Opinion

In our opinion, the pension fund financial statements are consistent with the full annual statement of accounts of West Midlands Integrated Transport Authority for the year ended 31 March 2014 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2013/14.

Grant Patterson,

Director for and on behalf of Grant Thornton UK LLP,
Appointed Auditor
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Date: 17 October 2014

Administration Report

Since the last report, we have continued to implement a 'performance culture' ethos into the daily operational activities of the Fund. This year, pensions administration undertook a comprehensive review of its key performance indicators to ensure they were aligned to the Pension Regulator's (TPR) requirements and those of the business needs.

The focus will now move onwards to consistently improving data quality standards following TPR parameters. Operational staff completed their professional qualifications in pensions and project management (Prince 2). These qualifications are important as they will help assist staff to deliver the new LGPS 2014 regulations and assist employers in understand their responsibilities, in terms of data exchange and the changes required to payroll systems for these new regulations.

Staff from across the Fund are involved in determining improvements to customer service, and a focus moving forward being to include more customer involvement in these improvements.

At the Fund, continuous improvement is always a key consideration in our daily operational activities as we aim to work together and in partnership with our employers, service contractors and partners to put the requirements and expectations of all our customers first in the delivery of our service. We strive to make the complex topic and function of pension administration into a simpler, straightforward service for all our customers. The Fund is committed to this through high team and individual performance.

The Fund aims to revise its current pensions administration strategy to represent a comprehensive reflection of the key objectives in terms of improvements in line with the service plan and the desired outcomes. One of the key aspects in this area will be the inclusion of all employers in electronic working by 2015.

Simon Taylor
Acting Head of Pensions Administration,
West Midlands Pension Fund

Date: September 2014

Financial Services Report

The primary functions performed by the service are the payment of pensions, the collection of employer and employee contributions and day-to-day accounting for the Fund.

The Fund continues to seek 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 trend of overpayments made in the last five years is shown in the graph opposite.

Basic contributions to the Fund of £10.5 million were collected in the year, £9.4 million in respect of employers' contributions and £1.1 million for employees' contributions.

West Midlands Integrated Transport Authority

Year	Pension overpayment	% of gross pension
2009/10	£3,265	0.02%
2010/11	£7,411	0.04%
2011/12	£7,663	0.04%
2012/13	£10,930	0.05%
2013/14	£4,561	0.02%

Riz Dhanani

Fund Accountant,
West Midlands Pension Fund

Date: September 2014

Contribution Analysis

Employee’s contributions								
Standard contributions								
								Employee's adjustment
Payroll	5.50%	5.80%	5.90%	6.50%	6.80%	7.20%	7.50%	
Monthly	755.68	892.44	8,481.61	142,700.99	51,927.31	46,991.68	0.00	0.00
Weekly	0.00	3,458.57	35,843.18	777,338.98	7,266.10	0.00	0.00	0.00
Total contributions	755.68	4,351.01	44,324.79	920,039.97	59,193.41	46,991.68	0.00	0.00

Employee's contributions				Employer's contributions			
Additional contributions							
Payroll	Additional contributions	ARC	Employee's sub-total	Employer's contributions	Employer's adjustment	Employer's sub-total	Total payments
Monthly	0.00	0.00	251,749.71	696,605.38	0.00	696,605.38	948,355.09
Weekly	4,864.63	0.00	828,771.46	2,349,822.86	0.00	2,349,822.86	3,178,594.32
Total contributions	4,864.63	0.00	1,080,521.17	3,046,428.24	0.00	3,046,428.24	4,126,949.41

ITA Cashflow Statement

A summary of the quarterly current account cashflows and funding during the reporting period is shown below:

	Q1 £000	Q2 £000	Q3 £000	Q4 £000
Opening balance	1,887	2,435	2,686	3,112
Contributions and income received	7,192	8,041	6,925	7,685
Net pension and miscellaneous payments out	(6,644)	(7,090)	(6,499)	(7,300)
Quarterly net cash flow	548	951	426	385
Funded/utilised by:				
- Quarterly net investment activity	0	(700)	0	0
- Net redemption/investments of temporary loans	0	0	0	1
Closing balance	2,435	2,686	3,112	3,498

Communications Report

During 2013/2014, the Fund continued to innovate in the ways in which to communicate with our stakeholders. The Fund is required to have a formal communications policy by the scheme's rules. This policy currently sets out the following:

- How the Fund communicates with its stakeholders
- The format, frequency and method of communication
- How the Fund promotes the LGPS to prospective members and employers

The primary communication activity of the past twelve months was to educate and inform members in relation to the LGPS and its changes as at 1 April 2014. This education was completed by various methods, including enclosures in benefit statements, bespoke mailings, tailored briefing notes to one-to-one meetings, roadshows and events.

We also ensure that all paper documentation forwarded to members is available on our website, wmpfonline.com. The Fund's website received 87,804 visits in the period 1 April 2013 to 31 March 2014, which is an increase from 57,798 for the financial year 2012/2013.

Much of the increase in traffic on the website was of a result of the Fund's self-service web portal facility which allows employers and members of the West Midlands Pension Fund to complete pension tasks securely online. Similarly, the beginning of 2014 saw an increase in traffic to the website's dedicated LGPS 2014 areas.

Work on retirement planning events continued throughout the year with many successful sessions held in the West Midlands area. The opportunity has also been taken to provide an update to the recent 2014 LGPS developments. The events now cover the following:

- LGPS and the benefits it provides
- Tax tips
- The 2014 LGPS

Building on the success of the web portal, the Fund hopes to drive further electronic communication in the coming months, as we believe swift and efficient dialogue between the Fund and our customers is an expectation now and for the future.

Antony Ellis
Communications Officer
West Midlands Pension Fund

Date: September 2014

Investment Policy and Performance Report

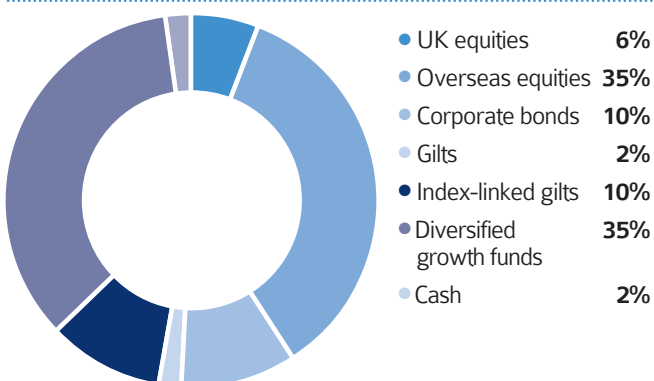
The market value of the ITA Fund as at 31 March 2014 was £432m.

Of this, an insurance policy was the largest component. The majority of the balance is passively managed by Legal & General whose portfolios are designed to track a relevant index for each asset class and thus deliver market returns. Legal & General also manage an active corporate bond portfolio. £66m is actively managed in diversified growth funds (DGFs) by Baillie Gifford and Barings.

In September 2013, disinvestments were made in European, North American and Japanese equities to lock in some profits and finance an additional £1.75m each into the two DGFs to increase the allocation to this strategy.

