

Worcestershire County Council Pension Fund

Annual Report and Accounts 2014 - 2015

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Pension Committee

Advisers and Officers as at 31st March 2015

Administering Authority

Worcestershire County Council
County Hall, Spetchley Road
Worcester WR5 2NP.

Fund Administrator

Sean Pearce CPFA
Chief Financial Officer
Worcestershire County Council
County Hall, Spetchley Road
Worcester WR5 2NP.

Pension Committee

Councillor B Banks (Chair)
Councillor R Lunn
Councillor D Prodger
Councillor R Sutton
Councillor P Tuthill
Councillor R Phillips (Herefordshire Council)
Adrian Becker - Unison (Employee Representative)
Vic Allison (Employer Representative)

Pension Investment Advisory Committee

Councillor A I Hardman (Chair)
Councillor R W Banks
Councillor S J M Clee
Councillor L Mallett
Lee Botherhill – Unison
Sean Pearce (Chief Financial Officer)
Mark Forrester (Principal Accountant – Pension Fund)

Fund Managers

Capital International Limited,
40 Grosvenor Place,
London SW1X 7GG.

JP Morgan Asset Management
60 Victoria Embankment,
London, EC4Y 0JP.

Nomura Asset Management U.K. Ltd
1 Angel Lane, London, EC4R 3AB

UBS Global Asset Management UK Limited,
21 Lombard Street, London, EC3V 9AH.

Schroder Investment Management Limited
31 Gresham Street
London EC2V 7QA

**Global
Custodian**

BNY Mellon
BNY Mellon Asset Servicing
48th Floor, One Canada Square
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BNY Mellon Asset Servicing B.V.

**Independent
Financial Adviser**

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EC2N 1AR

**Actuary to
the Fund**

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Liverpool L2 2QH.

**Auditors to
the Fund**

Grant Thornton UK LLP
Colmore Plaza
20 Colmore Circus
Birmingham
West Midlands
B4 6AT

Foreword by the Chief Financial Officer

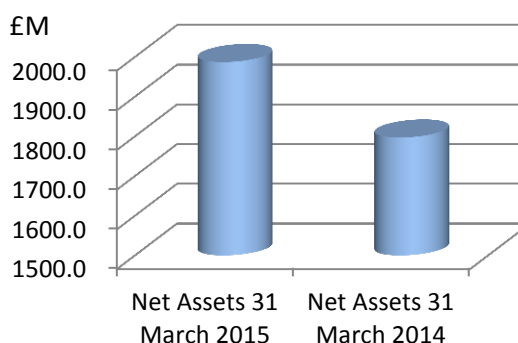
Welcome to the Worcestershire County Council Pension Fund 2014/15 Annual Report and Accounts. Worcestershire County Council administers the Local Government Pension Scheme (LGPS), which provides for the occupational pensions of employees, other than teachers, police officers, and fire fighters of the local authorities within the Herefordshire and Worcestershire area. Worcestershire County Council also operates the scheme for members of other organisations which have made admission agreements with the fund and designated bodies who have passed resolutions with Worcestershire County Council.

Aims and purpose of the Scheme	
The aims of the Scheme are to:	
✓	enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, designated, community and admitted bodies
✓	manage employers' liabilities effectively
✓	ensure that sufficient resources are available to meet all liabilities as they fall due, and
✓	maximise the returns from investments within reasonable risk parameters.
The purpose of the Scheme is to:	
✓	receive monies in respect of contributions, transfer values and investment income, and
✓	pay out monies in respect of scheme benefits, transfer values, costs, charges and expenses.

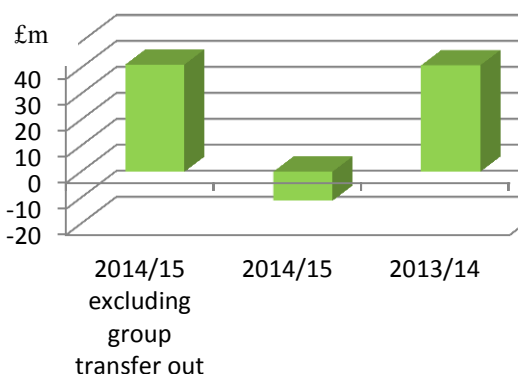
Key headlines

- The value of the Fund's net assets increased by £190.2million from £1,797.1 million at 31 March 2014 to £1,987.3 million at 31 March 2015:
- Recurring income from contributions increased by 8.9%, as a result of an increased number of contributors to the fund, partly due to the impact of Auto Enrolment, combined with an uplift in contribution rates following the 2013 actuarial valuation. Net investment earnings decreased by 3.1%, whilst ongoing expenditure increased by 2.9%.
- Contributions from staff and employers plus interest and dividends received exceeded benefits paid in 2014/15 by £47.6 million. It is expected that an operating surplus will exist for the foreseeable future.
- During the year a deficit resulted on the Pension Fund account totalling £ -11.2 million for 2014/15, a decrease of 52.1 million from the surplus of £41.0 million for 2013/14. A group transfer out of the Probation Service to the Greater Manchester Pension Fund of £52.3million took place in February 2015 due to the national restructuring of the national Offender Management Service, without which a surplus of £41.3million would

Fund's Net Asset Value



Surplus / Deficit on pension fund account



have resulted on the pension fund account (£0.2million increase compared to 2013/14).

- An analysis of changes within the fund's membership profile is displayed below:

	31 March 2014		31 March 2015	Change	Change %
Contributors to the fund*	20,739		21,569	830	+4.0
Pensions paid	15,308		15,768	460	+3.0
Deferred members**	16,829		17,938	1,109	+6.6
	52,876		55,275		

* The increase in contributors to the fund is in part a result of Automatic Enrolment, which came into effect during 2014/15.

** The increase in deferred members is in part due to employers reducing staff headcount and the ex-employees choosing to retain their accrued benefits in the scheme as opposed to transferring out.

Governance

The Public Service Pensions Bill was introduced in the House of Commons on 13 September 2012, which set out governance requirements for the new look Local Government Pension Scheme (LGPS) which was introduced on 1st April 2015. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce a new Pension Committee from 1st June 2015 and to implement a Pension Board from 1st April 2015. The new Pension Committee will replace the current Shadow Pension Committee, which has been in operation throughout 2014/15.

The Pension Fund's Governance Policy Statement is published on the Council's website. The Policy Statement ensures that the Fund's governance arrangements comply with the LGPS Regulations and are aligned to prescribed best practice guidance

The new governance arrangements include the establishment of a Pension Investment Advisory Committee and Pension Administration Advisory Panel to support the Pension Committee in its role as Scheme Manager.

Management of the fund's assets

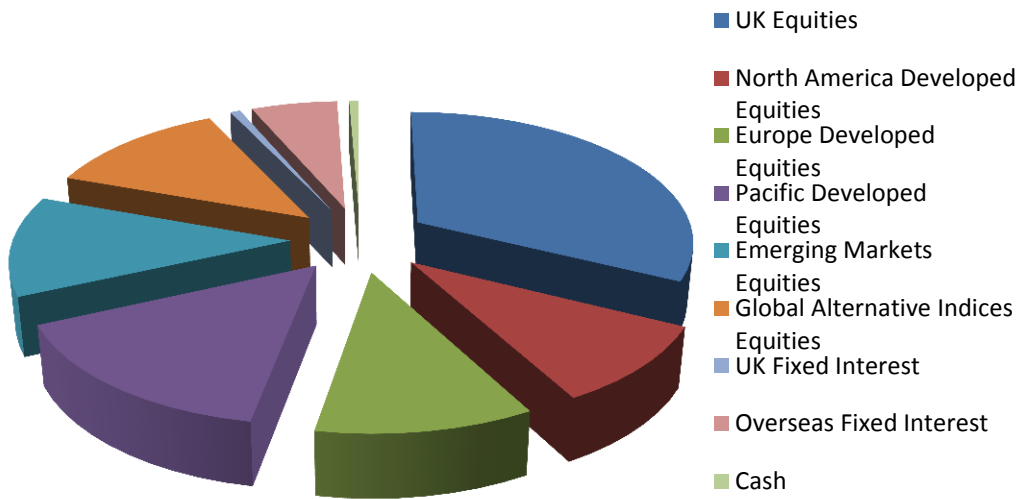
The management of the fund's assets is operated through five specialist external managers with six mandates in total. The Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Pension Investment Advisory Committee, which includes an independent financial adviser.

The fund's asset allocation is kept under regular review and the current long term investment allocation includes investments in a wide variety of UK and overseas companies, Government Securities and Corporate Bonds. As a result of an asset allocation review that took place in November 2013, the following Shadow Pension Committee endorsed recommendations were progressed during 2014/15:

- An allocation of up to 10% of the Fund be made to 'Alternatives including property' should opportunities arise in Property or other Alternatives over the Fund's inter-valuation period. A move will only be made where a benefit can be demonstrated where returns can be maintained whilst adding diversification to reduce volatility.
- Introduce a rolling programme of mandate reviews over the inter-valuation period.

As at 31st March 2015 the Shadow Pension Committee, following a competitive tendering process, endorsed the investment of 10% of the fund's assets into two pooled property funds; Invesco Real Estate – European Fund and Venn Commercial Real Estate Fund, and two pooled Infrastructure funds; UK Green Investment Bank Offshore Wind Fund and Hermes GPE Infrastructure Fund (Core).

The following chart details the distribution of the fund's assets as at 31 March 2015:



Management of the fund's liabilities

The funding strategy is kept under regular review by the Shadow Pension Committee and the fund's actuary assesses at three yearly intervals the balance of the fund's assets against its liabilities. An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017. The key outcomes of the valuation are detailed below:

- The Fund's assets of £1,721 million represented 69% of the Fund's past service liabilities of £2,488 million (the "Funding Target") at the valuation date. This compares to a similar 69% funded position as a result of the 2010 valuation.
- A common rate of contribution of 14.1% of pensionable pay per annum is required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.
- The deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

The next actuarial valuation will be undertaken in 2016/17, with any changes to the employers' contribution rates being implemented with effect from 1 April 2017.

To meet the requirements of the Regulations, Worcestershire County Council as administering authority of the fund has set a clear long-term funding objective; to achieve and then maintain assets equal to 100% of projected accrued liabilities, assessed on an ongoing basis.

Sean Pearce
CPFA
Chief Financial Officer

Development of the Scheme

Since 1922 the LGPS has developed from a scheme which just provided pensions for officers only, to today's scheme, which provides pension and lump sums for all members, spouses, civil and co-habiting partners, and childrens' pensions, ill health, redundancy and death cover.

It is a comprehensive scheme and yet, through co-operation of the Government, employer and employee representatives, the scheme is constantly changing and adapting to modern day needs and demands.

LGPS Benefits

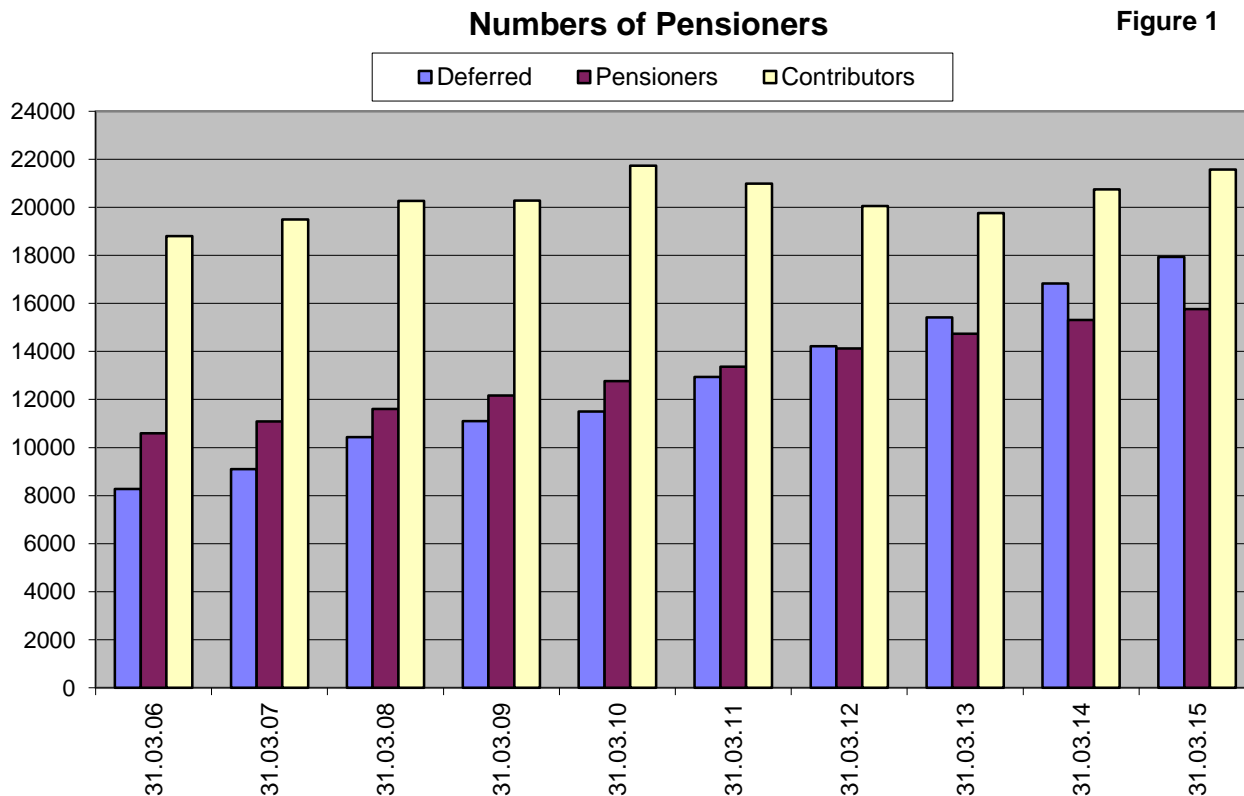
The LGPS is a defined benefit scheme. Prior to 1 April 2014 benefits were based on membership and final salary on or near to retirement. For membership from 1 April 2014 pension benefits are based on pension build up, which is also called career averaging. This provides, in the scheme standard section, for a pension of a 49th of pay each year. Members now have an option of joining the 50/50 section of the LGPS, permitting them to pay half the contribution rate and build up half the pension savings.

Standard employee contributions vary according to levels of pay, ranging from 5.5% to 12.5% of pay. Employers meet the balance of the cost of the LGPS through variable employer contributions. The employer contribution rates are set by WCCPF Actuary every 3 years following a valuation of the Pension Fund. The last valuation took place as at 31 March 2013 and determined the contribution rates to be applied for the 3 years from 1 April 2014.

Members of the LGPS are contracted-out of the State Second Pension (S2P) because it provides at least broadly equivalent benefits. Members and their employers pay lower rate NI contributions as a result. The LGPS is also registered with HMRC, giving rise to various tax benefits, including tax relief on employee contributions.

Membership

A chart showing the number of contributors, pensioners and deferred pensioners for the past 10 years is given at Figure1;



Administration – Review of the Year

Legislation

The principle regulations were amended during the year

- LGPS Regulations 2014 (in force 01/04/2014)
- LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014
- LGPS (Miscellaneous Amendments) Regulations 2014
- LGPS (Offenders Management) (Amendment) Regulations 2014

The Government's Actuary Department (GAD) has issued new factors and guidance on early retirement, pension debits, additional contributions, small pension pots, GMP equalisation, transfers and tax issues following the new CARE Scheme.

The Scheme Advisory Board (SAB) has issued guidance on new governance arrangements and ABS requirements.

Consultations

- Opportunity for Collaboration, Cost Savings and Efficiencies
- LGPS Amendment Regulations Consultation – Governance
- Freedom and Choice – Transfers from the LGPS to Defined Contribution Schemes
- Broad comparability and Fair Deal

Pensions Act 2014

The Act legislates for the provision of a single-tier state pension of £155 per week from April 2016.

The change to a single-tier state pension will result in the abolition of contracting-out for the LGPS and both members and employers will experience an increase of 1.4% and 3.4% respectively to their NI contributions.

The Government has committed to enter into dialogue as to the merits of recycling the monies lost by LGPS employers' and how this could practically be achieved.

Pensions Bill 2014/15

The Pensions Bill will implement the tax changes announced as part of the 2014 Autumn Budget. These are intended to give people greater freedom and choice over how to access their defined contribution saving, particularly around the ability to take a lump sum drawdown as an alternative to purchasing an annuity.

Whilst these changes may not directly apply to the LGPS, the increased flexibility may potentially flow through at a future date as a mechanism to manage future pension liabilities.

Pensions Administration

The first year of the new CARE has proved to be very challenging for both administrators and employers, especially the year-end process and requirements for the new ABS and annual tax allowances.

