



## WEST MIDLANDS PENSION FUND

3 NOVEMBER 2016

The West Midlands Pension Fund is currently engaging with all participating employers as part of the 2016 actuarial valuation, which reviews and resets employer contributions from April 2017.

WMPF acknowledges the current financial pressures local authorities and the wider employer base face, together with the Administering Authority's responsibility to ensure sufficient monies are collated and generated by the Fund's investments to pay the pensions earned by over 285,000 members across the West Midlands.

As has been widely reported, the vast majority of pension funds are in deficit and face a challenge in generating sufficient investment return and contribution income to pay pensions.

Councillor Ian Brookfield, chair of the Pensions Committee that governs WMPF on behalf of the Administering Authority, notes

*"Members have been given pensions promises by their employers and we are tasked with ensuring the Fund delivers these. Both investment returns and additional contributions from employers are needed to address the funding deficit, we can't ignore it or push it out for a future generation to deal with."*

WMPF signposted the potential increase in employer contribution rates during the last valuation, 3 years ago, and earlier this year, giving employers time to work these into their financial plans.

*"As part of our programme of employer engagement and transparency on cost, consultation with our employers is ongoing, as is the work we're doing to ensure our investments continue to add value at low cost."*

WMPF is recognised within the industry as a "front runner" in promoting transparency in the reporting of investment management costs, voluntarily embracing and disclosing deeper layers of costs and working with CIPFA and the National LGPS Scheme Advisory Board to develop a code of transparency for asset managers.

Over the last three years, WMPF has reduced its own on-going investment management costs by £35 million per year. This has been achieved through re-shaping the portfolio to focus on value added and without compromising risk and return opportunities. Over the same period, its assets outperformed, adding over £2bn in value and reducing the funding deficit by over £280 million.

Councillor Brookfield added *"We note the comments by the Leader of Birmingham City Council but his views do not represent the wider political leadership of the West Midlands. No other employer is refusing to pay employer contributions."*

Since 2006 WMPF has added over £5billion to its investment return after costs. WMPF has been reducing its investment management cost for a number of years and will seek to reduce it further by negotiating better terms with external managers while also building up its investment team to manage more of the fund in-house at lower cost.

Independent consultants CEM Benchmarking adjust the costs of global pension funds to match their asset allocation and their data shows that if asset allocation were matched to the benchmark asset allocation WMPF costs are 0.16bps cheaper than the average fund their costs are almost 20% lower than their peers.

WMPF is also working with 7 other regional funds to create LGPS Central investment pool which is expected to save over £200million of investment costs across the funds and would anticipate the investment cost savings to fall further once created, meeting the criteria set out by Government.

## **Notes for editors**

### **The West Midlands Pension Fund**

The West Midlands Pension Fund provides pension services to over 285,000 current and former employees of the seven district councils and over 520 public body employers within the West Midlands. It is one of the largest funds in England and Wales, employing 120 FTE members of staff and as at March 31, 2016 the Fund was valued at £11.7 billion.

In December 2015 the Fund announced that it would be joining with 7 other pension funds across the Midlands region to create LGPS Central in creating a £35 billion investment pool, meeting the criteria set out by Government.

The West Midlands Pension Fund strives to be a best practice organisation, delivering a customer-focused service, while providing value for money to its stakeholders.