The asset distribution as at 31 March 2014 is illustrated in the following chart:

ITA Asset Allocation (ex-Prudential Annuity)



Market Commentary

May and June 2013 were dominated by market volatility that arose following remarks from Ben Bernanke indicating an earlier than anticipated end to quantitative easing (QE). The flight from fixed income assets saw bond yields rise sharply. Hit even harder were emerging markets, in which both fixed income and equity markets suffered, with geopolitical risk in Brazil and Turkey and a sharp contraction of liquidity in China adding to their woes. In contrast, the actual introduction of QE tapering in November 2013 was well received in the market as was the appointment of Janet Yellen who replaced Mr Bernanke in January 2014. Another notable appointment in the year was Mark Carney who took over as Governor of the Bank of England in June 2013.

Economic growth gathered momentum throughout the year although this did vary regionally. The UK economy strengthened over the year with recovery in investment and manufacturing becoming evident. The USA also continued to grow with rising consumer expenditure and lower unemployment, although there was a fall in activity in the first quarter of 2014 due to a severe winter. The eurozone was sluggish over the year, but there are signs that some economies are getting to grips with their problems. There was a slowdown in China and other major developing economies.

UK inflation as measured by the consumer prices index, (CPI), began the year at 2.9% and fell steadily to 1.6% by March 2014. Fiscal tightening continued and monetary policy did not change over the year.

Annualised Returns

The annualised returns for the Fund are detailed below:

Period to 31 March 2014	WMITA %pa	Bespoke benchmark % pa
One year	+3.00	+3.76
Three years	+7.28	+7.57
Five years	+11.04	+11.07
Ten years	+7.81	+7.81

The Fund underperformed its bespoke benchmark by 0.76% over the year mainly due to weak relative performances by the DGFs. The Fund has matched the benchmark over the five and ten year periods.

A minor revision in the asset allocation was implemented in September 2013. There was no material impact on performance.

The returns by manager and asset class are detailed overleaf for 2012/2013 and 2013/2014. (Returns for Baillie Gifford and Barings are for the period invested which was November 2012 to March 2014.)

Investment Policy and Performance Report

2013/2014 gross returns	Legal & General		Baillie Gifford		Barings	
	Actual	Index	Actual	Index	Actual	Index
UK equities	+8.96%	+8.81%	-	-	-	-
Overseas equities:						
- North America	+10.71%	+10.30%	-	-	-	-
- Europe	+18.05%	+18.28%	-	-	-	-
- Japan	-1.43%	-1.56%	-	-	-	-
- Pacific Basin ex Japan	-6.62%	-6.59%	-	-	-	-
- Emerging markets	-10.86%	-10.79%	-	-	-	-
UK gilts	-2.27%	-2.56%	-	-	-	-
Index linked	-3.74%	-3.80%	-	-	-	-
Non-government bonds	+1.74%	+1.55%	-	-	-	-
Diversified growth funds	-	-	+1.74%	+4.02%	+1.56%	+4.57%
Total	+3.81%	+3.79%	+1.74%	+4.02%	+1.56%	+4.57%

2012/2013 gross returns	Legal & General		Baillie Gifford		Barings	
	Actual	Index	Actual	Index	Actual	Index
UK equities	+16.5%	+16.9%	-	-	-	-
Overseas equities:						
- North America	+19.3%	+19.3%	-	-	-	-
- Europe	+17.5%	+18.0%	-	-	-	-
- Japan	+14.3%	+14.3%	-	-	-	-
- Pacific Basin ex Japan	+20.0%	+20.0%	-	-	-	-
- Emerging markets	+7.3%	+7.4%	-	-	-	-
UK gilts	+6.5%	+5.3%	-	-	-	-
Index linked	+13.1%	+12.8%	-	-	-	-
Non-government bonds	+9.45%	+12.0%	-	-	-	-
Diversified growth funds	-	-	+7.6%	+1.3%	+5.8%	+1.5%
Total	+14.9%	+14.9%	+7.6%	+1.3%	+5.8%	+1.5%

Investment Policy and Performance Report

Asset Allocation Benchmark and Actual

	31 March 2013 Benchmark %	31 March 2013 Actual %
UK equities	6.0	6.0
Overseas equities:	34.6	35.4
- Europe	10.0	10.2
- North America	11.4	11.6
- Japan	3.9	4.3
- Pacific Basin	3.7	3.8
- Emerging markets	5.6	5.5
Diversified growth funds	35.2	34.4
Total growth	75.8	75.8
Index-linked gilts	10.6	10.5
Gilts	2.4	2.3
Corporate bonds	11.2	10.4
Cash	0.0	1.0
Total defensive	24.2	24.2
Total assets	100.0	100.0

Largest Holdings

The Fund, as part of its risk management arrangements, now uses pooled vehicles and has no direct shareholdings in companies (see note 15 of the accounts).

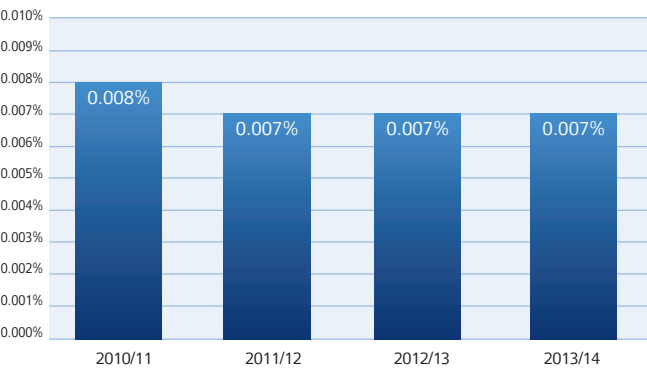
	31 March 2014 Benchmark %	31 March 2014 Actual %
UK equities	6.0	6.2
Overseas equities:	34.6	34.6
- Europe	10.0	11.1
- North America	11.4	12.0
- Japan	3.9	3.4
- Pacific Basin	3.7	3.4
- Emerging markets	5.6	4.7
Diversified growth funds	35.2	35.5
Total growth	75.8	76.3
Index-linked gilts	10.6	9.7
Gilts	2.4	2.0
Corporate bonds	11.2	10.2
Cash	0.0	1.8
Total defensive	24.2	23.7
Total assets	100.0	100.0

Shareholder Voting

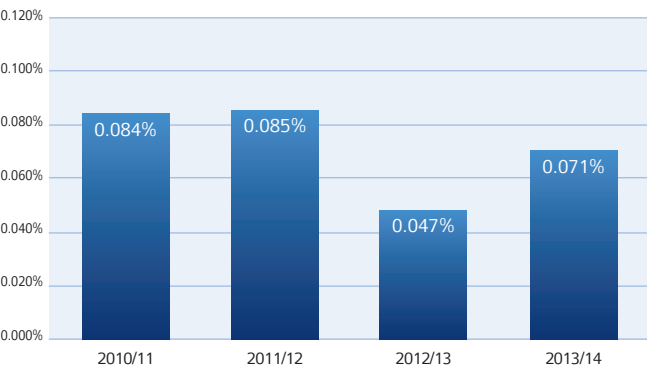
The Fund has regular meetings with Legal and General to review their governance activity and voting of shares held in the unit trusts in which the Fund has invested.