There has been a significant increase in the number of employers during the year, predominately due to the increase in the number of Academies in the Fund and a number of new admissions following WCC commissioning of services to alternative providers.

The administration team is accountable to the Shadow Pensions Committee to 1st June 2015 and the Pension Committee post 1st June 2015, participating employers and scheme members. The team is fully committed to providing a quality service to meet the needs of the Fund's various stakeholders and to deliver excellent customer care.

The team administers the WCC Pension Fund in accordance with legislative requirements with key aims to:

- Ensure the efficient administration of pension records, including the preparation and distribution of ABS to active and deferred members

- Undertake the calculation and payment of retirement benefits and transfer values.
- Provide direction and guidance to scheme members and employers
- Provide pensions administration for the Fire-fighters Pension Schemes.
- Support trustees of the Pension Fund in their decision making.

Team review

The team structure is currently being reviewed by officers in regard its appropriateness for the efficient administration of the new scheme. This review is being informed by impending national policy development and significantly, the impact of new scheme provisions on the volume and type of casework.

The fund continues to strive for improved efficiency through appropriate use of information technology. However the primary focus during the year was to actively engage with our key supplier, Heywood, in ensuring that the pensions administration and pensioner payroll system received the required software and benefit calculation updates to deliver the new scheme from 1 April 2014.

This proved to be a significant challenge for the supplier due to the timeline of legislation, clarifications and national guidance. Due to the late publication of the LGPS (Transitional Provisions, Savings and Amendment Regulation 2014) on 10 March, these legislative changes could not be completely implemented by 1 April 2014, leading to many manual calculations. A great deal of work has been undertaken to bring literature, practices and website up to date.

All administration data is stored electronically and any paper records are securely destroyed. Staff who work away from the office as part of their role, can access data by secure means.

We are currently undertaking a project preparing for the introduction of Member Self Service (MSS), to enable members to access their own pension record online. Work has started on the GMP reconciliation exercise and preparation for the 2016 Valuation of the Pension Fund.

Collaboration

We continue to work collaboratively with other pension funds and have produced several key documents within an established group, to share expertise and costs.

Benchmarking

The Fund continues to participate in the Chartered Institute of Public Finance and Accountancy (CIPFA) annual benchmarking survey. The survey showed that the Fund had a lower cost pension payroll than the CIPFA average.

Internal Disputes Resolution Cases

During the year to 31 March 2015, there were four new cases dealt with by the Appointed Person responsible for complaints against decisions made by the Fund. In three of these cases the decision taken by the Fund was upheld and one is still outstanding.

A total of two new cases were dealt with by the Appointed Person responsible for considering Stage 2 appeals against employer decisions. In one of these cases the employer's decision was upheld and one is still outstanding.

Key staffing Indicators

The administration team employs 16 members of staff (10.5 FTE). During the 2014/15 financial year two members left the section and two joined. The Fund therefore has a ratio of one full time equivalent member of the team for every 5,500 Fund members.

Financial Performance and Industry Standard Performance Indicators

The Local Government Pension Committee in conjunction with CIPFA has set a series of National Performance Indicators that measure the quality of service provided by Local Government Pension Schemes. These are set out in the table below along with the Fund's performance over 2014/15;

Performance Indicator (from point at which all required information has been received)	LGPC Target	Achieved %	Authority Target	Achieved %
Letter detailing transfer in quote	10 days	95%	10 days	95%
Letter detailing transfer out quote	10 days	95%	10 days	95%
Process and pay refund	5 days	95%	10 days	95%
Letter notifying estimate of retirement benefits	10 days	100%	10 days	100%
Letter notifying actual retirement benefits	5 days	100%	5 days	100%
Process and pay lump sum retirement grant	5 days	100%	5 days	100%
Initial letter acknowledging death of active , deferred / pensioner member	5 days	100%	5 days	100%
Letter notifying amount of dependent's benefits	5 days	95%	5 days	95%
Calculate and notify deferred benefits	10 days	85%	10 days	85%

Detailed below is the final budget monitoring report for the Pensions Administration costs of the Fund for the financial year ended 31st March 2015, which provides detail of departmental over / under spends over 2014/15:

Subjective Analysis	Latest Approved Budget £000	Actual Expenditure £000	%
Employees:	453	388	85.3
Matrix Costs	0	14	-
Insurance Fidelity	3	0	-
Indirect Expenses	3	4	136.7
Transport:	2	2	90.6
Supplies & Services:			
Design & Print	4	3	62.5
Computer Software / Hardware	0	1	-
Equipment and Stationery	5	2	33.5
Subscriptions	1	7	710.4
Telephone	4	3	69.6
Postage	50	56	111.3
External Audit Fee	50	0	-
Consultants	0	0	-
Mercers Fees*	180	349	193.9
Heywood Ltd - Licences & Maintenance*	116	214	184.4
Insurances	2	0	-
LGPS Newsletter	0	0	-
General	2	7	333.9
Central Recharges In:	76	76	99.3
Total Expenditure:	951	1126	
Income:			
Pensions Fund*	-931	-1019	109.5
Income from Outside bodies*	-20	-107	536.9
Reserve Allocation	0	0	-
Total Income:	-951	-1126	-
SERVICE NET Excl Recharges.	0	0	-

*A proportion of Mercers fees and costs relating to the Haywoods pension administration payroll system are recharged to outside bodies. A further reason for the increase in these costs compared to budget relates to actuarial assessments required for commissioned services.

The Fund's Investment Portfolio and Performance

The County Council as Administering Authority is responsible for the investment of the Pension Fund which is delegated to the Pension Committee. Performance is reviewed by the Pension Committee, supported by the Pension Investment Advisory Committee. The Pension Committee consists of County Councillors and an Employee and Employer Representative and receives recommendations from the Pension Investment Advisory Committee in relation to investment decisions. The Pension Investment Advisory Committee consists mainly of Councillors and is advised by an independent financial adviser. Both the main and secondary committees meet on a quarterly basis with an additional annual meeting held by the Pension Investment Advisory Committee to consider the full year's performance. The Pension Investment Advisory Committee also reviews the actions taken by the investment managers in voting the Fund's shares.

The operation of the Fund is governed by statutory regulations, including the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009, which provide for a prudent approach to fund management and set out such matters as the type of investments into which the Fund's assets can be placed, with certain restrictions.

For management purposes the Fund is divided between five external investment managers operating a mix of active equity and bond mandates, together with a passive equity Index Tracking brief as set out below:-

Americas Active Equities	Capital International Limited.
Far East Active Equities	Nomura Asset Management UK Limited.
Passive UK, USA and Europe Equities	UBS Global Asset Management (UK) Limited.
Emerging Markets Active Equities	JP Morgan Asset Management.
Emerging Markets Active Equities	Schroder Investment Management
Bonds	JP Morgan Asset Management.

Performance is measured against respective world indices on a three year rolling basis. The details of the mandates are set out in the Statement of Investment Principles (Appendix 3). The Fund does not automatically rebalance mandates in line with the long-term investment policy as set out in the Statement of Investment Principles, therefore portfolio weights may vary compared to their long-term strategic total Fund weight. The Fund's actual asset allocation as at 31st March 2015 is shown below;

	Actual allocation at 31st March 2015	Long term Strategic Benchmark	Investment Manager and Expected Performance
Shares Managed Actively	%	%	
North America	8.9	6.0	Capital International - FTSE All World All Americas Index + 1.5%
Far East Developed	15.1	12.0	Nomura Asset Management - FTSE All World Asia Pacific Index + 1.5%
Emerging Markets	13.0	12.0	JP Morgan Asset Management and Schroder Investment Management - FTSE-All World Emerging Market index +2.0%
	<hr/> 37.0	<hr/> 30.0	
Shares Managed Passively			
<u>Market Capitalisation Indices</u>			
United Kingdom	31.7	25.5	UBS Global Asset Management (UK) - FTSE All Share Index
North America	1.9	5.0	UBS Global Asset Management (UK) - FTSE All World North America - Developed Series Index
Europe ex - UK	10.0	9.5	UBS Global Asset Management (UK) - FTSE All World Europe ex UK Index -Developed Series Index
Alternative Indices	12.4	10.0	UBS Global Asset Management (UK) - 1/3 FTSE RAFI Developed 1000 Index QSR Total Return Net Index, 1/3 MSCI World Minimum Volatility (GBP Optimised) Total Return Net Index, 1/3 MSCI World Quality Total Return Net Index
	<hr/> 56.0	<hr/> 50.0	
	<hr/> 93.0	<hr/> 80.0	
Bonds Managed Actively	6.6	10.0	JP Morgan Asset Management – 100% Barclays Global Aggregate Corporate Bond Index – Hedged into GBP
Property / Infrastructure	0.0	10.0	Allocation to be implemented within three years from December 2013
WCC Managed Internally	0.4	0.0	
	<hr/> <hr/> 100.0	<hr/> <hr/> 100.0	

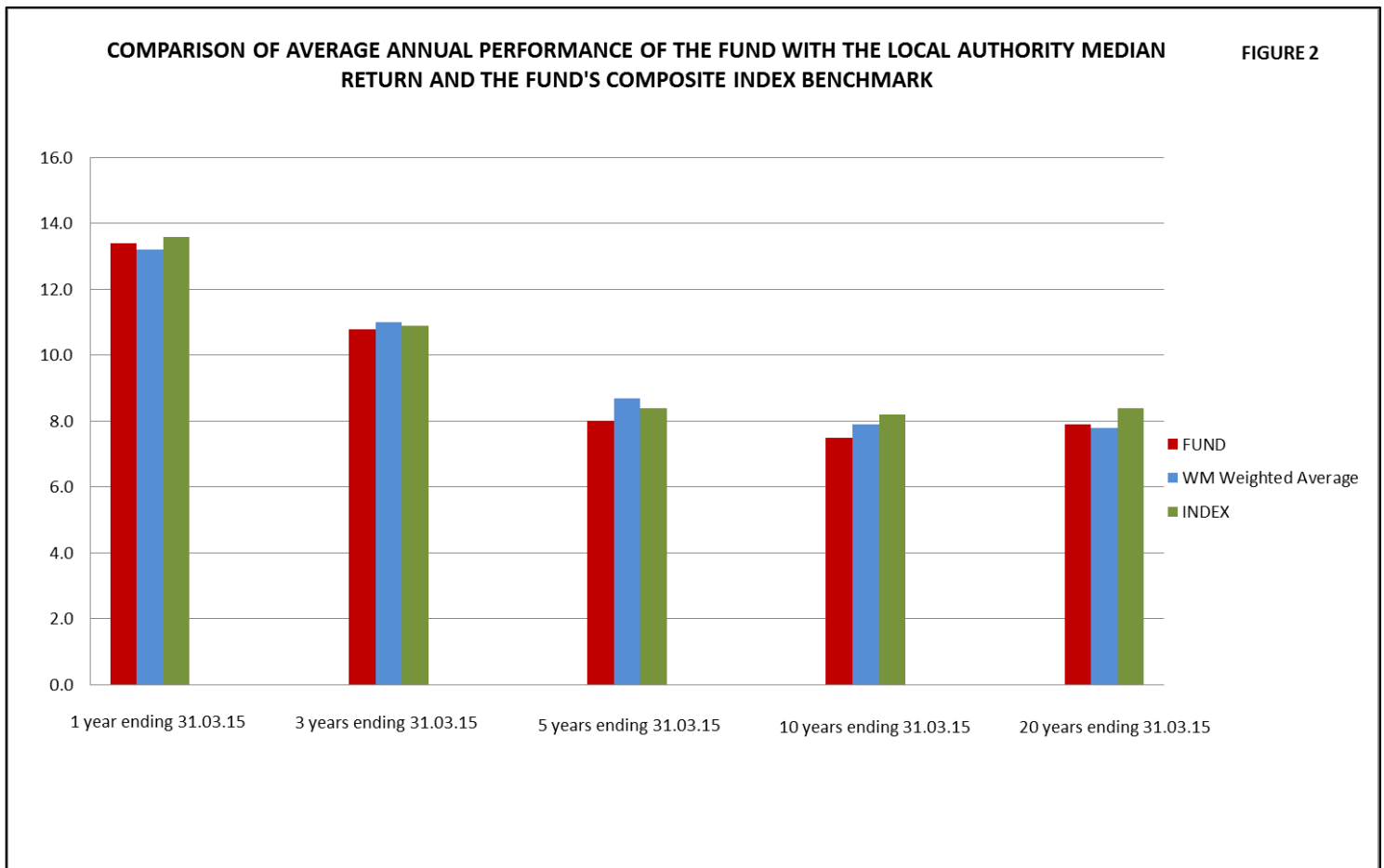
Custody of the Fund's assets is provided by the Global Custodian, BNY Mellon Asset Servicing.

In addition to the custodian's role in the safe-keeping of the Fund's total assets, the company also provides settlement and income collection services, the exercise of voting rights and the execution of corporate actions in conjunction with the investment managers. The appointment of a global custodian also secures an independent confirmation of the fund's assets and their value.

Statistics for measuring the investment managers' performances against the Fund's index benchmarks and against other local authorities, are provided quarterly by the WM Company. The figures show performance in the year 2014/2015 for each Fund by means of a time-weighted return, as recommended by the Society of Investment Analysts.

For the financial year ended 31st March 2015 the Worcestershire return of 13.4% underperformed the Fund's index benchmark return by 0.2% but outperformed the average Local Authority Universe return by 0.2%.

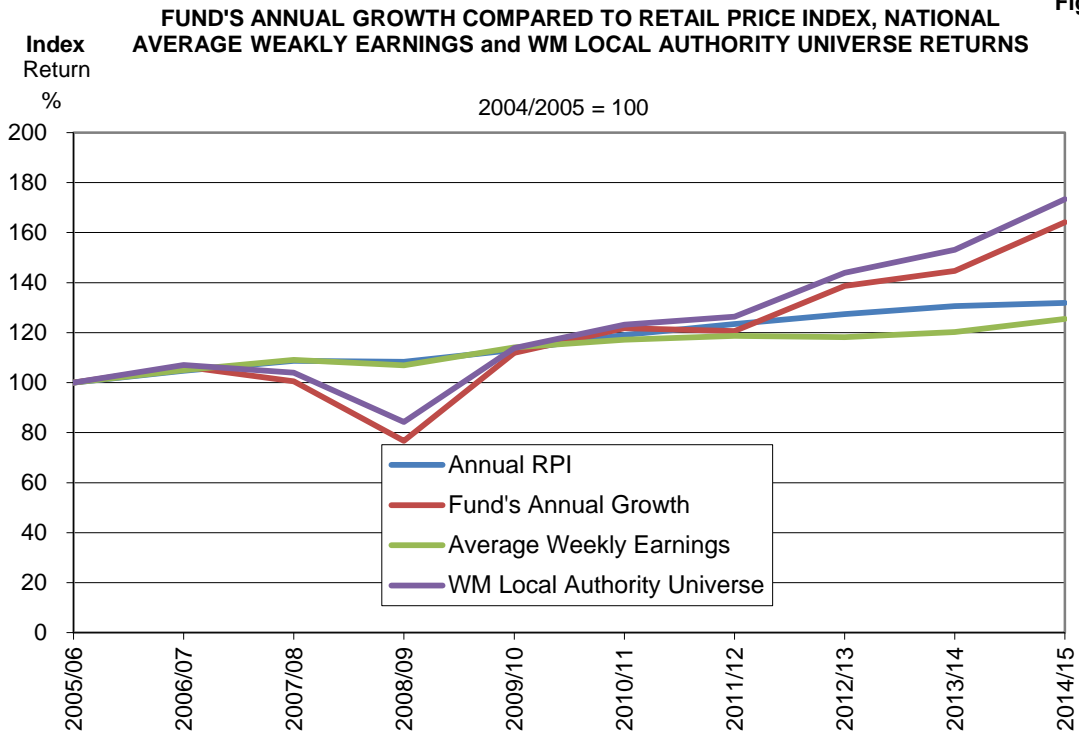
Figure 2 shows comparisons of the performance returns of the Fund with the average Local Authority Fund and the Fund's composite index benchmark over the last one, three, five, ten and twenty years;



The Fund's overweight position compared to the average Local Government Pension Scheme in Equities resulted in the Fund outperforming the average Local Government Pension Scheme over the past year. The Fund was broadly in line with the average Local Government Pension Scheme return and the Fund's index return over the past three years. Underperformance by the Fund's active managers combined with an overweight position held in Emerging Markets Equity and Far East Equities resulted in the fund underperforming its peers over the past five years and ten years. However, the Fund has outperformed the average Local Government Pension Scheme over the past twenty year period, mainly due the Fund's overweight Equity position compared to the local authority average.

A comparison between the Fund's performance returns against the retail price index and the national average earnings since 2005 is given at Figure 3.

Figure 3



A chart showing the total net assets of the Fund each year since 2005 is given at Figure 4.

Figure 4

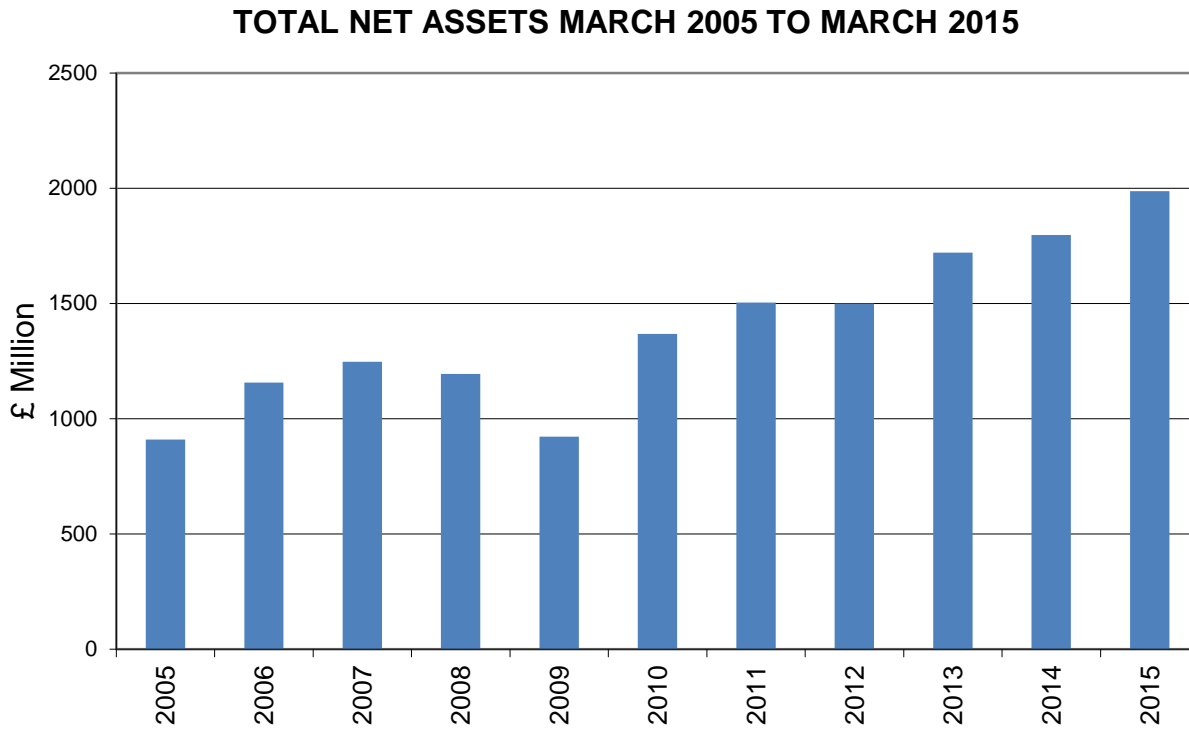
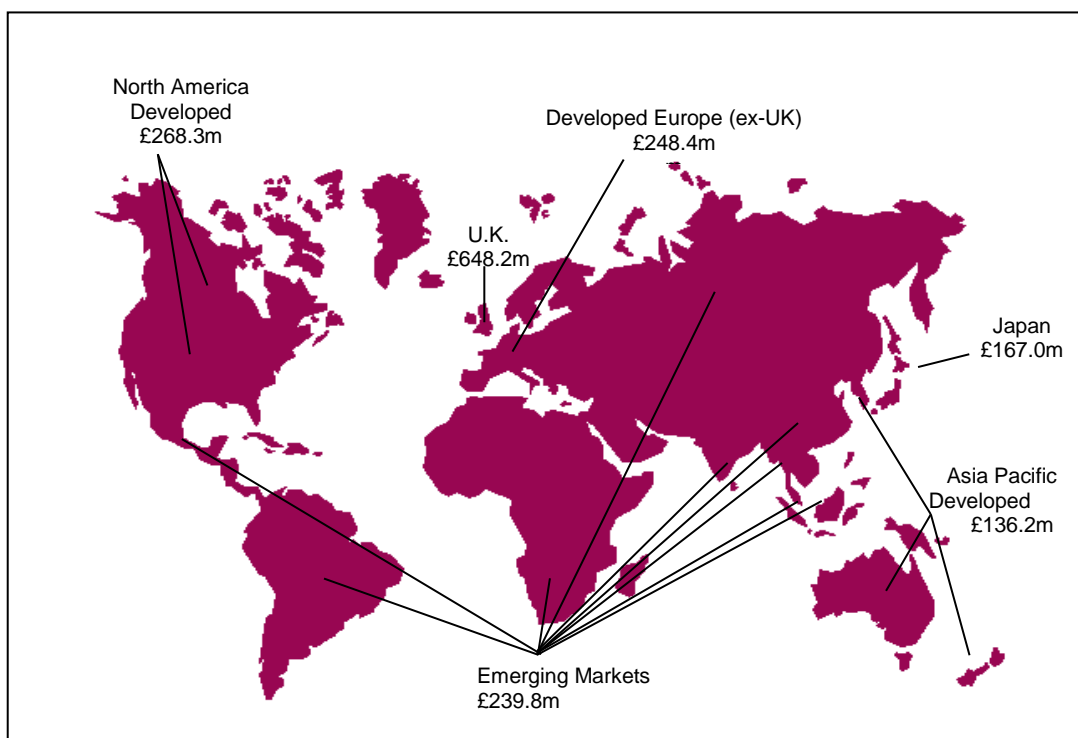


Figure 5 shows the geographical spread of investments (excluding cash, derivatives and global 'Alternative Indices' passive pooled investments)



The Fund's top ten equity holdings (excluding Pooled Funds) are as follows:

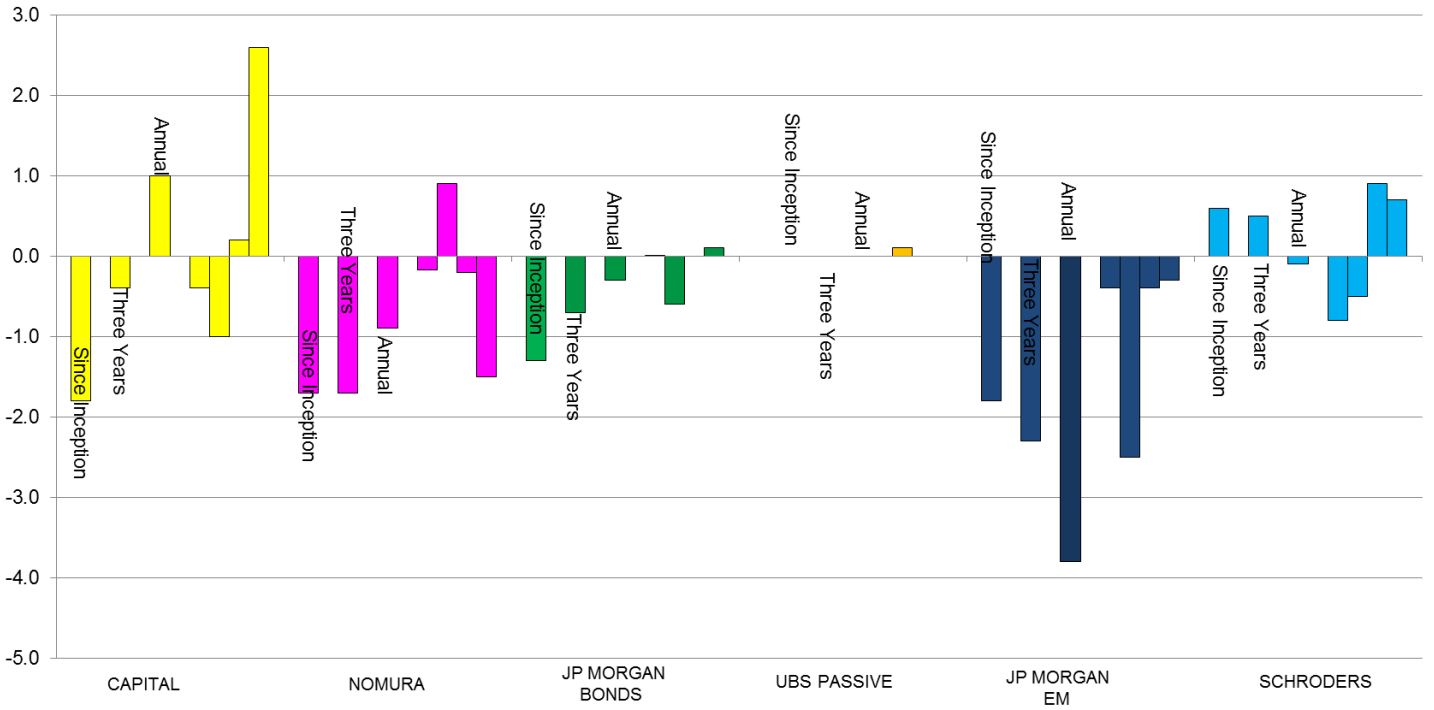
	Market Value at 31.3.15 £m	% of Fund Market Value at 31.3.15
HSBC Holdings	26.2	1.3
BP	19.1	1.0
Royal Dutch Shell B Shares	18.4	0.9
Glaxosmithkline	18.0	0.9
British American Tobacco	15.6	0.8
Vodafone	14.0	0.7
Astrazeneca	14.0	0.7
Lloyds Banking Group	12.8	0.7
Royal Dutch Shell A Shares	12.8	0.7
Diageo	11.2	0.6

The total value of these ten holdings represents 8.3% of the whole Fund.

Performance results for the Fund's individual managers' are shown below;

Worcestershire County Council Pension Fund - Chart showing for each manager: performance since inception, three years, annual performance April 2014 to March 2015 and latest year in quarter ends June 2014 to March 2015, relative to performance requirement

0 = Performance Requirement



Report of the Financial Adviser

A solid year of progress and innovation

The 2014-15 year has seen a further increase in the asset value of Worcestershire County Council Pension Fund. The total value of the Fund at 31 March 2015 was £1,962m, compared to £1,775m at the end of March 2014, a rise of 10.5%. The Fund underperformed its benchmark performance target over the last year by -0.1%.

Global equity markets remained buoyant over the year. With the Fund's assets continuing to be very heavily weighted towards equities this has provided a further boost to the valuation of the Fund. It should be noted that most other Funds have a wider diversification of investments across other asset classes, which will normally provide some protection to the downside risk presented when equities have periods out of favour. Actions resulting from the November 2013 Asset Allocation Review aimed to further diversify the fund through a 10% allocation of Fund assets to Alternatives (including Property).

Developed market equity valuations are at levels which it is hard to see being maintained unless there is strong growth in corporate earnings. Although Quantitative Easing has served its purpose in the US and the UK, the programme continues in Japan and has rather belatedly been initiated in the Eurozone area. This has resulted in further asset value inflation, with investors searching for income producing investments as government bonds remain squeezed by high valuations/low yields. Corporate bonds are still deemed to be more relatively attractive, although possibly less so than in recent times. There continues to be a high level of interest in various areas of the alternatives space, including infrastructure, private equity and property.

Work has continued to implement the decisions taken in November 2013, based on the strategic asset allocation review that followed the triennial valuation of the Fund's funding and liability position. A major part of this has been to undertake a search for managers for the agreed 10 % allocation of Fund assets to Alternatives (including Property). It was decided that a similar amount would be invested into suitable funds specialising in property (real estate) and infrastructure. This search was conducted in accordance with the Public Contracts Regulations, assisted by an external consultant. Ultimately it was agreed to make a core investment into the Invesco European Real Estate Fund, with an allocation also made to Venn Partners to provide some exposure to Real Estate debt. Likewise on the infrastructure side it was agreed that a core investment would be made with Hermes, with an allocation also being made to Evercore, a Fund being managed by Green Investment Bank.

Action continues to be taken to improve the focus of the active equity managers on their agreed performance targets, rather than simply achieving benchmark returns. The review of the effectiveness of the current active managers in comparison to their competitors commenced, initially focused on the All America mandate, managed by Capital Group, and the Far East mandate, managed by Nomura Asset Management. This was later extended to include the Emerging Markets mandate managed by JP Morgan Asset Management, following concerns about a sharp tail off in their performance record. Action taken has included officers undertaking due diligence reviews, to establish the effectiveness or otherwise of the investment process as applied to each mandate. Substantial fee reductions have also been negotiated with underperforming managers, to partially compensate the Fund for paying active management fees which are currently not being justified as a result of substandard returns. It is clearly preferable for performance to return to target levels, rather than continuing with reduced fees, as the benefit to the Fund of achieving those targeted total returns far exceeds the current situation.

Looking back to the asset allocation review, part of the objective to reduce the volatility in fund values that occur as equity markets move up and down was addressed by transitioning 20% of the passive equity mandate from indices based on the market capitalisation of stocks to a mix of 'alternative' indices that measure other characteristics in companies, for example dividend growth. This strategy has now been in place for a full one year period, and is so far achieving better returns than the traditional benchmark, whilst reducing portfolio volatility. The process remains to be tested in a period of sustained weakness in equity markets.

As this year progresses thoughts will start turning to the next Triennial valuation. Although the asset side of the equation remains healthy, concerns will inevitably continue to focus on the liability side. Debate continues within the LGPS as to the most effective way to measure those liabilities, and if and how to match Fund assets to those. That is clearly a challenge in itself, but an even bigger challenge may well be the continuing debate about the future of the LGPS as a whole, particularly about the way investments are managed.

Philip Hebson
Independent Financial Advisor

Risk Management

The Pension Fund is subject to many different risks in areas such as; governance, investments, funding, administration and communications. In order to manage these risks a Pension Fund Risk Register is maintained and reviewed on a quarterly basis. Risks identified have been reduced to an acceptable level through planned actions. The register is managed by the Chief Financial Officer and risks have been identified and assigned to 'Risk Owners'.

The key risks identified within the Pension Fund risk register are as follows;

Objectives area at risk	Objective at risk	Description of risk or not achieving the objectives	Risk Category	Risk Type	Gross Risk Score	Actions Taken	Residual Risk Score
Investments	To maximise the returns from investments with reasonable risk parameters.	If investment return is below that assumed by the actuary in funding the plan this could lead to an increasing deficit and additional contribution requirements. The larger the level of mismatch between assets and liabilities the bigger the risk.	Directorate Threat	Financial	12	Diversified portfolio, annual strategy review, asset liability study, option to extend recovery periods to smooth contribution increases.	9
Investments	To maximise the returns from investments with reasonable risk parameters.	If investment strategy is inconsistent with funding plan then it can lead to employers paying the incorrect contribution rate.	Directorate Threat	Financial / Reputational	12	Triennial reviews linked with funding strategy and investment strategy. Asset liability study, SIP, interim reviews, Co-ordination between actuary and investment consultant.	2
Funding	To determine employer contribution requirements recognising the desirability of maintaining as nearly constant employer contributions as possible.	Mismatch in asset returns and liability movements result in increased employer contributions.	Strategic Threat	Financial / Reputational	12	Diversified investment structure and frequent monitoring against targets to adjust funding plans accordingly through the FSS. Employers are kept informed as appropriate.	6
Administration	Deliver a high quality, friendly and informative service to all beneficiaries, potential beneficiaries and employers at the point of need.	Failure to administer scheme in line with regulations and policies.	Directorate threat	Regulatory Compliance/Reputational	12	Scheme administration and communication is reviewed by the Worcestershire County Council Pension Board to ensure compliance with regulations. A review of pension administration resources is being undertaken in 2015/16 to ensure sufficient resources are in place to meet scheme administration requirements.	3

The nature and extent of risks arising from Financial Instruments are detailed in note 15 of the Pension Fund Accounts.