Investment Policy and Performance Report

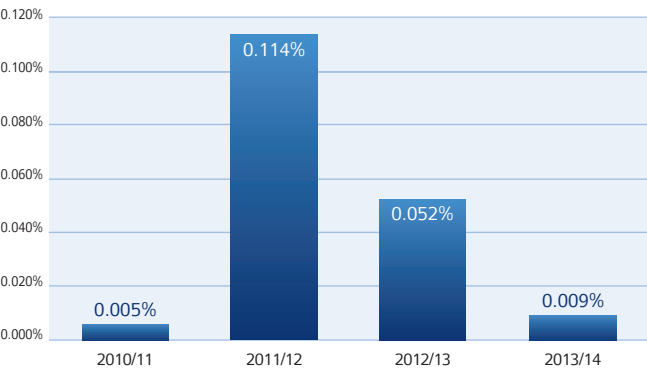
Staff Cost as a % of Assets Under Management



Management Fees as a % of Assets Under Management



Supplies and Services as a % of Assets Under Management



Administration and Key Operation Data

The following data for 2013/14 illustrates performance information and background for the pensions organisation.

Average Cases Per Member of Staff

Total member-related processes completed in 2013/14

3,066

Average completed cases per member of staff in 2013/14

3,066

Total member-related processes completed in 2013/14 and outstanding as at 31 March 2014

3,186

Average total cases per member of staff (includes outstanding processes as at 31 March 2014)

3,186

0 500 1,000 1,500 2,000 2,500 3,000 3,500

Member Movements During the Year – Withdrawals from the Fund



- Members awarded immediate retirement benefits
- Members entitled to deferred benefits
- Benefits awarded following a member's death in service

Staff/Fund Ratios Membership as at 31 March 2014



Complaints – Number of Complaints/ Number as % of Workload



Recoveries and Non-Recoveries of Overpayment

	Non-recoveries	Recoveries	Total overpayments	Gross pension	Overpayment * as %
2009/10 Number	£0 0	£3,265.54 15	£3,265.54 15	£18,160,510.16	0.02%
2010/11 Number	£0 0	£7,411.49 32	£7,411.49 32	£20,105,141.42	0.04%
2011/12 Number	£547.02 4	£7,116.11 22	£7,663.13 26	£21,194,618.91	0.04%
2012/13 Number	£0.00 0	£10,930.05 24	£10,930.05 24	£22,444,586.39	0.05%
2013/14 Number	£0.00 0	£4,561.06 23	£4,561.06 23	£23,198,596.12	0.02%

*Overpayment as a percentage of gross pensions paid

Administration and Key Operation Data

Five-Year Detail

	Employer name	Active	Deferred	Preserved refunds	Pensioner	Beneficiary	Totals
2010	West Midlands Travel Ltd	927	941	19	2,875	372	5,134
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	37	0	90	18	145
	Total	927	979	19	2,967	390	5,282
2011	West Midlands Travel Ltd	861	922	19	2,942	390	5,134
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	34	0	92	19	145
	Total	861	957	19	3,036	409	5,282
2012	West Midlands Travel Ltd	796	897	17	3,000	423	5,133
	Preston Borough Transport	0	1	0	2	0	3
	Preston Bus Ltd	0	30	0	94	19	143
	Total	796	928	17	3,096	442	5,279
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

Administration and Key Operation Data

Age Analysis - 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	1	27	110	144
Beneficiary pensioner	0	1	5	5	1	0	1	2	2	5	22
Deferred	0	0	0	0	0	0	0	14	82	214	287
Deferred ex-spouse	0	0	0	0	0	0	0	0	1	2	5
Pensioner	0	0	0	0	0	0	0	0	1	19	34
Preserved refund	0	0	0	0	0	0	0	1	10	2	4
Total	0	1	5	5	1	0	1	18	123	352	496

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	160	104	35	5	0	0	0	0	0	0	586
Beneficiary pensioner	26	62	103	124	96	41	7	2	0	0	505
Deferred	262	50	1	0	0	0	0	0	0	0	910
Deferred ex-spouse	2	1	0	0	0	0	0	0	0	0	11
Pensioner	91	582	939	816	515	178	22	0	0	0	3,197
Preserved refund	0	0	0	0	0	0	0	0	0	0	17
Total	541	799	1,078	945	611	219	29	2	0	0	5,226

Active members

The Fund has a total active membership of 586. Since 31 March 2013, the number of contributing members has decreased by 158.

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 £22.4 million each year are paid to retired members.

Risk Management

The Fund has to manage a range of risks in the context of being effectively closed and mature with regular cash outflows.

Investment risk is recognised as falling into distinct areas: market risk (beta) and manager skill (alpha). The structure of the investment strategy reflects this and is designed with the support of external expert advice. Details are contained in the *Statement of Investment Principles* and the *Funding Strategy Statement*. Managing risk is reduced to a relatively low level in the approach adopted, a reflection of the maturity of the Fund. The two employing bodies have views on investment risk and these are considered in the investment strategy.

The investment performance against the benchmark is monitored closely by the Pension Fund and Bus Shelter Appeals Sub-Committee at each quarterly meeting, and over the medium-term, returns have matched the benchmark.

The risks associated with the operational payment of benefits and recording of pensioner records produces a potentially complex set of issues for a small fund. These are mitigated through the arrangement it has with the much larger West Midland Pension Fund which can invest in the use of an IT system that is thoroughly and regularly tested, combined with the checking of output by experienced pension staff. The Fund continues to receive satisfactory external audit reports for its pensions services.

The Fund arranges for a regular internal audit of a sample of the operational transactions each year to test the system used by the Fund.

The Fund's accounts and arrangements are subject to annual audit by Grant Thornton who undertake the audit with the administering body, Wolverhampton City Council.

Appendices

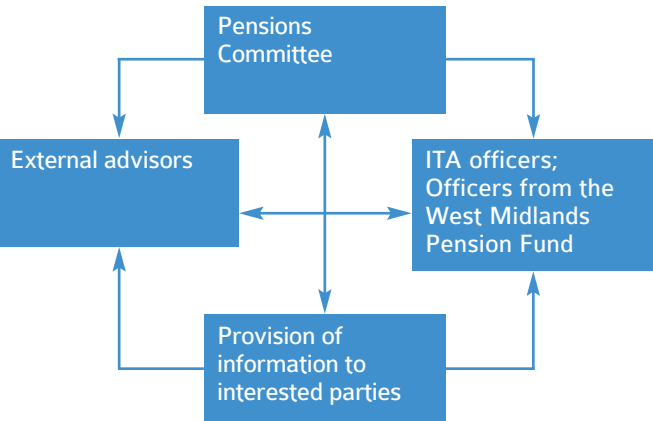
Policy Documents

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ITA Governance Compliance Statement 2014

Governance of the Fund

The Fund’s governance arrangement has four elements:



Pensions Committee

The strategic management of the assets is fundamentally the responsibility of the Fund Committee established by the Integrated Transport Authority (ITA) –the administering authority –which has representation from the major admitted body. The Committee 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 for the ITA.
- 2) 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.
- 3) To determine and review the provision of resources made available for the discharge of the function of administering authority.
- 4) To monitor compliance with legislation and best practice.
- 5) To determine and recommend investment policy:
 - a) benchmark (medium-term)
 - b) tactical (quarterly).
- 6) To monitor the implementation of investment policy.
- 7) To appoint committee advisors.
- 8) To review strategic investment opportunities.
- 9) To monitor investment management arrangements.
- 10) To appoint and dismiss external investment managers.

The ITA delegation to Pensions Committee is there to exercise the functions of the ITA, in relation to the administration of the West Midlands Passenger Transport Authority Pension Fund, arising by virtue of the Local Government Pension Scheme Regulations 1997 and any subsequent related legislation.

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.

Investment Strategy Panel

The Investment Strategy Panel is responsible for addressing the investment issues relating to the West Midlands ITA Pension Fund. In particular, the Panel are responsible for implementing the overall investment policy of the Pensions Committee in such a way as to achieve the Fund’s investment objectives, in line with the relevant Local Government Pension Scheme regulations. The Panel report to the Committee on their activities and the performance of the Fund at each Committee meeting.

The Strategy Panel meets at least four times a year and is responsible to the Committee for all aspects of the Fund’s investment arrangements, including monitoring and reviewing the following areas:

- setting investment objectives
- structure of the portfolios
- suitability of investment asset classes
- consideration of a long term de-risking/re-risking plans
- investment arrangements and performance measurement

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. This day-to-day support for the Fund is acquired from senior pensions officers from the West Midlands Pension Fund (WMPF) at Wolverhampton City Council.

Against this background, its principal advisors are as follows:

Senior officers of the ITA	Oversight of the arrangements
Mercer Human Resource Consulting	Actuarial matters
As required	Selection of investment managers, policy and investment matters relative to liabilities
Wolverhampton City Council (officers of the WMPF)	General investment advice, oversight of cashflows and pension arrangements

Other specialist advisors are used as and when needed.

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Role of ITA Members

The ITA is responsible for administering and discharging the functions as administering authority for the West Midlands Integrated Transport Authority Pension Fund. In addition to discharging the administration of benefits, recording of contributions etc, the ITA is also responsible for the investment of the Fund monies.

Investments are a special area for members to consider as it is different to normal ITA business.

When considering the advice and determining investment policy, members are effectively acting as trustees and as such need to understand the special obligations placed upon trustees. These responsibilities are additional to those carried out as an elected member of a local authority. Members' 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.

They must be aware of what is proposed by their advisors, and be sure that it is relevant to the needs of the Fund and within their powers.

In practice, trustees typically discharge their duty by ensuring that they have a systematic and clear way of agreeing their 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 judgements can be relied upon. So far as the Fund is concerned, the advice is provided mainly by officers and the advisers listed earlier.

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 following are extracts from leading court judgements made about the role of trustees. These extracts stress the independent fiduciary duty required of a trustee and the requirement to put the needs of the beneficiaries first at all times. These comments apply to all trustees, including members, involved in pensions work.

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 trust. 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 of a Trustee

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

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

View of the Secretary of State

The Secretary of State for the Environment 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."

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Member Training

Member training is recognised as important and a range of measures are in place to equip members to undertake their role. The outlined training scheme is pictured below.

Area	Pensions Committee			
	Reports	Presentation	Conferences/ Seminars	Background Reading
Investment governance	✓	Occasionally	LAPFF December Conference	✓
Investments:				
i) Strategies	✓	Occasionally		✓
ii) Asset use	✓	✓		✓
iii) Corporate governance	Occasionally	Occasionally		✓
iv) Economies	Occasionally	Occasionally		✓
Pensions administration				✓
Role of members				✓

Notes

- 1) Committee members are encouraged to attend LAPFF (Local Authority Pension Fund Forum) conference and other training seminars.
- 2) Members are encouraged to attend LAPFF meetings.
- 3) Each Committee aims to have at least one presentation reviewing managers, corporate governance and topical issues.
- 4) There is a website for members to access as a data source for them.
- 5) The roles and responsibilities of members are presented periodically.

The objective of the training scheme is to ensure, on a rolling basis, established and new members of the Committee receive access to information, training and advice in order to fully discharge the role they have as trustees.

The arrangements have regard to the requirements set out by CIPFA, in respect of pension knowledge and understanding for members and officers.

Origins Of The Fund And Responsibilities

Following the 1974 reorganisation, all West Midlands council employees were members of the West Midlands County Council Superannuation Fund with the county council as administering body. The 1986 reorganisation led to Wolverhampton Council becoming the administering body for the Fund (now known as the West Midlands Pension Fund - the Fund). This included the local government employees in the West Midlands, West Midlands Passenger Transport Executive staff and the then West Midlands bus company which was a public sector company. In 1991, West Midlands Travel Ltd became a private sector company which, because of the potential US withholding tax implications for the Fund, led to the need for the Company's membership of the Fund to cease. However, the then Secretary of State agreed to a new administering authority for West Midlands Travel being created – the WMPTA Fund (subsequently renamed the WMITA Fund).

Bus company employees were transferred to this pension fund, but no new employees of the company are admitted, and all other employees of the councils remain in the WMPF. This is a unique arrangement in the country.

The PTA/ITA Fund has subsequently entered into an admission agreement with the Preston Bus Ltd when a similar problem arose in that local area. The Preston Bus Ltd has since moved to only having deferred beneficiaries and pensioner members.

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.

Administration Of The Fund

Wolverhampton City Council, through the Fund, on behalf of the administering authority (the ITA), carries out the administration function on an agency basis. The City Council carries out the following functions:

- 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 a SIP (Statement of Investment Principles), both after consultation with interested parties.
- Monitors all aspects of the Fund's activities and funding.
- Receives contributions from employees' pay.
- Pays all contributions as determined by the actuary, promptly by the due date.
- Exercises discretions agreed by the ITA within the regulatory framework.

ITA Governance Compliance Statement 2014

- Collects additional contributions in accordance with agreed arrangements in respect of, for example, early retirement funding strain.
- Notifies the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharges the responsibility for compensatory added years which the Fund (Wolverhampton City Council) pays on behalf of the ITA. The ITA is subsequently recharged for these appropriate amounts.

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.
- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

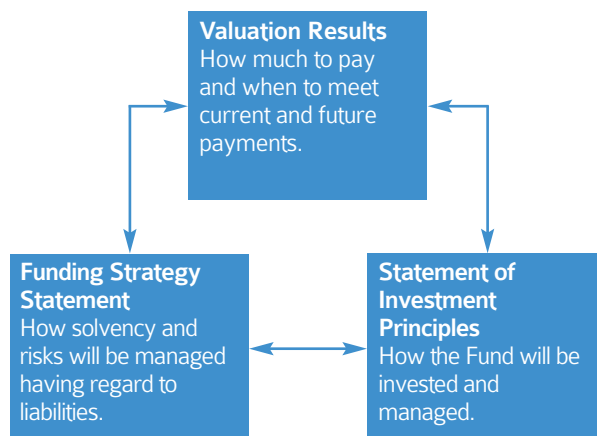
Provision Of Information To Interested Parties

Further details of the publications available in respect of the West Midlands Integrated Authority Pension Fund are available at the Fund's website at wmpfonline.com.

ITA Funding Strategy Statement 2014

1. Introduction

- 1.1** The LGPS regulations require funds to produce a Funding Strategy Statement (FSS) having regard to the guidance produced by CIPFA. This statement has been drawn up by the West Midlands ITA Pension Fund in accordance with the regulations and following consultation.
- 1.2** The FSS complements and adds to the Statement of Investment Principles (SIP) which is a supporting document, alongside the actuarial valuation.
- 1.3** The statements relate as follows:



- 1.4** The Fund's actuary takes account of the FSS in his actuarial work for the Fund, most notably the actuarial valuation process.
- 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.

The benefits provided by the WMITAPF are specified in the governing legislation (the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended) ('the BMC regulations') and the administration regulations. New legislation contained in the Local Government Pension Scheme Regulations 2013 ('the 2013 regulations') governs the WMITAPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 regulations.