2. Worcestershire County Council

Pension Fund Account

For the year ended 31 March 2015

2013/14		Notes	2014/15
£m			£m
	Dealings with members, employers and others directly involved in the fund		
92.3	Contributions	5	99.6
7.4	Transfers in from other pension funds	6	4.1
99.7			103.7
(88.4)	Benefits	7	(92.8)
(6.5)	Payments to and on account of leavers	8	(57.3)
(94.9)			(150.1)
4.8	Net additions / (Withdrawals) from dealings with members		(46.4)
(1.2)	Administrative expenses	9	(1.1)
(4.8)	Management expenses	10	(4.4)
	Returns on investments		
44.8	Investment income	11	43.4
(2.6)	Taxes on income	12	(2.6)
35.3	Profit and losses on disposal of investments and changes in the market value of investments	13a	201.3
77.5	Net return on investments		242.1
76.3	Net increase / (decrease) in the net assets available for benefits during the year		190.2
1,720.8	Opening fund net assets available for benefits		1,797.1
1,797.1	Closing fund net assets available for benefits		1,987.3

3. Net Assets Statement for the year ended 31 March 2015

2013/14 £m		Notes	2014/15 £m
1,764.2	Investment Assets	13	1,960.6
26.2	Cash deposits	13	15.6
1,790.4			1,976.2
(8.5)	Investment Liabilities	13	(6.2)
16.8	Current Assets	16	19.2
3.4	Non Current Assets	17	2.3
(5.0)	Current Liabilities	18	(4.2)
1,797.1	Net Assets of the fund available to fund benefits at the period end		1,987.3

The Financial Statements do not take into account liabilities to pay pensions and other benefits after the period end. The actuarial present value of promised retirement benefits (determined in accordance with IAS 19) are disclosed in the Actuarial Statement included in the Pension Fund Annual Report and note 2 to the accounts.

4. Notes to the Pension Fund Accounts

1. Pension Fund Accounts

The Pension Fund is administered by the County Council on behalf of their own employees, those of the Herefordshire Council, the District Councils, Private Sector admitted bodies with staff transferred under TUPE from the Administering Authority and other bodies in the county of Worcestershire, other than teachers, police officers, and fire fighters.

In matters relating to the management of the Fund's assets the Shadow Pension Committee is advised in relation to asset allocation decisions and the monitoring of external managers' performance by the Shadow Pension Investment Advisory Committee, which includes an independent financial adviser and the scheme manager. The Shadow Pension Committee consists of County Councillors and an Employer and Employee Representative. Formal monitoring takes place on a quarterly basis through meetings with investment managers to discuss their performance. Asset allocation is reviewed at least annually and pension administration issues are to be discussed quarterly at the Pension Administration Advisory Forum with any resulting recommendations considered by the Shadow Pension Committee. LGPS regulations on the new governance requirements were published in the first quarter of 2015 and Council approved recommendations in February 2015 to introduce a new Pension Committee from 1st June 2015 and to implement a new Pension Board from 1st April 2015.

The day to day management of the Fund's investments is divided between five external investment managers operating in accordance with mandates set out in the Statement of Investment Principles.

A list of scheduled and admitted bodies contributing to the Fund is given in note 24 to these accounts.

The following table provides detail of fund membership:

	31 March	31 March
	2014	2015
Contributors to the fund	20,739	21,569
Pensions paid	15,308	15,768
Deferred members	16,829	17,938
	52,876	55,275

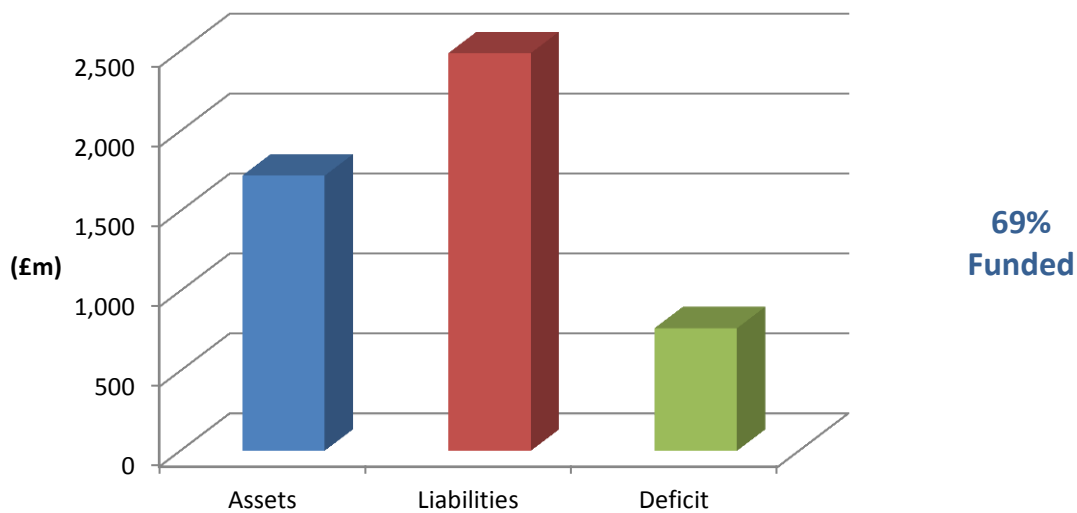
A separate detailed Annual Report and Accounts, including the Statement of Investment Principles, is available from the Chief Financial Officer, Worcestershire County Council, County Hall, Spetchley Road, Worcester, WR5 2NP. The report is also available on the Council's website: www.worcestershire.gov.uk/downloads/download/697/pension_fund_annual_report

2. Actuarial Valuation and Actuarial Present Value of Promised Retirement Benefits

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 Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,721 million (£1,366 million 31/03/2010) represented 69% (69% 2010) of the Fund's past service liabilities of £2,488 million (£1,979 million 31/03/2010) (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 14.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for calculating the funding target, the deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)*	4.7% per annum	5.6% per annum
Rate of pay increases (long term)**	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* The Fund's return for 2014/15 was 13.4%, which was substantially higher than the Actuary's long term expected rate of return on investments.

** Allowance was also made for short-term public sector pay restraint over a 5 year period.

The assets were assessed at market value.

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.

In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 4.2% p.a. rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2013 was £2,771 million. This value is £223 million higher than the Fund's promised retirement benefits calculated under 23IAS19, and is only provided for financial reporting purposes.

3. Pension Fund Investments 2014/15

The proportion of the market value of investment assets held by the external fund managers at the year-end was:

External Fund Manager	31 March 2014		31 March 2015	
	£m	%	£m	%
JP Morgan Asset Management (Bonds)	119.5	7	129.8	7
JP Morgan Asset Management (Emerging Markets)	103.8	6	119.0	6
UBS Global Asset Management (Passive)	1,054.0	59	1,104.6	56
Capital International Ltd	135.5	8	174.3	9
Nomura Asset Management UK Ltd	245.0	14	296.3	15
Schroder Investment Management	109.8	6	131.3	7
WCC Managed Account	7.6	0	7.8	0
	1,775.2	100	1,963.1	100

The following investments represent more than 5% of the net assets of the scheme:

Security	Market value	% of total fund	Market value	% of total fund
	31 March 2014		31 March 2015	
	£m		£m	
UBS Global Asset Management Life UK Equity Tracker	158.4	8.8	173.1	8.7
UBS Global Asset Management Life Europe ex-UK Equity Tracker	0.0	0.0	128.4	6.5

The Fund operates the practice of lending stock to a third party for a financial consideration.

Securities released to a third party under the stock lending agreement with the Fund's custodian, ABN AMRO Mellon Global Securities B.V., are included in the net assets statement to reflect the Fund's continuing economic interest of a proprietary nature in those securities.

The total amount of stock lent at the year-end was £26.2million (2014 £21.7million). The total collateral, which consisted of acceptable corporate and sovereign debt as well as equities was £27.9million (2014 £23.5million) representing 107% of stock lent.

Income received from stock lending activities was £0.1million for the year ending 31 March 2015 (2014 £0.1million). This is included within the 'Investment Income' figure detailed on the Pension Fund Account.

4. Events after the Balance Sheet Date

The Statement of Accounts was authorised for issue by the Chief Financial Officer on 26 June 2015 with final amendments on 21 September 2015. Events taking place after this date are not reflected in the financial statements or notes. The financial statements and notes have not been adjusted for the following events which took place after 31 March 2015 as they provide information that is relevant to an understanding of the Fund's position but do not relate to conditions at that date:

Following the decision taken at the Fund's strategic asset allocation review held in November 2013 to invest up to 10% of the Fund's assets into pooled Property and Infrastructure Funds, on 16th April 2015 £25.1m was transitioned from the UBS Passive UK pooled equity fund to UK Green Investment Bank Offshore Wind Fund. On 11th May 2015 £29.9m was transitioned from the UBS Passive UK pooled equity fund to Hermes GPE Infrastructure Fund (Core).

5. Contributions Receivable

By category:

	2013/14	2014/15
	£m	£m
Employers		
Normal contributions	39.2	42.5
Deficit recovery contributions	28.8	33.1
Augmentation contributions	3.5	2.9
Employees		
Normal contributions	20.4	20.7
Additional contributions	0.4	0.4
	92.3	99.6

By authority:

	2013/14	2014/15
	£m	£m
Worcestershire County Council	31.0	31.0
Scheduled bodies*	51.1	56.3
Community admission bodies	8.2	7.8
Transferee admission bodies	1.3	3.9
Designated bodies	0.7	0.6
	92.3	99.6

* The increase in Scheduled Bodies' contributions is mainly a result of the maintained schools converting to Academies during 2014/15. Maintained schools are included within Worcestershire County Council's contributions, whilst Academies are Scheduled bodies in the Fund.

6. Transfers in and from other Pension Funds

	2013/14	2014/15
	£m	£m
Individual transfers	7.4	4.1
	7.4	4.1

7. Benefits Payable

By category:

	2013/14	2014/15
	£m	£m
Pensions	69.4	72.1
Commutations and lump sum		
Retirement benefits	17.5	18.9
Lump sum death benefits	1.5	1.8
	88.4	92.8

By authority:

	2013/14	2014/15
	£m	£m
Worcestershire County Council	34.3	35.9
Scheduled bodies	46.5	48.0
Admitted bodies	1.8	1.7
Community admission bodies	4.0	5.3
Transferee admission bodies	1.4	1.5
Designated bodies	0.4	0.4
	88.4	92.8

8. Payments to and on Account of Leavers

	2013/14	2014/15
	£m	£m
Individual transfers	6.5	5.0
Group transfers	0.0	52.3
	6.5	57.3

A group transfer out of the Probation Service to the Greater Manchester Pension Fund for £52.3million occurred in February 2015.

9. Administrative Expenses

	2013/14	2014/15
	£m	£m
Employee expenses	0.4	0.4
Support services	0.3	0.3
Actuarial services	0.2	0.1
Other expenses	0.3	0.3
	1.2	1.1

The audit fee for work completed by the Fund's external auditors for the year ended 31st March 2015 was £26,156 (£26,156 for the year ended 31st March 2014)

10. Management Expenses

	2013/14	2014/15
	£m	£m
Oversight and Governance	0.1	0.1
Investment Management Expenses		
Administration, management and custody fees	4.5	4.0
Other expenses	0.2	0.3
	4.8	4.4

The £4.4m management expenses incurred in 2014/15 represent 0.22% or 22 bps of the market value of the fund's assets as at 31st March 2015 (0.27% or 27bps 31st March 2014).

11. Investment Income

	2013/14	2014/15
	£m	£m
Fixed interest securities	4.1	4.2
Equity dividends	40.3	38.6
Interest on cash deposits	0.3	0.5
Securities lending	0.1	0.1
	44.8	43.4

12. Taxes on Income

	2013/14	2014/15
	£m	£m
Withholding tax - equities	(2.6)	(2.6)
	(2.6)	(2.6)

13. Investments

	Market value 31 March 2014 £m	Market value 31 March 2015 £m
Investment assets		
Fixed interest securities	116.9	127.8
Equities	1,091.8	1,199.5
Pooled investment vehicles	540.2	623.3
Derivatives - futures	0.1	0.1
Derivatives - forward FX	0.2	0.6
Cash	26.2	15.6
Other investment balances	6.6	6.9
Amounts receivable for sales	8.4	2.4
Total investment assets	1,790.4	1,976.2
Investment liabilities		
Derivatives - futures	(0.1)	(0.2)
Derivatives - forward FX	(0.3)	(3.2)
Amounts payable for purchases	(8.1)	(2.8)
Total investment liabilities	(8.5)	(6.2)
Net investment assets	1,781.9	1,970.0

13 a: Reconciliation of movements in investments and derivatives

	Market value 31 March 2014 £m	Purchases during the year and derivative payments £m	Sales during the year and derivative receipts £m	Change in market value during the year £m	Market value 31 March 2015 £m
Fixed interest securities	116.9	90.2	(88.1)	8.8	127.8
Equities	1,091.8	307.5	(318.3)	118.5	1,199.5
Pooled investment vehicles	540.2	9.0	(1.4)	75.5	623.3
	1,748.9	406.7	(407.8)	202.8	1,950.6
Derivative contracts:					
Futures	(0.0)	3.0	(3.0)	(0.1)	(0.1)
Forward currency contracts	(0.1)	13.3	(12.6)	(3.2)	(2.6)
	1,748.8	423.0	(423.4)	199.5	1,947.9
Other investment balances:					
Cash deposits	26.2			1.8	15.6
Outstanding dividend entitlements and recoverable withholding tax	6.6				6.9
Amount receivable for sales of investments	8.4				2.4
Amounts payable for purchases of investments	(8.1)				(2.8)
Net investment assets	1,781.9			201.3	1,970.0

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

	Market value 31 March 2013	Purchases during the year and derivative payments	Sales during the year and derivative receipts	Change in market value during the year	Market value 31 March 2014
	£m	£m	£m	£m	£m
Fixed interest securities	108.8	90.4	(74.0)	(8.3)	116.9
Equities	1,093.2	551.4	(538.3)	(14.5)	1,091.8
Pooled investment vehicles	455.3	250.9	(217.2)	51.2	540.2
	1,657.3	892.7	(829.5)	28.4	1,748.9
Derivative contracts:					
Futures	(0.3)	1.7	(2.3)	0.9	0.0
Forward currency contracts	(2.0)	5.3	(10.4)	7.0	(0.1)
	1,655.0	899.7	(842.2)	36.3	1,748.8
Other investment balances:					
Cash deposits	34.6			(1.0)	26.2
Outstanding dividend entitlements and recoverable withholding tax	7.0				6.6
Amount receivable for sales of investments	24.1				8.4
Amounts payable for purchases of investments	(16.1)				(8.1)
Net investment assets	1,704.6			35.3	1,781.9

The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year.

Transaction costs are included in the cost of purchases and sale proceeds. Transaction costs include costs charged directly to the scheme such as fees, commissions, and other fees. Transaction costs incurred during the year amounted to £1.1 million, (2013/14 £1.5 million). These transaction costs represent 0.06% or 6bps of the Market Value of the Fund's assets as at 31st March 2015 (8bps at 31st March 2014). In addition to the transaction costs disclosed above, indirect costs are incurred through the bid-offer spread on investments within pooled investments vehicles. The amount of indirect costs is not separately provided to the scheme.

Note 13 b: Analysis of Investments (excluding derivative contracts, cash and other investment balances)

	31 March 2014 £m	31 March 2015 £m
Fixed interest securities		
UK corporate quoted	14.2	13.4
Overseas public sector quoted	0.4	0.2
Overseas corporate quoted	102.3	114.2
	116.9	127.8
Equities		
UK quoted	456.4	433.3
Overseas quoted	635.4	766.2
	1,091.8	1,199.5
Pooled Investment Vehicles		
Other UK managed funds – UK equities	183.9	201.4
– Overseas equities	146.7	163.0
– Global equities	199.2	242.7
Other overseas managed funds – Overseas equities	10.4	16.2
	540.2	623.3
	1,748.9	1,950.6

Analysis of derivatives

Objectives and policies for holding derivatives

Most of the holding in derivatives is to hedge exposures to reduce risk in the fund. Derivatives may be used to gain exposure to an asset more efficiently than holding the underlying asset. The use of derivatives is managed in line with the investment management agreement between the fund and the various investment managers.

a) Futures

The fund's investment managers hold cash balances in order to ensure efficient and timely trading when opportunities arise. The fund's management did not want this cash to be 'out of the market' and so enabled a number of investment managers to buy and sell futures contracts which had an underlying economic value broadly equivalent to the cash held. The economic exposure represents the notional value of the stock purchased under futures contracts and is therefore subject to market movements. The portfolio cannot be geared to and must have the liquidity needed to cover open positions. Derivative receipts and payments represent the realised gains and losses on futures contracts.

b) Forward foreign currency

In order to maintain appropriate diversification and to take advantage of overseas investment returns, the Fund's bond mandate targets outperformance against a global benchmark index. To reduce volatility associated with the fluctuating currency rates, the fund has enabled the bond mandate investment manager to purchase and sell forward foreign currencies as a hedge.