- 1.7** Against this background, the key considerations in determining the funding strategy, taking advice from the actuary, are:

- a) the appropriate time period for targeting funding recovery taking into account the closed nature of the scheme, but also the ongoing nature of the sponsoring organisations;
- b) the strength of covenant of the sponsoring organisations, their funding sources, and any guarantee arrangements in place;

- 1.8** A number of factors have contributed to the funding gap and contribution rates for employers:

- a) investment returns relative to movement in liabilities;
- b) increases in longevity of pensioners;
- c) falling long-term interest rates.

- 1.9** Since the fund was established in 1991, there has been a consistent approach with the actuarial valuation process, the link to an investment strategy and balanced management of the risks. The current arrangements continue this approach, maintaining the trend of matching the investment strategy to the growing scheme maturity.

The critical element is securing investment market returns from the world markets. The Fund has a long record of achieving solid returns for all of its portfolios. The approach adopted is to ensure a priority is given to achieving at least a market return and as recommended best practice indicates, use asset allocation to deliver the overall investment target.

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 support the regulatory requirement to maintain employer contribution rates as nearly constant as possible.
- to take a prudent view of funding those liabilities.

- 2.2** Following the insurance buy-in, the Fund currently has a net cash inflow. The FSS supports the process of ensuring adequate funds are put aside on a regular basis to meet future benefit liabilities. The LGPS regulations specify the approach and requirements, the implementation of the funding strategy is the responsibility of the West Midlands ITA acting on expert advice and following consultation.

- 2.3** The FSS is a comprehensive strategy for the Fund. It balances and reconciles the many direct interests that arise from the nature of the Scheme and funding of the benefits now and in the future.

ITA Funding Strategy Statement 2014

3. Background

- 3.1** The LGPS regulations require the administering authority to consult with such persons it considers appropriate in the maintenance and review of the FSS.
- 3.2** 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.
- 3.3** Employers participating in the Fund have been consulted on the principles of this FSS, and consideration has been given to their views accordingly. The FSS represents a strategy for the Fund allowing for individual employers based on the advice of the Fund actuary.
- 3.4** In addition, the administering authority has had regard to the Fund's Statement of Investment Principles published in accordance with the LGPS regulations. Currently, the strategy is being reviewed in relation to the underlying portfolio structure for the PBL notional asset share and the SIP will be updated.
- 3.5** The Fund actuary, Mercer, has also been consulted in the contents of this FSS.

4. Aims and Purposes of the Pension Fund

- 4.1** The aims of the Fund are to:
- enable employer contribution rates to be kept at reasonable cost to the admitted bodies having regard to the liabilities.
 - manage employers' liabilities effectively through regular review of contributions and additional contributions for early retirements which lead to a strain on funding.
 - ensure that sufficient resources are available to meet all liabilities as they fall due.
 - maximise the returns from investments within reasonable risk parameters.
- 4.2** The purpose of the Fund is to:
- receive and invest monies in respect of contributions, transfer values and investment income.
 - pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses, as defined in the Local Government Pension Scheme (Administration) Regulations 2008 (as amended), the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007 (as amended), the 2013 regulations and in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009.

5. Responsibilities of the Key Parties

- 5.1** The LGPS regulations set out the responsibilities of the key parties which are summarised below.
- 5.2** The administering authority (West Midlands ITA):
- 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 and a SIP.
- Monitors all aspects of the Fund's performance and funding. Amends the FSS and SIP as appropriate.

The administering authority discharges its responsibilities in consultation with the two employers and working through a pension fund committee.

5.3 The individual employers:

- Deduct contributions from employees' pay correctly.
- Pay all contributions, including their own 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, augmentation of Scheme benefits and early retirement strain.
- Notify the administering authority promptly of all changes to membership, or as may be proposed, which affect future funding.
- Discharge their responsibility for compensatory added years.
- We will make significant progress in the transition to electronic data exchange with the submission of member data via bulk data imports (BDI).

5.4 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 employer's 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.
- Prepares advice and calculations in connection with bulk transfers and individual benefit-related matters.

6. Solvency Issues and Target Funding Levels

- 6.1** The Fund currently is mature and has a post-buy-in cash inflow and 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.
- 6.2** 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 approach to the actuarial valuation process and key assumptions used at each three yearly valuation are consulted upon, and the 2013 valuation report is the main consultation document; this FSS reflects this consultation.

ITA Funding Strategy Statement 2014

Determination of the Funding Target and Recovery Period

6.3 The principle method and assumptions to be used in the calculation of the funding target are set out in the Appendix.

6.4 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; and
- 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.

6.5 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. In attributing the investment performance to each employer, consideration will be given to the underlying investment strategy adopted for that employer and the associated investment performance (notional or actual). Currently, the two employers have different underlying investment strategies, and this is expected to continue going forward.

6.6 The administering authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates.

As part of this valuation, when looking to potentially stabilise contribution requirements, we will consider whether we can build into the funding plan the following:

- Some allowance for interest rates and bond yields to revert to higher levels over the medium- to long-term.
- Allowance for actual returns on investments post-31 March 2013, where applicable.
- Consideration of pre-existing agreements with individual employers relating to contributions, where applicable.

In considering this, the administering authority, based on the advice of the actuary, will consider if this results in a reasonable likelihood that the funding plan will be successful.

- The deficit recovery plan for Preston Bus will be based on an overall recovery period of just over nine years.
- The deficit recovery plan for WMTL over 2014/17 will be based on the existing agreement with WMTL which was implemented following the setup of the buy-in policy in terms of maintaining deficit contribution levels to 31 March 2017. Deficit contributions from 1 April 2017 will therefore be considered further as part of the 2016 actuarial valuation in order to arrive at contribution levels acceptable to the Authority and WMTL if a suitable financial guarantee remains in place to the satisfaction of the administering authority.
- All early retirements (including those on the grounds of ill health) from the Fund will give rise to an additional charge to the employer, calculated on a case-by-case basis for each retirement.

- Employer contributions payable to the Fund include an element to cover the expected administrative costs involved, incurred by the administering authority. This expenses allowance will be expressed as annual £s amounts, allocated to each employer by reference to total membership.
- Deficit contributions will continue to be assessed and expressed as annual £s amounts.
- In addition to any deficit contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for members after the valuation date (the 'normal' cost). The method and assumptions for assessing these contributions are also set out in the Appendix.

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.

7. Links to Investment Policy Set Out in the Statement of Investment Principles (SIP)

7.1 The Fund has, for many years after each actuarial valuation, taken professional advice in order to assist the process of formulating a strategic asset allocation. The outcome from the last exercise is reflected in the SIP. It will continue to be monitored by the Investment Sub-Committee which includes representatives from the Authority, employers and advisors.

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

- Unexpected market-driven events.
- Investment markets fail to perform in line with expectations.
- Market yields move at variance with assumptions.
- Investment fund managers fail to achieve performance targets over the longer term.
- Asset allocations in volatile markets may lock in past losses.
- 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.

ITA Funding Strategy Statement 2014

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. Short-term investment management decision to reflect anticipated market changes are strictly controlled against the investment strategy or benchmark.

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. Further information is available in the SIP and on the Fund's website.

Demographic

- The longevity horizon of beneficiaries continues to expand.
- Cost of early retirements.

The Fund has in place policies and procedures to identify for employing bodies the impact of these factors and agrees how they will be managed in terms of annual contribution rates and/or as special additional contributions.

Regulatory

- Changes to regulations, eg, more favourable benefits package, potential new entrants to Scheme.
- Changes to national pension requirements, ie, via the national cost model and/or HMRC rules.

These changes agreed and proposed are evaluated and taken into account in the actuarial valuation and closely monitored between valuations in case any action is required.

Employers will make contributions to the Fund as cases are approved for early retirement and other employing body discretions that, when exercised, alter future liabilities.

Governance

- The administering authority is unaware of structural changes in an employer's membership (for example, large fall in employee members, large number of retirements).
- An employer ceasing to exist with insufficient funding or adequacy of a bond/guarantee.
- Changes in the level of covenant or guarantee arrangements provided by the employers to the Fund.

The Fund has established inter-valuation monitoring and working relations with its two employers to ensure changes are detected, discussed, evaluated and appropriate action agreed. This includes regular reviews of funding levels, and the assessment of the financial standing of employers and any guarantee arrangements in place.

The Fund's approach to the outcome of the 2013 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 2014

Appendix

Actuarial Valuation as at 31 March 2013

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)

A yield based on market returns on UK Government gilt stocks and other instruments which reflects a market consistent discount rate for the profile and duration of the scheme's accrued liabilities, plus an asset out-performance assumption ('AOA') of 2.5% pa for the period pre-retirement and 0.5% pa post-retirement for non-retired members, and also retired members not involved in the buy-in. For retired members involved in the buy-in, the AOA is 0% pa. In relation to the liabilities for Preston Bus Ltd, the AOA is reduced to 2.0% pa and 0.0% pa respectively.

When valuing the buy-in asset, consideration is given to the different shape of the buy-in cashflows and duration when determining the discount rate (with a 0% pa AOA) to apply.

The asset out-performance assumption represents the allowance made, in calculating the funding target, for the long-term additional investment performance on the assets of the Fund relative to the yields available on long-dated gilt stocks as at the valuation date. The allowance for this out-performance is based on the liability profile of the scheme, with a higher assumption in respect of the 'pre-retirement' (ie, active and deferred pensioner) liabilities than for the 'post-retirement' (ie, pensioner) liabilities. This approach, thereby, allows for a gradual shift in the overall growth/matching weighting of the Fund as the liability profile of the membership matures over time. The discount rate, in respect of buy-in pensioner members, reflects the buy-in policy backing these liabilities.

• Inflation (Consumer Prices Index)

The inflation assumption will be taken to be the investment market's expectation for RPI inflation as indicated by the difference between yields derived from market instruments, principally conventional and index-linked UK Government gilts as at the valuation date, reflecting the profile and duration of the scheme's accrued liabilities, but subject to the following two adjustments.

- An allowance for supply/demand distortions in the bond market is incorporated; and
- Due to retirement pensions being increased annually by the change in the consumer prices index rather than the retail prices index.

The overall reduction to market implied RPI inflation at the valuation date is 1.0% per annum.

• Salary Increases

The assumption for salary increases including allowance for promotional increases, will be set as the CPI inflation assumption described, based on supporting evidence provided by WMTL reflecting pay growth expectations of the employer.

• 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).

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

Summary of Key Whole Fund Assumptions Used for Calculating Funding Target and Cost of Future Accrual (the 'Normal Cost') for the 2013 Actuarial Valuation

Long-term gilt yields	
Fixed interest	3.0% pa
Index-linked	-0.6% pa
Adjustment for inflation risk premium and CPI	(1.0%)pa
Implied CPI price inflation	2.6% pa
Financial assumptions - West Midlands Travel Ltd	
Investment return pre-retirement*	5.5% pa
Investment return post-retirement*	3.5% pa
Salary and pension increases	2.6% pa

*5.0% pa and 3.0% pa respectively for Preston Bus Ltd

The discount rate used to assess the value of the buy-in policy was 2.5% at 31 March 2013.

Post-Valuation Changes in Market Conditions/Assumptions Used in Calculating Contributions Payable

In determining the contributions payable under the recovery plan and the cost of future benefit accrual, the actuary will adopt the same assumptions as those used to calculate the funding target, with the exception that adjustments will be made for post-valuation date market changes. In terms of assumptions, the principal change is that the discount rates have increased by 0.6% pa when assessing the value of the funding target and 0.7% pa when assessing the updated value of the buy-in policy.

The actuary will also make advance allowance for these post-valuation date market changes when determining the overall shortfall declared at the valuation date.

ITA Funding Strategy Statement 2014

Principal Demographic Assumptions

In retirement mortality assumptions	Table	Adjustment
Male normal health pensioners	S1PMA CMI 2013 M (1.25%)	111%
Female normal health pensioners	S1PFA CMI 2013 F (1.25%)	103%
Male ill-health pensioners	As for male normal health pensioners + 3 years	
Female ill-health pensioners	As for female normal health pensioners + 3 years	
Male dependants	S1PMA CMI 2013 M (1.25%)	207%
Female dependants	S1DFA CMI 2013 F (1.25%)	126%
Male future dependants	S1PMA CMI 2013 M (1.25%)	113%
Female future dependants	S1DFA CMI 2013 F (1.25%)	106%

*An **age rating** applied to an actuarial table has the effect of assuming that beneficiaries have a life expectancy equal to those older (or younger) than their actual age.

For example, a “+1 year” rating would mean beneficiaries are assumed to have the mortality of someone one year their senior, which has the effect of reducing their life expectancy and, hence, reducing the assessed value of the corresponding liabilities.

A **weighting** applied to an actuarial table has the effect of increasing or reducing the chance of survival at each age, which increases or reduces the corresponding life expectancy.

For example, a ‘111%’ weighting would mean beneficiaries have mortality rates 11% higher than the unadjusted table which reduces the assessed value of the corresponding liabilities.

Commutation – one half of members take maximum lump-sum; others take 3/80ths.

No members are assumed to opt for the 50/50 scheme from 1 April 2014.

ITA Statement of Investment Principles 2013

1. Introduction

- 1.1** The West Midlands Integrated Transport Authority (ITA) Pension Fund has drawn up this Statement of Investment Principles ('the statement') to comply with the requirements of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998. This statement is available to anyone with an interest in the Fund and the public generally.
- 1.2** Overall investment policy falls into two parts. The strategic management of the assets is fundamentally the responsibility of the Pension Fund Committee established by the ITA (the administering authority) which has open representation from the admitted bodies. 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 opposite. 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 director responsible for the West Midlands Pension Fund at Wolverhampton City Council and described in Section 3.
- 1.3** The roles of the members and committee are:

Role of Pensions Committee

- 1** To discharge the functions of the administering authority for the application of the Local Government Pension Scheme Regulations for the West Midlands ITA.
- 2** 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.
- 3** To determine and review the provision of resources made available for the discharge of the function of administering authority.

Key Duties

a) Pensions Committee

- 1) Monitor compliance with legislation and best practice.
- 2) Determine and recommend investment policy:
 - a) benchmark (medium-term)
 - b) monitor policy
- 3) Appoint committee advisers.

b) Investment Strategy Panel

- 1) Monitor investment management arrangements.
- 2) Review strategic investment opportunities.
- 3) Monitor implementation of investment policy.
- 4) Monitor investment activity and performance of the Fund.
- 5) Oversee the administration of investment management functions of the Fund.