Futures

Outstanding exchange traded futures contracts are as follows:

Assets		Economic Exposure Value	Market Value 31 March 2014	Economic Exposure Value	Market Value 31 March 2015
Type of future	Expiration	£m	£m	£m	£m
UK gilt exchange traded	Less than one year	(4.1)	0.0	0.0	0.0
UK FTSE exchange traded	Less than one year	0.0	0.0	8.1	0.0
Overseas exchanged traded	Less than one year	(2.9)	0.1	(2.9)	0.1
Total assets			0.1		0.1

Liabilities		Economic Exposure Value	Market Value 31 March 2014	Economic Exposure Value	Market Value 31 March 2015
Type of future	Expiration	£m	£m	£m	£m
UK gilt exchange traded	Less than one year	(0.8)	0.0	(1.2)	0.0
UK FTSE exchange traded	Less than one year	15.1	0.0	0.0	0.0
Overseas exchanged traded	Less than one year	8.4	(0.1)	(26.5)	(0.2)
Total liabilities			(0.1)		(0.2)

Net futures			0.0		(0.1)
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**Open forward currency
Contracts as at 31 March 2015**

Settlement	Currency Bought	Local Currency Value m	Currency Sold	Local Currency Value m	Asset Value £m	Liability Value £m
One to six months	EUR	1.3	GBP	0.9	0.0	
One to six months	GBP	0.1	AUD	0.3	0.0	
One to six months	GBP	73.5	EUR	100.8	0.5	
One to six months	GBP	2.3	USD	3.4	0.0	
One to six months	USD	0.0	COP	35.7	0.0	
One to six months	USD	4.3	GBP	2.8	0.0	
One to six months	USD	0.2	INR	12.2	0.0	
One to six months	USD	0.2	ZAR	2.3	0.0	
One to six months	EUR	0.3	GBP	0.2		0.0
One to six months	GBP	0.1	AUD	0.3		0.0
One to six months	GBP	0.6	EUR	0.8		0.0
One to six months	GBP	157.6	USD	238.6		(3.1)
One to six months	ZAR	2.3	USD	0.2		0.0
					0.5	(3.1)
Net forward currency contracts at 31 March 2015						(2.6)
Prior year comparative:						
Open forward currency contracts at 31 March 2014					0.2	(0.3)
Net forward currency contracts at 31 March 2014						(0.1)

Analysis of Cash

	2013/14 £m	2014/15 £m
Cash		
Cash deposits	4.7	7.7
Cash instruments	21.5	7.9
	26.2	15.6

Note 14: Financial Instruments

Note 14 a: Classification of financial instruments

Accounting policies describe how different asset classes of financial instruments are measured, and how income and expenses, including fair value gains and losses, are recognised. The following table analyses the carrying amounts of financial assets and liabilities by category and net assets statement heading. No financial assets were reclassified during the accounting period.

Designated as fair value through profit and loss 31 March 2014 £m	Loans and receivables 31 March 2014 £m	Financial liabilities at amortised cost 31 March 2014 £m	Designated as fair value through profit and loss 31 March 2015 £m	Loans and receivables 31 March 2015 £m	Financial liabilities at amortised cost 31 March 2015 £m
Financial assets					
116.9			127.8		
1,091.8			1,199.5		
540.2			623.3		
0.1			0.1		
0.2			0.6		
	28.9			18.1	
15.0			9.3		
	14.1			16.7	
	3.4			2.3	
1,764.2	46.4	0.0	1,960.6	37.1	0.0
Financial liabilities					
(0.1)			(0.2)		
(0.3)			(3.2)		
(8.1)			(2.8)		
		(5.0)			(4.2)
(8.5)	0.0	(5.0)	(6.2)	0.0	(4.2)
1,755.7	46.4	(5.0)	1,954.4	37.1	(4.2)

Note 14 b: Net gains and losses on financial instruments

31 March 2014 £m		31 March 2015 £m
Financial assets		
29.3	Fair value through profit and loss	202.8
(1.0)	Loans and receivables	1.8
Financial liabilities		
7.0	Fair value through profit and loss	(3.3)
35.3	Total	201.3

Fair value through profit and loss is the combination of realised and unrealised profit and loss. The significant year-on-year increase is a result of strong returns from global equity markets during 2014/15.

Note 14 c: Fair value of financial instruments and liabilities

Carrying Value 31 March 2014 £m	Fair Value 31 March 2014 £m		Carrying Value 31 March 2015 £m	Fair Value 31 March 2015 £m
Financial assets				
1,764.2	1,764.2	Fair value through profit and loss	1960.6	1,960.6
46.4	46.4	Loans and receivables	37.1	37.1
1,810.6	1,810.6	Total financial assets	1,997.7	1,997.7
Financial Liabilities				
(8.5)	(8.5)	Fair value through profit and loss	(6.2)	(6.2)
(5.0)	(5.0)	Financial liabilities at amortised cost	(4.2)	(4.2)
(13.5)	(13.5)	Total financial liabilities	(10.4)	(10.4)

The Fund has not entered into any financial guarantees that are required to be accounted for as financial instruments.

Note 14 d: 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 interest securities and quoted index linked securities.

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 could have a significant effect on the instrument's valuation is not based on observable market data.

Such instruments would include unquoted equity investments, which are valued using various valuation techniques that require significant judgment in determining appropriate assumptions.

The following table provides an analysis of the financial assets and liabilities of the pension fund into levels 1 to 3, based on the level at which the fair value is observable:

Values at 31 March 2015	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,336.6	624.0	0.0	1,960.6
Loans and receivables	37.1	0.0	0.0	37.1
Total fair value financial assets	1,373.7	624.0	0.0	1,997.7
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	(0.0)	(6.2)	0.0	(6.2)
Total fair value financial liabilities	(0.0)	(6.2)	0.0	(6.2)
Net fair value financial assets	1,373.7	617.8	0.0	1,991.5

Values at 31 March 2014	Quoted market price	Using observable inputs	With significant unobservable inputs	£m
	Level 1 £m	Level 2 £m	Level 3 £m	
Fair Value Financial assets				
Financial assets at fair value through profit and loss	1,223.7	540.5	0.0	1,764.2
Loans and receivables	46.4	0.0	0.0	46.4
Total fair value financial assets	1,270.1	540.5	0.0	1,810.6
Fair Value Financial Liabilities				
Financial liabilities at fair value through profit and loss	0.0	(8.5)	0.0	(8.5)
Total fair value financial liabilities	0.0	(8.5)	0.0	(8.5)
Net fair value financial assets	1,270.1	532.0	0.0	1,802.1

Note 15: Nature and extent of Risks arising from Financial Instruments

In the course of every day operating, the Pension Fund is subject to a number of risk factors arising from the holding of financial instruments. The main risks arising from the holding of the Fund's financial instruments are market risk, credit risk and liquidity risk.

As detailed in the Pension Fund Statement of Investment principles the Fund holds equity and bond instruments in order to meet the Fund's investment objectives. The Fund's investment objectives and risk management policies are as follows;

- (1) The investment objective for the Fund is to:-
 - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
 - (b) maximise the return at an acceptable level of risk.

- (2) Risk management is mostly concerned with:
 - avoiding the possibility of loss, or
 - limiting a deficiency in the underlying Fund, or
 - avoiding a contribution rate increase in the future.

Market risk

There are three main types of market risk that the Fund is exposed to as at 31 March 2015:

- Equity Risk
- Interest Rate Risk
- Foreign Exchange Risk

Equity risk refers to the risk arising from the volatility in stock prices; this can be systematic risk, the risk due to general market factors and affects the entire industry, or unsystematic risk, which refers to the risk specific to a company that arises due to the company specific characteristics. Interest rate risk is the risk that the value of a security will fall as a result of increase in interest rates. Foreign exchange risk arises because of fluctuations in the currency exchange rates.

The Fund reduces its unsystematic equity risk by diversifying investments across global markets, investing in over 1000 companies worldwide (excluding investments through pooled vehicles) and using five different investment managers to manage the Fund's equity investments. Investment restrictions are built into contracts held with each investment manager to ensure risk concentration is minimal and gearing of the Fund's assets cannot take place.

Interest rate risk has been reduced through the holding of fewer bonds as a percentage of the Fund's total assets.

Foreign Exchange risk exists in relation to the Fund's overseas equity investments. The Fund runs un-hedged equity portfolios and therefore is subject to currency fluctuations. It is the administering authority's view that in the long-run currency volatility trends to an average of nil against Sterling and therefore any hedging of currency would just be an additional cost to the Fund.

The Fund contracts WM Company to independently measure the Fund's investment returns and the Fund's absolute and relative risk for each portfolio and also the Fund as a whole. The Fund receives quarterly reports from WM Company listing returns and risk. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Committee, providing details of the Fund's risk and comparisons to all other Funds in the Local Authority universe.

Equity risk analysis

Following analysis of historical data and expected investment return movement during the financial year, in consultation with the fund's independent financial adviser, the Fund has determined that the following movements in market price risk are reasonably possible for the 2014/15 reporting period:

Asset Type	Potential Market Movements (+/-)
UK fixed interest securities	11.0 %
Overseas fixed interest securities	6.7 %
UK equities	10.3 %
Overseas equities	9.9 %
UK pooled investment vehicle	10.3 %
Overseas pooled investment vehicle	9.9 %
Global pooled investment vehicle	8.7 %

The potential price changes disclosed above are broadly consistent with a one standard deviation movement in the value of the assets. The analysis assumes that all other variables, in particular foreign exchange rates and interest rates, remain the same.

If the market price of the fund investments increases/decreases in line with the potential market movements above, the change in the net assets available to pay benefits will be as follows (the actual prior year movement in all asset classes is shown in note 13):

Asset Type	Value as at 31 March 2015	Percentage change	Value on increase	Value on decrease
	£m	%	£m	£m
Cash and cash equivalents	15.6	0.0	15.6	15.6
Investment portfolio assets:				
UK fixed interest securities	13.4	11.0	14.9	11.9
Overseas fixed interest securities	114.4	6.7	122.1	106.7
UK equities	433.3	10.3	477.9	388.7
Overseas equities	766.2	9.9	842.1	690.3
UK pooled investment vehicle	201.4	10.3	222.3	180.7
Overseas pooled investment vehicle	179.2	9.9	196.9	161.5
Global pooled investment vehicle	242.7	8.7	263.8	221.6
Net derivative assets	(2.7)	0.0	(2.7)	(2.7)
Investment income due	6.9	0.0	6.9	6.9
Amounts receivable for sales	2.4	0.0	2.4	2.4
Amount payable for purchases	(2.8)	0.0	(2.8)	(2.8)
Total	1,970.0		2,159.4	1,780.8
Total (Including impact of correlation across asset classes)	1,970.0		2,141.6	1,798.4

Interest rate risk analysis

The fund's direct exposure to interest rate movements as at 31 March 2015 and 31 March 2014 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value:

Asset Type	Value as at 31 March 2014	Value as at 31 March 2015
	£m	£m
Cash and cash equivalents	26.2	15.6
Cash balances	2.7	2.5
Fixed interest securities	116.9	127.8
Total	145.8	145.9

Interest rate risk sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the fund and the value of the net assets available to pay benefits. The performance measurement provider by way of CIPFA statistics has advised that medium to long-term average rates are expected to move less than 100 basis points from one year to the next and experience suggests that such movements are likely.

The analysis that follows assumes that all other variables, in particular exchange rates, remain constant, and shows the effect in the year on the net assets available to pay benefits as at 31 March 2015 of a +/- 100 Basis Points (BPS) change in interest rates:

Asset Type	Carrying amount as at 31 March 2015	Change in year in the net assets available to pay benefits	
		+ 100 BPS	- 100 BPS
	£m	£m	£m
Cash and cash equivalents	15.6	0.0	0.0
Cash balances	2.5	0.0	0.0
Fixed interest securities	127.8	(1.3)	1.3
Total change in assets available	145.9	(1.3)	1.3

Income source	Amount receivable in year ending 31 March 2015	Effect on income values	
		+ 100 BPS	- 100 BPS
	£m	£m	£m
Cash deposits / cash and cash equivalents	0.5	1.3	(1.3)
Fixed interest securities	4.2	0.0	0.0
Total change in income receivable	4.7	1.3	(1.3)

This analysis demonstrates that a 1% increase in interest rates will not affect the interest received on fixed income but will reduce their fair value and vice versa. Changes in interest rates do not impact the value of cash deposits / cash and cash equivalent balances but they will affect the interest income received on those balances. Changes to both the fair value of assets and the income received from investments impact on the net assets available to pay benefits.

Currency Risk

The following table summarises the fund's currency exposure as at 31 March 2015 and as at the previous period end:

Currency exposure - asset type	Asset value as at 31 March 2014	Asset value as at 31 March 2015
	£m	£m
Overseas quoted securities	635.4	766.2
Overseas unquoted securities	0.0	0.0
Overseas pooled investment vehicle	157.1	179.2
Global pooled investment vehicle	199.2	242.7
Total overseas assets	991.7	1,188.1

Overseas bonds are 100% hedged to GBP at 31 March 2015.

Currency Risk – Sensitivity analysis

Following analysis of historical data in consultation with the fund's performance measurement provider, the Council considers the likely volatility associated with foreign exchange rate movements to be 6.9% (as measured by one standard deviation).

This analysis assumes that all other variables, in particular interest rates, remain constant.

A 6.9% strengthening/weakening of the pound against various currencies in which the fund holds investments would increase/decrease the net assets available to pay benefits as follows:

Currency exposure - asset type	Asset value as at 31 March 2015	Change to net assets available to pay benefits	
		+ 6.9%	-6.9 %
	£m	£m	£m
Overseas quoted securities	766.2	819.1	713.3
Overseas pooled investment vehicle	179.2	191.6	166.8
Global pooled investment vehicle	242.7	259.5	225.9
Total change in assets available	1,188.1	1,270.2	1,106.0

Credit Risk

Credit risk is an investor's risk of loss arising from a borrower who does not make payments as promised. In essence the fund's entire investment portfolio is exposed to some form of credit risk, with the exception of the derivatives position, where the risk equates to the net market value of a positive derivative position. However the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner. Investment restrictions are listed in the contract held with the manager, which limit the amount of credit risk the manager is allowed to take and also states an average credit rating with regards to bonds held that should be maintained.

The bond manager provides a quarterly investment report to the Fund, which details the credit risk held in the portfolio. The Fund's Independent Financial Adviser also provides a yearly report to the Pension Investment Advisory Committee, providing details of the Fund's bond portfolio absolute and relative risk.

Deposits are not made with banks and financial institutions unless they are rated independently and have a strong credit rating. In addition, the council invests an agreed percentage of its funds in the money markets to provide diversification. Money market funds chosen all have an 'AAA' rating from a leading rating agency.

The fund's cash holding at 31 March 2015 was £18.1million (31 March 2014: £28.9million). This was held with the following institutions:

Summary	Rating	Balances as at 31 March 2014	Balances as at 31 March 2015
		£m	£m
Money market funds			
BNY Mellon Sterling Liquidity Fund	AAA	12.6	4.6
BNY Mellon US Dollar Liquidity Fund	AAA	5.2	0.0
JPM liq-ster Liquidity-x	AAA	1.3	0.6
JPM liq-USD Liquidity-XDI	AAA	0.0	0.5
JP Morgan Liquidity Funds - US	AAA	2.3	2.2
Bank deposit accounts			
The Bank of New York Mellon	A-1+	4.8	7.7
Bank current accounts			
Barclays Bank PLC	A-1	2.7	2.5
Total		28.9	18.1

Liquidity Risk

Market liquidity risk is the risk that a given security or asset cannot be traded quickly enough in the market to prevent a loss (or make the required profit) or to meet the financial obligations of the Fund as they fall due. The Fund's investment managers purchase quoted and tradable securities. Equities held are listed on major world stock markets and managers employed are highly experienced in equity trading. The liquidity risk relating to the bond holdings is monitored and managed by the bond manager on an on-going basis. The Council also takes steps to ensure that the pension fund has adequate cash resources to meet commitments.

Note 16: Current assets

	2013/14	2014/15
	£m	£m
Contributions due from employer in respect of:		
Employer	6.1	6.8
Members	1.7	1.7
Magistrates Courts Bulk Transfer Payment Due	1.4	1.4
Augmentation	1.4	3.1
Cash balances	2.7	2.5
Other Debtors	3.5	3.7
	16.8	19.2

Note 17: Non-current assets

	2013/14	2014/15
	£m	£m
Magistrates Courts Bulk Transfer Payment Due	2.7	2.0
Augmentation	0.7	0.3
	3.4	2.3

Note 18: Current liabilities

	2013/14	2014/15
	£m	£m
Investment management expenses	(1.4)	(0.8)
Payroll and external vendors	(1.4)	(2.0)
Other expenses*	(2.2)	(1.4)
	(5.0)	(4.2)

*Included within 'other expenses' is £0.4m (£1.2m 2012/13) for the fund administration costs recharge to Worcestershire County Council.