2. Investment Objectives and Risk

2.1 Investment Objectives

The Authority has set the following objectives:

- i) Have resources available to meet the Fund's liabilities for pensions and other benefits provided when they fall due.
- ii) Seek returns that are consistent and match those available in the major investment markets and are comparable with other institutional investors.
- iii) 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.
- iv) Acknowledge the risk of investing and have regard to best practice in managing that risk.

2.2 Risk

There are various risks to which any pension scheme is exposed. The Authority has considered the following risks and believes that they do not exceed an acceptable level:

- i) The risk of a deterioration in the funding level of the Fund due to investment markets not responding 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.
- ii) 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 Authority. The Authority recognises that the use of active investment managers involves such a risk and does not use active equity managers. To limit their exposure to the risk of significantly underperforming, the Authority invests the Fund's investments in highly 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.
- iii) Any investment decision carries with it risks of different types (for example risk of underperformance, risk from mismatching, risk from underfunding etc). The Authority 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.
- iv) 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.

ITA Statement of Investment Principles 2013

2.3 Investment Strategy

The Authority sets a long term investment strategy (the mix of asset types) to have regard to the Fund's liability structure and the investment objectives set out above. This is reviewed at least every three years, after each actuarial valuation. The Authority believed that the investment strategy needed further action to lower the risks for employers, and sought to move to an insurance 'buy-in' of part of the liabilities for pensions in payment, this being implemented in 2012. It will not make tactical asset allocation decisions unless market movements or related issues suggest otherwise.

3. Day-to-Day Management of the Assets

3.1 Main Assets

The Authority invests the main assets of the Fund in portfolios operated by three external investment managers. The Authority 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.

Asset Class		Manager
Equities		
Global	} Passive	Legal and General
Emerging markets		
Fixed interest		
UK gilts and index-linked	Passive	Legal and General
Non-government bonds	Active	Legal and General
Diversified growth funds		Barings Baillie Gifford
Cash		

3.1.1 Investment Performance Benchmark

The balance of the Fund, following the buy-in, has benchmarks as set out below, with risk bands applied either side of the benchmarks that, if breached, will trigger rebalancing.

Post-Buy-In Strategy

Asset Class	%
Global equities	34.0
Emerging market equities	6.0
Total equities	40.0
Diversified growth funds	40.0
Index-linked	10.0
Corporate bonds	10.0
Total bonds	20.0
	100.0

Non-Buy-In Strategy

Asset Class	%
Global equities	42.5
Emerging market equities	2.5
Total equities	45.0
Index-linked	15.0
Gilts	20.0
Corporate bonds	20.0
Total bonds	55.0
	100.0

3.1.2 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 2010 actuarial valuation, identified as up to a maximum of 6.75% pa over the recovery period. The individual portfolios should match or exceed the specific market benchmarks set for each portfolio over time. The target beta is 4.4% with an additional alpha target of 1.8%, for the post-buy-in strategy and 4.6% beta with 0.1% additional alpha for the non-buy-in strategy.

3.1.3 Investment Restrictions

The investment managers are prohibited from holding investments not defined as 'investments' in the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998.

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

3.3 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. However, following implementation of the insurance buy-in, there is no set policy on realising investments to meet benefits outgoings as the Fund is currently cashflow-positive, rather, the position is regularly reviewed by the Investment Strategy Panel.

3.4 Monitoring the Investment Manager

The performance of the internally managed assets and of the external 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 Strategy Panel meets at least quarterly to review markets and managers.

ITA Statement of Investment Principles 2013

3.5. Advisers

The Fund uses a range of advisers in addition to its own specialist officers as follows:

Mercer	Actuarial matters, selection of investment managers, policy and investment matters relative to liabilities
Wolverhampton City Council Officers of the West Midlands Pension Fund	General investment advice, 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.

4. Corporate Governance and Socially Responsible Investment (SRI)

- i) The Authority recognises its responsibility as an institutional investor to support and encourage good corporate governance practices in the companies in which it invests. The Authority 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.
- ii) 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.
- iii) 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.
- iv) 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.
- v) 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.

5. Compliance with this Statement

The Authority 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 Authority undertakes to advise the investment managers promptly and in writing of any material change to this statement.

6. Compliance with Myners

Following from the Myners' Report into Institutional Investment in the UK, the Government, after consultation, indicated it would take forward all of the report recommendations and identified ten investment principles to apply to pension schemes.

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

The Myners' principles have since been updated and consolidated into six. The Fund supports the principles and complies with the principles. Full details of compliance are set out in the Fund's Myners' Compliance Statement which can be found on the Fund's website.

7. Review of this Statement

The Authority 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.

ITA Communications Policy Statement 2013

Introduction

Your comments on how well we communicate, good or bad, with any of our stakeholders are welcome. If you want to get in touch with us about the way in which we communicate, please contact us using the details found later in this document.

In April 2006, the Local Government Pension Scheme regulations were amended to state that each pension fund administering authority is required to prepare, publish and review regularly its communications policy statement.

This document outlines the ITA Pension Fund's policy concerning communications with the following people and organisations:

The Fund has identified four distinct groups with whom it needs to communicate:

- Pension Committee members
- Scheme members
- Scheme employers
- Other bodies

Diversity of Communication

Our communication material is designed within the boundaries of the channel for which it is meant. Printable publications are made available on our website at www.wmpfonline.com/About+the+Fund/WMITA.htm and contain links and information that would not be possible to incorporate into a printed version.

All information is also available in alternative formats, for example, Braille and large print, but may take additional time to prepare as it may not be readily available at the date of publication of a scheme leaflet or booklet. The ITA Pension Fund will strive to reduce any additional period required to prepare such information where it can, but if one-off personalised information is requested in either Braille or large text format, it can take up to ten working days for it to be prepared.

A truly effective communications strategy is vital for any organisation which strives to provide a high quality and consistent service to its customers. Set out in this document are the channels which may be used to meet those communication needs. The ITA Pension Fund aims to use the most appropriate communication medium for the audiences receiving the information. It is recognised that this may involve using more than one method of communication for each group.

ITA Pension Fund Committee Members

Committee members receive directly all meeting papers and full access to all Fund material produced for employers, employees' pensions and third parties.

As part of its website, the ITA Pension Fund provides information which contains the relevant scheme booklets and information.

Knowledge building and training is provided via our officers, advisors and external experts with regards to investment and administration matters. We have embraced the CIPFA knowledge and skills framework, and will work to expand elected members' knowledge upon this framework.

The role of the elected member through Committee is supplemented by specific advice which can be provided by officers and external advisors.

Scheme Members

Internet

ITA Pension Fund have established an extensive website at www.wmpfonline.com/About+the+Fund/WMITA.htm containing Scheme details and leaflets, etc. There are also links to other organisations relevant to Scheme members, for example, AVC providers, employers' organisations, etc.

Benefits Statements

An annual benefits statement is sent direct to the home address of all members who are contributing to the ITA Pension Fund at the previous financial year-end and do not form a pending pension transaction. Benefit statements are sent direct to the home address of deferred members where a current address is known. Active and deferred members are able to register for the Fund's web portal facility, where a copy of individual benefits statements are available to view or print at any time.

All members are encouraged to inform the ITA Pension Fund directly of any change of address. The ITA Pension Fund has a formal policy on dormant records and members are provided with this information at various times.

The ITA Pension Fund also takes reasonable steps to ensure we maintain a current and accurate address database subject to the accepted Royal Mail format – PAF (postal address format).