Note 19: Analysis of debtors and creditors

Analysis of debtors

	31 March	31 March
	2014	2015
	£m	£m
Central government bodies	4.3	3.5
Other local authorities	10.0	10.1
Other entities and individuals	3.2	5.4
	17.5	19.0

Analysis of creditors

	31 March 2014 £m	31 March 2015 £m
Central government bodies	(0.8)	(0.8)
Other local authorities	(1.7)	(1.7)
Other entities and individuals	(2.5)	(1.7)
	(5.0)	(4.2)

20. Related Party Transactions

The Worcestershire County Council Pension Fund is administered by Worcestershire County Council. Consequently there is a strong relationship between the Council and the Pension Fund.

The Council incurred costs of £1.2million (2013/14: £0.9 million) in relation to the administration of the fund and was subsequently reimbursed by the fund for these expenses. The council is also the single largest employer of members of the pension fund and contributed £31.0million to the fund in 2014/15 (2013/14: £31.0 million).

Scheduled, Admitted and Resolution bodies of the Fund are also related parties and are listed in note 24 to the accounts. Transactions with these bodies are disclosed on an aggregate basis in notes 5, 7, 16, 17, 18 and 19 to the accounts.

The posts of Director of Resources (2013/14 only), Head of Corporate Financial Strategy (2013/14 only), Chief Financial Officer, Senior Finance Manager and HR Service Centre Manager are deemed to be key management personnel with regards to the Pension Fund. The financial value of their relationship with the fund (in accordance with IAS24) is set out below:

	2013/14 £000	2014/15 £000
Short term benefits*	81	76
Long term/post retirement benefits**	203	187
	284	263

*This is the pensions element of short term remuneration for key management personnel, i.e. annual salary, benefits in kind and employer contributions

**This is the accrued pension benefits, expressed as cash equivalent transfer value.

21. Contingent liabilities

The Fund had no material contingent liabilities as at 31 March 2015.

22. Contingent assets

Seven admitted body employers in the Worcestershire County Council Pension Fund hold insurance bonds to guard against the possibility of being unable to meet their pension obligations. These bonds are drawn in favour of the pension fund and payment will only be triggered in the event of employer default. No bonds were called upon in this financial year.

23. Additional voluntary contributions

The amounts administered under AVC arrangements during 2014/15 are as follows:

	2013/14 £m	2014/15 £m
Contributions received	0.2	0.2
Investments purchased	0.2	0.2
Change in market value	0.1	0.2
Retirement benefits paid or transferred	0.3	0.4

The combined value of the AVC funds at 31 March 2015 was £3.2 million, (31 March 2014 £3.2 million).

In accordance with Regulation 5(2) (c) of the Pension Scheme (Management and Investment of Funds) Regulations 1998 these amounts are not included in the Pension Fund Accounts but are disclosed as a note only (Note 23).

24. Participating Employers of the Fund at 31 March 2015

Scheduled Bodies

Worcestershire County Council
Advanced Trust/Vale of Evesham School
Alvechurch Middle School
Ashperton Primary School Academy
Aspire Academy
Astwood Bank Academy
Barrs Court Academy
Baxter College Academy
Bengeworth First School
Birchensale Middle
Bishop Perowne Academy
Bishop of Hereford's Blue coat School
Blessed Edward Oldcorne G M School
Bredon Middle
Bretforton 1st School
Brockhampton Academy
Bromsgrove District Council
Brookfield School
Building Control
Burghill Academy
Canon Pyon Academy
Chantry Academy
Christopher Whitehead Academy
ContinU Plus Academy
Crabbs Cross
Dilwyn School
Droitwich Academy
Dyson Perrins Academy
Evesham High School
Fairfield High School
Flyford Flavell 1st School
Gorse Hill Academies
Great Malvern Academy
H & W Fire Authority
H & W Community Council
Hanley Castle Academy
Haybridge Academy
Hereford Academy
Hereford College of Art
Hereford College of Technology
Hereford Marches Fed of Academies
Hereford Sixth Form College
Hereford Steiner Academy
Herefordshire (unitary)
Holmer Primary School
Honeybourne Academy
Ipsley CE RSA Academy
John Kyrle High & 6th Form Academy
John Masefield High School & Sixth Academy
Marden Academy
Matchborough Academy
Mordiford Academy
Mount Carmel 1st School
Newbridge Advance Trust
Newbridge Secondary Short Stay School
North East Worcestershire College
Nunnery Wood Academy
Oasis Community Learning (Warndon Primary)
Our Lady of Lourdes Academy
Perry Wood Primary & Nursery
Pershore Academy
Prince Henry's Academy
Queen Elizabeth Academy
Redditch Borough Council
Redditch RSA Academies Trust
Regency Academy
Regulatory Services (Bromsgrove)
Ridgeway Academy
Riversides Academy
Robert Owen Academy
Simon De Montford Middle
Somers Park Academy
South Bromsgrove High School
South Worcestershire College
South Worcestershire ICT Shared Services
St Johns C of E Middle
St Matthias Academy
St Nicholas Owen Catholic Multi Academy Company
St Thomas Cantilupe Academy
St Thomas More RC 1st School
St. Augustines G M School
St. Bedes G M School
St Clements Primary
St Pauls Academy
Stourport Academy
Stretton Sugwas Academy
Suckley Academy
Tenbury High School
Trinity Academy
Tudor Grange
Tudor Grange Academy Redditch
The Coppice Primary Academy
The Rivers Multi-Academy Trust
The Vaynor Academy
University College Worcester
Vale of Evesham Academy
Valuation Tribunal
Walkwood Middle

Joint Museum Shared Services
Kidderminster College of Further Education
Kingstone High School
Kingstone Academy Trust
King Charles Academy
Kingfisher Academy
Lady Hawkins Academy
Lickey Hills Primary
Lickhill Academy
Llangrove Academy
Lord Scudamore School
Lugwardine Academy
Malvern Hills District Council
Malvern the Chase Academy

Warndon (Oasis) Academy
Waseley Hills Academy
Webheath Academy
West Mercia Police Authority
West Mercia Police & Crime Commissioner
Whitecross Hereford
Wigmore Academy
Woodrush Academy
Woodfield Academy
Worcester City Council
Worcester College of Technology
Worcester Sixth Form College
Wychavon District Council
Wyre Forest District Council

Community Bodies

Bromsgrove District Housing Trust
Brightstripe Cultural Health
Community First
Community Housing Group
Courtyard Trust
Encore Enterprises Limited
Festival Housing Group
FOCSA Services (UK) Limited
Hereford Community Leisure Trust (HALO)
Hereford Futures

Herefordshire Housing Association
Hoople Ltd
Malvern Hills OEC
Malvern Hills Conservators
Rooftop Housing Group
Sports Partnership
VESTIA Community Trust
Worcester Community Housing
Wychavon Leisure Community Association
Wyre Forest Community Association

Transferee Bodies

4 Children
Action for Children
Action for Children (Malvern)
Amey PLC
Arete
ATEGI
Aztec Watersports
Balfour Beatty (Living Places)
Bespoke Cleaning Services
Brandon Trust
Bromsgrove PFI
CAPITA (IBS Schools)
Civica – Ex Wychavon DC Tupe

County Community Project
Cygnet Foods Ltd
Herecad Enterprises Ltd
Hewlett Packard ICT
Jacobs UK Ltd
Midland Heart
National Youth Advocacy Service
Omiston Academy Trust
Redcliffe Catering Ltd
Ringway
Shaw Homes Health Care
Worcester Community Trust
Wychavon Leisure (BDC)

Designated Bodies

Balfour Beatty (Living Places)

Baxtor College

Belbroughton parish council

Bewdley Town Council

Bewdley Woen Council

Bredon Parish Council

Broadway Parish Council

Brockhampton Group Parish Council

Bromyard and Winslow Town Council

CIVICA

Droitwich Town Council

Evesham Town Council

Hereford City Parish Council

Initial Facilities Services UK Ltd

Integral UK Ltd

Ewyas Harold Parish Council

Kempsey Parish Council

Lea Parish Council

Ledbury Town Council

Linton Parish Council

Malvern Town Council

Malvern Wells Parish Council

Pershore Joint Burial Committee

Pershore Town Council

Powick Parish Council

Rock Parish Council

Ross-on-Wye Town Council

Stourport Town Council

Upton - on Severn Parish Council

Upton Bishop PC

Wygmore High & Primary

Wythall Parish Council

25. Local Government Pension Scheme (LGPS)

Pension Benefits – A Brief Summary

Benefits payable from the Fund are governed by the Superannuation Act 1972 and the Local Government Pension Scheme Regulations 2007/08 (as amended).

Up to 31/03/2008 the Scheme provides for a pension based on 1/80th of pay for each year of service and a lump sum payment based on 3/80ths of pay for each year and from 01/04/2008 to 31st March 2014 the scheme provides for a pension based on 1/60th of pay for each year of service with an option to commute to provide for a tax free lump sum. Provision is made for the payment of a pension to a wife, husband, child, civil partner and cohabiting partner in the event of the death of an employee both before and after retirement. In the event of the death of an employee in service a Death Gratuity is payable.

Following Lord Hutton's review of public sector pension schemes; The Local Government Pension Scheme Regulations 2013 came into force from 1st April 2014 changing the scheme from Final Salary to Career Average Revalued Earnings (CARE)

Key features of the new LGPS 2014 are:

- Service built up from 1st April 2014 is still linked to earnings, but is calculated in a different way. The CARE scheme is still a defined benefit scheme.
- All pension built up to 1st April 2014 is guaranteed and will be calculated in the same way as before i.e. pension service linked to earnings at retirement.
- Pension build up increases from 1/60th to 1/49th of pay per year.
- Although there are new employee contribution rates, most of the Fund's membership will pay the same or a lower pension contribution.
- For members working part time their contribution banding is based on their actual earnings and not their full time equivalent pay – so they may pay a lower level of pension contribution.
- Normal retirement age won't be fixed at 65 as in the LGPS 2008 Scheme; it will be the same as the members State Pension Age, which will gradually increase from 65 to 68.
- If a members State Pension Age is before age 65, their new retirement age in the LGPS 2014 will be 65.
- Employees can now choose to leave employment and draw their pension anytime from age 55 subject to reductions for early payment.
- New opportunity to pay half contributions for half the pension rate (known as 50/50 section) but still retain full life cover and ill health protection.
- Employer continues to make a significant pension contribution to meet the cost of providing pension benefits.

Provision is made for the payment of immediate benefits with enhancement if retirement at any age is due to permanent ill health.

If after attaining age 55 an employee is made redundant, or retires with the agreement of the employer, immediate payment of pension benefits is allowed.

An employee leaving the service of an Authority before becoming entitled to receive pension benefits can apply for a refund of pension contributions paid if pensionable service is less than two years. Employees with more than two years' service have the option of preserving accrued benefits in the fund until retirement age, or transferring benefits to another occupational scheme or personal pension.

Various discretionary options, for the employing bodies and the Fund Administrator, introduced in the 1997 regulations have been issued in policy statements.

Further details regarding LGPS benefits can be found at: www.worcestershire.gov.uk/pensions or Email: pensions@worcestershire.gov.uk

5. Statement of Accounting Policies

This section provides a summary of the significant accounting policies and estimation techniques used in the preparation of Worcestershire County Council's Pension Fund accounts.

1. General

The Accounts for 2014/15 have been prepared in compliance with the International Financial Reporting Standards (IFRS) and Statement of Recommended Practice (Financial Reports of Pension Schemes) 2007 and also follow the 2014/15 Code of Practice on Local Authority Accounting issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). The codes of practice have been followed, with the exception of any departures indicated below.

The core financial statements are as follows:

- The Fund Account
- Net Assets Statement

2. Legislation

Where specific legislation regarding accounting treatment conflicts with the Council's own Accounting Policies, legislative requirements have been followed.

3. Contribution Income

Normal contributions, both from the members and from employers, are accounted for on an accruals basis at the percentage rate recommended by the fund actuary in the payroll period to which they relate.

Employer deficit funding contributions are accounted for on the due date on which they are payable under the schedule of contributions set by the scheme actuary or on receipt if earlier than the due date.

Employers' augmentation contributions and pension 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.

4. Transfers to and from other schemes

Transfer values represent the capital sums either received in respect of members transferring from other pension schemes or paid to other pension schemes in respect of members who have left the Worcestershire Fund.

Individual transfers in/out are accounted for when received/paid, which is normally when the member liability is accepted or discharged.

Bulk (group) transfers are accounted for on an accruals basis in accordance with the terms of the transfer agreement.

5. Investment Income

Income from equities is accounted for on the date stocks are quoted ex-dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

Income from fixed interest and index-linked securities, cash and short-term deposits is accounted for on an accruals basis, using the effective interest rate of the financial institution as at the date of acquisition or origination. Income includes the amortisation of any discount premium, transaction costs or other differences between the initial carrying amount of the instrument and its amount at maturity calculated on an effective interest rate basis.

Income from other investments is accounted for on an accruals basis.

The changes in market value of investments during the year are recognised as income and comprise all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on sales of investments and unrealised changes in market value.

6. Benefits Payable

Under the rules of the Scheme, members receive a lump sum retirement grant in addition to their annual pension. Lump sum retirement grants are accounted for on the date of retirement. Where a member can choose whether to take a greater retirement grant in return for a reduced pension these lump sums are accounted for on an accruals basis on the date the option is exercised.

Other benefits are accounted for on the date the member retires or on death.

Any amounts due but unpaid are disclosed in the net assets statement as current liabilities.

7. Taxation

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

8. Management Expenses

The Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998 permit costs incurred in connection with the investment and administration of the Fund to be charged against the Fund.

The Code of Practice does not require any breakdown of pension fund administrative expenses. However in the interests of greater transparency, the Council discloses its Pension Fund management expenses in accordance with CIPFA guidance on Accounting for LGPS management costs.

All oversight and governance expenses are accounted for on an accruals basis. All staff costs associated with governance and oversight are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

Investment Managers' expenses are charged on a percentage basis of the market value of assets under management and therefore increase or reduce as the value of these investments change. Global Custodian fees are agreed in the respective mandate governing their appointment.

The cost of obtaining investment advice from the fund's independent financial adviser is included in investment management charges.

All investment management expenses are accounted for on an accruals basis.

9. Administrative Expenses

Administrative expenses include employee costs that are charged to the fund on an accruals basis. All staff costs of the pensions administration team are charged direct to the fund. Associated management, accommodation and other overheads are apportioned to this activity and charged as expenses to the fund.

10. Financial Assets

Financial assets at fair value through profit or loss are included in the net assets statement on a fair value basis as at the reporting date. Loans and receivables financial assets are included in the net assets statement at amortised cost, measured using the effective interest rate method, at reporting date. A financial asset is recognised in the net assets statement on the date the fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value or amortised cost of assets are recognised by the fund.

Quoted Equities traded through the Stock Exchange Electronic Trading Service (SETS), are valued on the basis of the latest bid price.

The value of fixed interest and index linked securities in the Scheme's investment portfolio excludes interest earned but not paid over at the scheme end. This is included separately within accrued investment income. Fixed interest securities are recorded at net market value based on their current yields.

Un-quoted holdings can include directly held investments in limited partnerships, shares in unlisted companies, trusts or bonds. The valuation standards followed in their valuations adhere to industry guidelines or the standards set by the management agreement.

Pooled investment vehicles are valued at closing bid price if both bid and offer prices are published; or if single priced, at the closing single price. In the case of pooled investment vehicles that are accumulation funds, change in market value also includes income which is reinvested in the fund, net of applicable withholding tax.

Transaction costs are included in the purchase cost and sales proceeds of investments.

11. Foreign Currencies

Where forward exchange contracts are in place in respect of assets and liabilities in foreign currencies, the contract rate is used. Other assets and liabilities in foreign currencies are expressed in sterling at the rates of exchange ruling at the year-end. Income from overseas investments is recorded at the spot exchange rate at the date of the transaction. Expenditure arising from a transaction in a foreign currency has been translated into £ sterling at the exchange rate in operation on the day the transaction occurred.

Surpluses and deficits arising on conversion or translation are dealt with as part of the change in market value of investments.

12. Derivatives

The fund uses derivative financial instruments to manage its exposure to specific risks arising from its investment activities. The fund does not hold derivatives for speculative purposes.

Futures are included in the net assets statement at market value which represents the total exposure to the stock market or asset class that the futures contracts affect. The value of futures contracts is determined using exchange prices at the reporting date. Amounts due from or owed to the broker are the amounts outstanding in respect of the initial margin and variation margin.