Scheme Literature

An extensive range of Scheme literature is produced by the ITA Pension Fund and is supplied to employing bodies and scheme members directly. Copies of scheme literature form part of the ITA Pension Fund's website at www.wmpfonline.com/About+the+Fund/WMITA.htm

As changes to the Scheme are announced and implemented, the literature will be updated accordingly and posted on the ITA Pension Fund's website.

Pay Advices

We issue a pay advice to all monthly paid scheme pensioners in April. In the months of May through to March, we will only send a pay advice when there is a variance of £10 in their gross or net payment. For scheme pensioners that are paid quarterly and annually, the Fund will issue a pay advice every time a payment is made (June, September, December and March). Scheme pensioners can also register to use the Fund's web-portal application where the pay advice can be viewed and printed at any time following the payment date.

Scheme pensioners are issued an annual end-of-year certificate (P60) to comply with HMRC guidance which will be provided in March 2013 and will continue on an annual basis accordingly.

The pay advice is used as a multifunctional communication mechanism, messages are included on the reverse each time they are produced. The Fund's website will continue to display updates for pensioners to convey specific messages, for example, pensions increase and HMRC taxation information.

ITA Communications Policy Statement 2013

Correspondence

The ITA Pension Fund uses both surface mail and email to receive and send correspondence, all staff have access to send and receive email. The ITA Pension Fund will, where appropriate, down stream access (DSA) providers to minimise costs for large bulk mailing such as annual benefits statements, but it will research services offered by the DSA providers to ensure the service offered is in accordance with that expected of a mail carrier, and that it will not impact on the end delivery service to customers.

Dedicated Telephone Helpline

Members: 0300 111 1665

A dedicated low-call rate telephone customer service centre is provided for scheme members and is widely publicised in scheme literature. A password security system has been implemented which allows scheme members to transact a significant proportion of their pensions business without having to enter into formal correspondence.

Pensions Roadshows

We stage pension roadshows and, where requested, visit our members. Outside these events, satellite roadshows are held at outlying employer sites, particularly when there may be organisational changes occurring which have pensions implications.

The self-contained vehicle provides an opportunity for officers to go onsite and meet with scheme members while having the full range of communication material present, as well as colleagues from Prudential who are our AVC partner. This can be done with the minimum of disruption to employers, as the vehicle can be used at workplace locations without the need for employers to find a suitable meeting room.

A concerted effort is currently being made to broaden this onsite work, and members are being invited to seek assistance with pension matters at the earliest opportunity. In the current climate, this service has provided a good way of dealing with members enquires face-to-face in order that full support can be given to them and their employees.

Pension Clinics and Surgeries

Our officers attend sites to see members on a one-to-one basis, where requested to do so. These can be requested where there is significant change to employment terms or at the request of members who feel they are unaware of the benefits of the LGPS.

The emphasis of these events is to reassure members about the benefits offered by the scheme or to explain in greater detail where members have a challenge in understanding the complex make-up of the LGPS benefit structure. These sessions are offered at no cost and continue to be a practical way of resolving issues within the workplace, promoting the LGPS and our reputation and willingness to respond to member queries.

Club Together

We provide our pensioners with an annual magazine through the affinity group, Club Together. The magazine is published by the affinity group and we use the distribution as a vehicle to include a newsletter providing relevant pension information.

Existence Validation: Pensioners Living Abroad

The ITA Pension Fund undertakes an annual exercise conducted through correspondence in order to establish the continued existence of pensioners living abroad.

Web Portal Facility

An online portal provides members with a secure access to their Local Government Pension Scheme records. The facility provides members with the opportunity to keep the Fund updated with their personal details, ask questions, access annual benefit statements and run pension estimate calculations. Pensioners of the Fund are also able to view pension pay information via the portal.

Scheme Information Employers

Internet

The ITA Pension Fund has established an extensive website at www.wmpfonline.com/About+the+Fund/WMITA.htm containing Scheme details and leaflets, etc.

Dedicated Telephone Helpline

Employers: 0300 111 6516

A dedicated low-call rate employer customer service line was introduced during 2010/2011. This allows us to respond to employer generated telephone calls as a priority at peak times, rather than introduce automated telephone responses.

Technical Newsletter

A technical newsletter, entitled *Employer's Briefing Note* is issued on a monthly basis to all employers. This medium is also used to communicate any issues that are currently under debate. Changes to the regulations which impact upon the employer's function or their employees are also covered.

Employers' Manual

An employers' manual is issued to assist the smaller employers in discharging their pensions administration responsibilities.

Ill-Health Retirements

A *Guidance Manual for Approved Doctors* has been circulated to appropriate employers within the ITA Pension Fund.

All Employer Meetings

The Fund has introduced an annual general meeting for employers which is used to communicate strategic issues, Fund performance, legislation changes and triennial valuation matters. Meetings may also be arranged in addition to the annual general meeting in order to address specific topics, for example, consultation meetings were organised when the draft regulations were released in connection with the 2014 changes to the scheme

Trade Unions

We will work with the relevant trade unions to ensure the scheme is understood by all interested parties. Training days for branch officers will be provided upon request, and efforts will be made to ensure that all pension-related issues are communicated effectively with the trade unions.

ITA Communications Policy Statement 2013

Access to Computerised Pensions Administration, the Web Portal Facility and ITA Pension Fund Website

Each major employer has access through the internet to the pension records of their current employees, together with a calculation suite for the provision of estimates direct to employees. It is intended, through development of a second generation version of our current computerised pensions administration system to achieve greater web compatibility and the transmission of data electronically.

All employers have the opportunity to use the Fund's online portal which has been developed to improve efficiency and convenience for both employers and members of the Fund. The portal provides benefits to employers which include the ability to make online changes to active member details such as changes in hours and change of address, the facility to calculate early retirement estimates and employer early retirement costings, as well as view pension records for their active members.

Other Bodies

Opportunities for Exchanges Of Information and Communication of Pensions' Issues

Trade Unions

Trade unions in the West Midlands are valuable ambassadors for the Scheme. They ensure that details of the Local Government Pension Scheme's availability are brought to their members' attention, and assist in negotiations under TUPE transfers in order to ensure, whenever possible, continued access to the Local Government Pension Scheme.

Shrewsbury Pensions Officers' Group

Pensions officers from administering authorities in the region meet regularly in order to share information and ensure uniform interpretation of the Local Government Pension Scheme, and other prevailing regulations.

ITA Communications Policy Statement 2013

Media Matrix

Communication Material	Paper-based	Electronic form (PDF)	SharePoint for staff	Website	Web portal	Large sight copy	Braille	When published	When reviewed
Short Guide to the LGPS	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Quarterly
All About Your Scheme	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Quarterly
Benefit statements	Upon request	Non-personalised form	✓	Non-personalised form	✓	Upon request	Upon request	Annually	Annually
Information sheets (various)	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Constant review
Report and accounts	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
Glossary of pension terms	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
The role of actuary and advisor	Upon request	✓	✓	✓	✗	Upon request	Upon request	Annually	Annually
Customer charter (our service standards)	Upon request	✓	✓	✓	✗	Upon request	Upon request	Constantly available	Annually
Employers' manual	Upon request	✓	✗	✗	✗	Upon request	Upon request	Constantly available	Annually
Pay advice	Upon request	✗	n/a	✗	✓	Upon request	Upon request	Produced monthly	After each publication
Press articles	Upon request	✓	✓	✓	✗	Upon request	Upon request	As required	After each publication