The future value of forward currency contracts is based on market forward exchange rates at the year-end date and determined as the gain or loss that would arise if the outstanding contract were matched at the year-end with an equal and opposite contract.

13. Cash and cash equivalents

Cash comprises demand deposits and cash equivalents. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to minimal risk of changes in value.

14. Financial liabilities

Financial liabilities at fair value through profit or loss are included in the net assets statement on a fair value basis as at the reporting date. Other Financial Liabilities, not at fair value through profit and loss, are included in the net assets statement at amortised cost, measured using the effective interest rate method, at reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value or amortised cost of the liability are recognised by the fund.

15. 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 IAS19 and the relevant actuarial standards.

As permitted under IAS26, 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 2).

16. Contingent Assets

A contingent asset arises where an event has taken place that gives the Pension Fund a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Pension Fund.

Contingent assets are not recognised in the financial statements, but are disclosed in note 22 to the accounts.

17. Additional voluntary contributions

The Pension Fund scheme provides an Additional Voluntary Contributions (AVC) facility for scheme members. In 2014/15 some members of the pension scheme paid voluntary contributions and transfers to Scottish Widows and Equitable Life to buy extra pension benefits when they retire. Retirement benefits were also purchased during the year. The contributions are paid directly from scheme members to the AVC provider. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year

Independent auditor's statement to the members of Worcestershire County Council on the pension fund financial statements included in the pension fund annual report

We have examined the pension fund financial statements of Worcestershire County Council for the year ended 31 March 2015 under the Audit Commission Act 1998, which comprise the fund account, the net assets statement and the related notes

This statement is made solely to the members of Worcestershire County Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our work has been undertaken so that we might state to the members of the authority those matters we are required to state to them in an auditor's statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our work, for this report, or for the opinions we have formed.

Respective responsibilities of Chief Financial Officer and auditor

As explained more fully in the Statement of the Chief Financial Officer's Responsibilities, set out on page 2 of the Statement of Accounts of Worcestershire County Council which include the audited pension fund financial statements, the Chief Financial Officer is responsible for the preparation of the Statement of Accounts of Worcestershire County Council, which include the pension fund financial statements, in accordance with applicable law, proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15, and for being satisfied that they give a true and fair view.

Our responsibility is to state to you our opinion on the consistency of the pension fund financial statements included in the pension fund annual report with the pension fund financial statements included in the Statement of Accounts of Worcestershire County Council, and its compliance with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

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

- Development of the Scheme,
- Administration – Review of the Year,
- The Fund's Investment Portfolio and Performance,
- Report of the Financial Advisor, and
- The associated appendices.

We conducted our work in accordance with guidance issued by the Audit Commission. Our report on the administering authority's 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 pension fund financial statements included within the annual Statement of Accounts of Worcestershire County Council for the year ended 31 March 2015 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15.

We have not considered the effects of any events between the date we signed our report on the annual Statement of Accounts of Worcestershire County Council on 21 September 2015 and the date of this statement.

Grant Thornton UK LLP
Chartered Accountants

Colmore Plaza
20 Colmore Circus
Birmingham
B4 6AT

30 September 2015

2015 Funding Strategy Statement (FSS)

This Statement has been prepared by Worcestershire County Council (the Administering Authority) to set out the funding strategy for the Worcestershire County Council Pension Fund (the WCCPF), in accordance with Regulation 35 of the Local Government Pension Scheme (Administration) Regulations 2008 (as amended) and the guidance paper issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) Pensions Panel.

1. INTRODUCTION

The Local Government Pension Scheme (Administration) Regulations 2008 (as amended) (“the Administration Regulations”) provide the statutory framework from which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

- After consultation with all relevant interested parties involved with the Fund, the Administering Authority will prepare and publish their funding strategy.
- In preparing the FSS, the Administering Authority must have regard to :-
 - the guidance issued by CIPFA for this purpose; and
 - the Statement of Investment Principles (SIP) for the WCCPF published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended);
- The FSS must be revised and published whenever there is a material change in either the policy on the matters set out in the FSS or the Statement of Investment Principles.

Benefits payable under the WCCPF are guaranteed by statute and thereby the pensions promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time, facilitating scrutiny and accountability through improved transparency and disclosure.

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 WCCPF 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 referred to above. New legislation contained in the Local Government Pension Scheme Regulations 2013 (“the 2013 Regulations”) governs the WCCPF from 1 April 2014. The required levels of employee contributions from 1 April 2014 are also specified in the 2013 Regulations.

Employer contributions are determined in accordance with the Administration Regulations which require that an actuarial valuation is completed every three years by the actuary, including a rates and adjustments certificate. Contributions to the WCCPF should be set so as to “secure its solvency”, whilst the actuary must also have regard to the desirability of maintaining as nearly constant a rate of contribution as possible. The actuary must have regard to the FSS in carrying out the valuation.

2. PURPOSE OF THE FSS IN POLICY TERMS

Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will therefore determine the rate or pace at which this advance provision is made. Although the Regulations specify the fundamental principles on which funding contributions should be assessed, implementation of the funding strategy is the responsibility of the Administering Authority, acting on the professional advice provided by the actuary.

The purpose of this Funding Strategy Statement is:

- to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- to support the regulatory requirement to maintain as nearly constant employer contribution rates as possible; and
- to take a prudent longer-term view of funding those liabilities.

The intention is for this strategy to be both cohesive and comprehensive for the WCCPF as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of individual employers must be reflected in the statement, it must remain a single strategy for the Administering Authority to implement and maintain.

3. AIMS AND PURPOSE OF THE WCCPF

The aims of the Fund are to:

- enable employer contribution rates to be kept as nearly constant as possible and at reasonable cost to the taxpayers, scheduled, resolution and admitted bodies
- manage employers' liabilities effectively
- ensure that sufficient resources are available to meet all liabilities as they fall due, and
- maximise the returns from investments within reasonable risk parameters.

The purpose of the Fund is to:

- receive monies in respect of contributions, transfer values and investment income,
- and pay out monies in respect of 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.

4. RESPONSIBILITIES OF THE KEY PARTIES

The Administering Authority should:

- collect employer and employee contributions
- invest surplus monies in accordance with the Regulations
- ensure that cash is available to meet liabilities as and when they fall due
- manage the valuation process in consultation with the WCCPF's actuary
- prepare and maintain an FSS and a SIP, both after due consultation with interested parties, and
- monitor all aspects of the WCCPF's performance and funding and amend FSS/SIP.

The Individual Employer should:

- deduct contributions from employees' pay correctly after determining the appropriate employee contribution rate (in accordance with the Regulations)
- 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, early retirement strain, and
- notify the Administering Authority promptly of all changes to membership or, as may be proposed, which affect future funding.

The Fund actuary should:

- prepare valuations including the setting of employers' contribution rates after agreeing assumptions with the Administering Authority and having regard to the FSS
- prepare advice and calculations in connection with bulk transfers and individual benefit-related matters,
- advise on funding strategy, the preparation of the FSS, and the inter-relationship between the FSS and the SIP.

5. SOLVENCY ISSUES AND TARGET FUNDING LEVELS

Funding Objective

To meet the requirements of the Administration Regulations the Administering Authority's long term funding objective is for the Fund to achieve and then maintain sufficient assets to cover 100% of projected accrued liabilities (the "funding target") assessed on an ongoing past service basis including allowance for projected final pay. In the long term, the employer rate would ultimately revert to the Future Service Rate.

Determination of the Funding Target and Recovery Period

The principal method and assumptions to be used in the calculation of the funding target are set out in Appendix 2.

Underlying these assumptions are the following two tenets:

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

This allows us to take a longer term view when assessing the contribution requirements for certain employers. As part of this valuation when looking to potentially stabilise contribution requirements we will consider whether we can build into the funding plan some allowance for changes in market conditions which occurred after the valuation date.

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.

As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy between the distinct employers (employer groups) in the Scheme. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted. This approach is effectively one of applying a notional individual employer investment strategy identical to that adopted for the Scheme as a whole.

The Administering Authority, following consultation with the participating employers, has adopted the following objectives for setting the individual employer contribution rates arising from the 2013 actuarial valuation:

- In the current circumstances, as a general rule, the Fund does not believe it appropriate for deficit contribution reductions to apply compared to the 2010 funding plan where substantial deficits remain.
- In addition, a maximum deficit recovery period of 21 years will apply. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see Deficit Recovery Plan below).
- For any employers assessed to be in surplus, generally their contributions will be based on their future service contribution requirements
- The employer contributions will be expressed and certified as two separate elements:
 - a percentage of pensionable payroll in respect of the future accrual of benefit
 - a schedule of lump sum amounts over 2014/17 in respect of the past service deficit subject to the review from April 2017 based on the results of the 2016 actuarial valuation.
- Where significant increases in employer contributions are required from 1 April 2014, following completion of the 2013 actuarial valuation, the Administering Authority retains the discretion to allow the increase in contributions to be implemented in steps, over a maximum period of 6 years. Any application for this option would only be considered after the provision of appropriate evidence to support this easement.
- On the cessation of an employer's participation in the Scheme, the actuary will be asked to make a termination assessment. Any deficit in the Scheme in respect of the employer will be due to the Scheme as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.

In determining the above objectives the Administering Authority has had regard to:

- the responses made to the consultation with employers on the FSS principles
- relevant guidance issued by the CIPFA Pensions Panel
- the need to balance a desire to attain the target as soon as possible against the short-term cash requirements which a shorter period would impose, and
- the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

Deficit Recovery Plan

If the assets of the scheme relating to an employer are less than the funding target at the effective date of any actuarial valuation, a recovery plan will be put in place, which requires additional contributions from the employer to meet the shortfall.

Additional contributions will be expressed as annual monetary lump sums, subject to review based on the results of each actuarial valuation.

In determining the actual recovery period to apply for any particular employer or employer group, the Administering Authority may take into account some or all of the following factors:

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

The assumptions used in these Recovery Plan calculations are set out in Appendix 2.

The Normal Cost of the Scheme (Future Service Contribution Rate)

In addition to any 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 Appendix 2.

6. LINK TO INVESTMENT POLICY SET OUT IN THE STATEMENT OF INVESTMENT PRINCIPLES

The results of the 2013 valuation show the liabilities at 31 March 2013 to be 69% covered by the current assets, with the funding deficit of 31% being covered by future deficit contributions.

In assessing the value of the WCCPF's liabilities in the valuation, allowance has been made for asset out-performance as described in Appendix 2, taking into account the investment strategy adopted by the WCCPF, as set out in the SIP.

It is not possible to construct a portfolio of investments which produces a stream of income exactly matching the expected liability outgo. However, it is possible to construct a portfolio which closely matches the liabilities and represents the least risk investment position. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts. Investment of the WCCPF's assets in line with the least risk portfolio would minimise fluctuations in the WCCPF's ongoing funding level between successive actuarial valuations.

Departure from a least risk investment strategy, in particular to include equity type investments, gives the prospect that out-performance by the assets will, over time, reduce the contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

The benchmark investment strategy, as set out in the SIP as at 31 March 2015, is:

Shares Managed Actively	%	Investment Manager and Expected Performance
North America	6.0	Capital International - FTSE All World All Americas Index + 1.5%
Far East Developed	12.0	Nomura Asset Management - FTSE All World Asia Pacific Index + 1.5%
Emerging Markets	12.0	JP Morgan Asset Management and Schroder Investment Management - FTSE-All World Emerging Market index +2.0%
	30.0	
Shares Managed Passively		
<u>Market Capitalisation Indices</u>		
United Kingdom	25.5	UBS Global Asset Management (UK) - FTSE All Share Index
North America	5.0	UBS Global Asset Management (UK) - FTSE All World North America - Developed Series Index

Europe ex - UK	9.5	UBS Global Asset Management (UK) - FTSE All World Europe ex UK Index -Developed Series Index
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Alternative Indices

United Kingdom	6.5	UBS Global Asset Management (UK) - 1/3 FTSE RAFI Developed 1000 Index QSR Total Return Net Index,
North America	1.0	1/3 MSCI World Minimum Volatility (GBP Optimised)Total Return Net Index, 1/3 MSCI World
Europe ex - UK	2.5	Quality Total Return Net Index

50.0

80.0

Bonds Managed Actively	10.0	JP Morgan Asset Management – 100% Barclays Global Aggregate Corporate Bond Index – Hedged into GBP
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Property / Infrastructure	10.0	Allocation to be implemented within three years from December 2013
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100.0

The funding strategy adopted for the 2013 valuation is based on an assumed asset out-performance of 1.5% per annum.

7. IDENTIFICATION OF RISKS AND COUNTER MEASURES

The funding of defined benefits is by its nature uncertain. Funding of the WCCPF is based on both financial and demographic assumptions. These assumptions are specified in Appendix 2 and the actuarial valuation report. When actual experience is not in line with the assumptions adopted a surplus or shortfall will emerge at the next actuarial assessment and will require a subsequent contribution adjustment to bring the funding back into line with the target.

The Administering Authority has been advised by the actuary that the greatest risk to the WCCPF's funding is the investment risk inherent in the predominantly equity (or return seeking) based strategy, so that actual asset out-performance between successive valuations could diverge significantly from the overall out performance assumed in the long term.

What are the Risks?

Financial

- 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 re-allocations in volatile markets may lock in past losses
- Pay and price inflation significantly more or less than anticipated
- Effect of possible increase in employer's contribution rate on service delivery and admitted/scheduled bodies

Demographic

- Longevity horizon continues to expand
- Deteriorating pattern of early retirements (including those granted on the grounds of ill health)

Insurance of certain benefits

The contributions for any employer 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 internally within the Fund.

Regulatory

- Further changes to Regulations, e.g. more favourable benefits package, potential new entrants to scheme, e.g. part-time employees
- Changes to national pension requirements and/or HMRC rules

Governance

- Administering Authority unaware of structural changes in employer's membership (e.g. large fall in employee numbers, large number of retirements)

- Administering Authority not advised of an employer closing to new entrants
- An employer ceasing to exist with insufficient funding or adequacy of a bond.
- Changes in Committee membership.

8. MONITORING AND REVIEW

The Administering Authority has taken advice from the actuary in preparing this Statement, and has also consulted with employing organisations.

A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full actuarial valuation. Any review will take account of then current economic conditions and will also reflect any legislative changes.

The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:

- if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy
- if there have been significant changes to the WCCPF membership, or LGPS benefits
- if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy e.g. closure to new entrants
- if there have been any significant special contributions paid into the WCCPF

Appendix 2

ACTUARIAL VALUATION AS AT 31 MARCH 2013

Method and assumptions used in calculating the funding target and recovery plan

Method

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

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") 1.5% per annum .

The asset out-performance assumptions represent 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.

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 Price Index rather than the Retail Price Index, The overall reduction to RPI inflation at the valuation date is 1.0% per annum.

Salary increases

The assumption for real salary increases (salary increases in excess of price inflation) will be determined by an allowance of 1.5% p.a. over the inflation assumption as described above. This includes allowance for promotional increases. Where it is considered appropriate, the Administering Authority, after specific agreement has been obtained by Fund Officers, will use its discretion to make allowance for expected short term pay restraint of 1% per annum for 3 years then 2% per annum for 2 years.

Pension increases/Indexation of CARE benefits

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 the RPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

Demographic assumptions

Mortality

The mortality in retirement assumptions will be based on the most up-to-date information in relation to self-administered pension schemes published by the Continuous Mortality Investigation (CMI), making allowance for future improvements in longevity. The mortality tables used are set out below, with a loading reflecting wider LGPS experience. The derivation of the mortality assumption is set out in a separate paper as supplied by the Actuary. Existing ill health retirees and current members who retire on the grounds of ill health are assumed to exhibit average mortality equivalent to that for a good health retiree at an age 3 years older. For all members, it is assumed that the accelerated trend in longevity seen in recent years will continue in the longer term and as such, the assumptions build in a minimum level of longevity 'improvement' year on year in the future in line with the CMI projections subject to a minimum rate of improvement of 1.5% per annum.

Commutation

It has been assumed that, on average, 50% of retiring members will take the maximum tax-free cash available at retirement and 50% will take the standard 3/80ths cash sum. The option which members have to commute part of their pension at retirement in return for a lump sum is a rate of £12 cash for each £1 p.a. of pension given up.

Other Demographics

Following an analysis of LGPS experience carried out by the Actuary, the incidence of retirement in ill health and the proportions married/civil partnership assumption have been modified from the last valuation. Other assumptions are as per the last valuation.

Expenses

Expenses are met out the Fund, in accordance with the Regulations. This is allowed for by adding 0.4% of pensionable pay to the contributions as required from participating employers. This addition is reassessed at each valuation. Investment expenses have been allowed for implicitly in determining the discount rates.

Discretionary Benefits

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

Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (normal cost) will be calculated using the same actuarial method and assumptions as used to calculate the funding target except that the financial assumptions adopted will be as described below.

The financial assumptions for assessing the future service contribution rate should take account of the following points:

- contributions will be invested in market conditions applying at future dates, which are unknown at the effective date of the valuation, and which are not directly linked to market conditions at the valuation date; and
- the future service liabilities for which these contributions will be paid have a longer average duration than the past service liabilities.

The financial assumptions in relation to future service (i.e. the normal cost) are not specifically linked to investment conditions as at the valuation date itself, and are based on an overall assumed real return (i.e. return in excess of price inflation) of 3.0% per annum, with a long term average assumption for consumer price inflation of 2.6% per annum. These two assumptions give rise to an overall discount rate of 5.6% p.a (i.e. 3.0% plus 2.6%).

Adopting this approach the future service rate is not subject to variation solely due to different market conditions applying at each successive valuation, which reflects the requirement in the Regulations for stability in the “Common Rate” of contributions. In market conditions at the effective date of the 2013 valuation this approach gives rise to a slightly more optimistic stance (i.e. allows for a higher AOA) in relation to the cost of accrual of future benefits compared to the market related basis used for the assessment of the funding target.

At each valuation the cost of the benefits accrued since the previous valuation will become a past service liability. At that time any mismatch against gilt yields and the asset out-performance assumptions used for the funding target is fully taken into account in assessing the funding position.

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	3.2% p.a.
Index linked	-0.4% p.a.
Past service Funding Target financial assumptions	
Investment return/Discount Rate	4.7% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.
Future service accrual financial assumptions	
Investment return	5.6% p.a.
CPI price inflation	2.6% p.a.
Long Term Salary increases	4.1% p.a.
Pension increases/indexation of CARE benefits	2.6% p.a.

Demographic assumptions

The post retirement mortality tables adopted for this valuation are as follows:

Membership Category		Base table	Adjustment	Improvement model	Long term rate
CURRENT PENSIONERS	Normal health	S1PxA	94% / 94%	CMI_2012	1.5%
	Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Current Dependants	S1PMA/S1DFA	158% / 107%	CMI_2012	1.5%
	Future Dependants	S1PMA/S1DFA	108% / 96%	CMI_2012	1.5%
CURRENT ACTIVES / DEFERREDS	Actives Normal health	S1PxA	94% / 94%	CMI_2012	1.5%
	Actives Ill health	S1PxA	Normal health + 3 years	CMI_2012	1.5%
	Deferreds	S1PxA	94% / 94%	CMI_2012	1.5%
	Future Dependants	S1PMA/S1DFA	108% / 96%	CMI_2012	1.5%

Other demographic assumptions are noted below:

Ill-health retirement	reflect trends emerging from wider LGPS investigations
Proportions Married	reflect trends emerging from wider LGPS investigations
Other demographics	As for 2010 valuation

Appendix 3

WORCESTERSHIRE COUNTY COUNCIL PENSION FUND – STATEMENT OF INVESTMENT PRINCIPLES

Objective

- (1) The investment objective for the Fund is to:-
 - (a) ensure that sufficient assets are available to meet liabilities as they fall due;
 - (b) maximise the return at an acceptable level of risk.

- (2) Risk management is mostly concerned with:
 - avoiding the possibility of loss, or
 - limiting a deficiency in the underlying Fund, or
 - avoiding a contribution rate increase in the future.

Policy

The current long-term investment policy judged most likely to meet these objectives is as follows:

Shares Managed Actively	%	Investment Manager and Expected Performance
North America	6.0	Capital International - FTSE All World All Americas Index + 1.5%
Far East Developed	12.0	Nomura Asset Management - FTSE All World Asia Pacific Index + 1.5%
Emerging Markets	12.0	JP Morgan Asset Management and Schroder Investment Management - FTSE-All World Emerging Market index +2.0%
	<hr style="width: 100%; border: 0.5px solid black;"/> 30.0	
Shares Managed Passively		
<u>Market Capitalisation Indices</u>		
United Kingdom	25.5	UBS Global Asset Management (UK) - FTSE All Share Index
North America	5.0	UBS Global Asset Management (UK) - FTSE All World North America - Developed Series Index
Europe ex - UK	9.5	UBS Global Asset Management (UK) - FTSE All World Europe ex UK Index -Developed Series Index
<u>Alternative Indices</u>		
United Kingdom	6.5	UBS Global Asset Management (UK) - 1/3 FTSE RAFI Developed 1000 Index QSR Total Return Net Index,
North America	1.0	1/3 MSCI World Minimum Volatility (GBP Optimised)Total Return Net Index, 1/3 MSCI World
Europe ex - UK	2.5	Quality Total Return Net Index
	<hr style="width: 100%; border: 0.5px solid black;"/> 50.0	
	<hr style="width: 100%; border: 0.5px solid black;"/> 80.0	
Bonds Managed Actively	10.0	JP Morgan Asset Management – 100% Barclays Global Aggregate Corporate Bond Index – Hedged into GBP
Property / Infrastructure	10.0	Allocation to be implemented within three years from December 2013
	<hr style="width: 100%; border: 0.5px solid black;"/> 100.0	

Following changes to the tax treaties between the United States and the United Kingdom, in accordance with Statutory Instrument 2003 No. 2719, 100% of the index tracking mandate (which is lower than the prescribed maximum of 35%) may be invested in any single UBS insurance contract. This decision will be reviewed as part of the annual review of the SIP.

Performance Monitoring

The Actual Return will be measured quarterly and be monitored relative to objectives set over rolling three-year periods. A detailed review will be carried out annually.

Statistics for measuring the Fund Manager's performance against the Benchmark are provided by the WM Company. Measurement is set against the return achieved by the relative index applying to the asset class, as above.

Realisation of Assets

The Fund is invested generally in assets which are quoted on world stock markets and are therefore readily realisable. It is managed to ensure that adequate liquidity is maintained to allow the payment of pensions without the need to realise assets under unfavourable conditions.

Risk and Diversification of Investments

The Fund controls risk through its strategic asset allocation policy, which ensures diversification of the fund. Further Diversification is provided through the appointment of seven specialist external Fund Managers, with a mix of Bonds and Passive and Active Equity mandates and the assets are held by a global custodian.

Managers are monitored on a quarterly basis and investment performance is kept under constant review. The terms of appointment of managers contain guidelines aimed at limiting the way the portfolio is invested in order to control the level of risk to which the Fund is exposed.

Socially Responsible Investment

In all circumstances the investments should be managed in the best long-term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

The Investment Managers are instructed to exercise, on behalf of the Pension Fund, all rights (including voting), attaching to the investments having regard to the best long term financial interests of the Fund. Where this primary consideration is not prejudiced, Investment Managers are expected to take account of social and environmental issues.

Stock Lending

The Pension Fund allows stock held within its segregated portfolios to be lent to approved borrowers. The Fund's Global Custodian acts as the lending agent for the Securities Lending Program. Collateral is provided by borrowers to protect the Fund's assets and the Fund receives income from the Program.

Review

The Statement of Investment Principles is reviewed annually.

Investment Principles

The Fund complies with the "CIPFA Pensions Panel Principles for Investment Decision Making in the Local Government Pension Scheme in the UK".

Policy Statement on Communication Strategy

1. Introduction

- 1.1 The Worcestershire County Council Pension Fund administers the Local Government Pension Scheme for its own employees and employees of 203 other Scheme Employers in the administrative area of Herefordshire and Worcestershire.
- 1.2 On 14 December 2005, the ODPM introduced amending regulations which now require the County Council, as Administering Authority for the Fund and after consultation with such persons as it considers appropriate, to prepare, maintain and publish a written statement setting out its policy on communications with
- members;
 - representatives of members;
 - prospective members; and
 - employing authorities.
- 1.3 In particular, the statement must set out the Fund's policy on
- i. the provision of information and publicity about the Scheme to members, representatives of members and employing authorities (including non-Scheme Employers);
 - ii. the format, frequency and method of distributing such information or publicity; and
 - iii. the promotion of the Scheme to prospective members and their employing authorities.
- 1.4 The County Council welcomes these regulatory developments as they support one of the Fund's key business objectives of developing clearer communications and providing a seamless service to individual members.
- 1.5 The Fund revises the Communications Policy Statement on a regular basis to ensure it reflects stakeholder needs and utilises any available advancements in technology. Our aim is to significantly develop our communications strategy over time. Comments on the document are very welcome and can be sent to the Pensions Section at the address below or by e-mail to pensions@worcestershire.gov.uk
- 1.6 In this Communication Policy Statement, we have set out how we will meet the needs of our customers in relation to communications. In doing so we will use the most appropriate and effective communications vehicle to provide information.

2. Communications Strategy

- 2.1 We strive to communicate effectively with all our internal and external stakeholders.
- 2.2 We will use clear and concise forms of communication appropriate to the enquiry received and which communicate technical issues without the use of technical jargon. We aim to provide a response to all requests in a timescale, which is appropriate to the enquirer and meets their information objectives.
- 2.3 To achieve successful and robust communications we have established clear aims for our communications strategy as shown below.

Communications Aims

Organisation & Culture

We have clear roles, responsibilities and accountability and an environment where staff are motivated, trained and confident to express themselves.

Staff Competency Development

Competency development plan linked to job needs and staff training needs.
 Staff encouraged and supported to study for appropriate professional qualifications.
 Achieved Investors in People and ensure continued compliance.

Procedures

Advance planning and implementation for known legislative/Scheme changes.
 All procedures documented and meeting all disclosure and best practice standards within the industry.
 Clear consistent documentation and letters in recognised plain English style.

Service standards

Document and publish a clearly defined Statement of Service standards that is aligned to the legal requirements and best practice standards.

2.4 We have grouped our key stakeholders together as shown below and this document goes on to discuss our approach to meeting each group's communication needs

- Fund Employers
- Fund Members (Current Employees, Pensioners and Deferred Members)
- Fund Administration
- External Advisers

3. Communications with Fund Employers

- 3.1 The Fund comprises of 204 employers whose employees are able to participate in the Local Government Pension Scheme including all the local authorities, the police and fire authorities (for non-uniformed staff), FE colleges, Parish Councils a range of voluntary sector bodies, academies and a number of private sector contractors who provide services to local authorities under Best Value arrangements. A full list of participating employers is shown in Note 24 to the Pension Fund Accounts.
- 3.2 The Fund's aim is to work with employers to define their information needs and expectations and to work with employers to meet those needs, recognising mutual dependencies where appropriate.
- 3.3 The Fund provides a range of employer communications shown below and our aim is to use the most appropriate communication medium for the employer receiving the information.

Description	Service
Website	The Fund website was launched in 2004. The address is; http://www.worcestershire.gov.uk/pensions It provides Scheme details, publications, contacts, and links to other organisations. The national website was launched in 2013. The address is www.lgpsregs.org It provides regularly updated and tracked guidance.
Employer Updates	Employers are informed in writing or electronically of all changes in legislation etc. and we aim to develop a website to provide employers with legislation, operational items and technical updates and support
Employer Reports	Membership and Benefits administration reports. Provided on request.

New Employer Training	Provision of Pensions Training for new employers. Ad hoc Meetings - to review operational issues
Pension Administration Forum	A bi-annual forum to discuss, manage and communicate to all Fund employers major strategic issues, legislation changes and funding matters
Scheme literature	A range of publications for use by employers and scheme members including the scheme booklet, additional information leaflets (e.g. added years) etc.
Administration Forms	Standard forms with guidance notes to notify Pension Section of key events affecting pension benefits.
Employer Representatives	Employer representatives take items for discussion to the Pensions Committee on behalf of employers.

3.4 We aim to continually develop all of the above communications in the light of employer requests and changes in legislation.

4. Communications with Fund Members

4.1 The Fund provides a broad range of information for scheme members (employees, Deferred Members and Pensioners) and will provide a quality, professional and efficient pension administration service as required within the Regulations.

4.2 Our aim is to provide a quality, professional and efficient pensions administration service, which delivers accurate and timely information to members either in response to their specific enquiries or through the Fund's published information.

4.3 The following table summarises the main forms of communication we currently provide

Description	Current Service
Requests for information.	Provision of accurate, timely and informative details of the Local Government Pension Scheme and individual information to scheme members
Website	The Fund website was launched in November 2004. The address is; http://www.worcestershire.gov.uk/pensions It provides Scheme details, publications, contacts, and links to other organisations e.g. AVC providers. The national website for members was launched in 2013. The address is: http://www.lgps2014 .

Scheme Booklet	A guide to the Local Government Pension Scheme describing scheme benefits with explanatory notes is provided to all new members. Booklet is re-written to reflect legislation changes and is available on the website
Benefit Statements	Annual Benefit Statements are sent direct to members
Annual Reports and Accounts	A copy of the Funds Annual Report and Accounts is available to all Scheme members on request and is available on the website.
Pensions Presentations	The Fund attends and presents at employer sponsored pension seminars at employer's request
Member Newsletter	The Fund provides an update on developments within the Scheme.
Member Representatives	Member representatives take items for discussion to the Pension Committee on behalf of members.

4.4 We aim to continually develop all of the above communications in the light of employer and member requests and changes in legislation

5. Communications within Fund Administration

5.1 The Pension Section, which is part of the Resources Directorate and reports to the Director of Resources, administers the Fund on a day-to-day basis.

5.2 An important part of the Fund's communication strategy is ensuring effective communications within the Pension Section. This is achieved in a number of ways.

Description	Current Service
Induction	All new members of staff attend Pension and County Council induction courses.
Training	Staff have individual Personal Development Plans and regular appraisals. They receive internal and where appropriate external training
Pensions Qualifications	All staff are encouraged and supported to obtain appropriate professional qualifications
Service Plan	The Pensions Section has an Operational Plan, which is actively managed and discussed in regular Team Meetings. The plan includes key performance indicators and progress against the plan is reviewed monthly
Pensions Management Team	Regular meetings to discuss strategic plans and operational issues
Section and Team Meetings	All members of staff attend regular Section and Team Meetings
Intranet	All Pensions staff have access to the intranet providing information on corporate issues.
Internet	Staff have access to the internet.
Email	All members of the Team have an individual email account allowing us to communicate efficiently and effectively
Networking	Staff meet regularly with neighbouring Local Authority Pension Funds to discuss current issues etc.
Partnership Working	We collaborate with other administering authorities throughout the year to produce key documents by sharing expertise and costs.
The Administration Advisory Panel	Meets twice yearly and provides a forum for all stakeholders to meet and discuss current and forthcoming issues..

6. Communications with Professional Advisers

6.1 The Fund employs professional advisers who provide, actuarial and investment management services

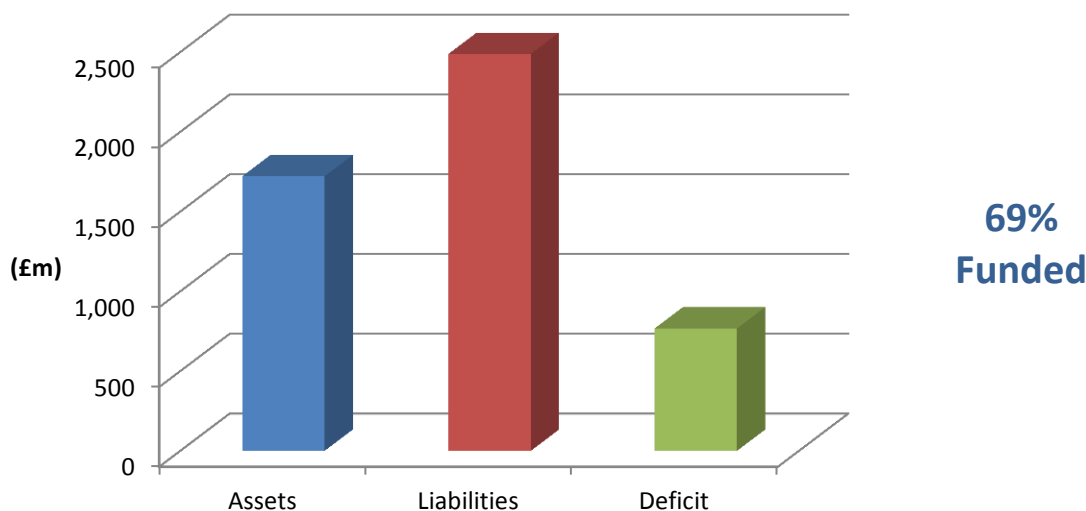
6.2 We work in partnership with these advisers to ensure the Scheme remains compliant and that advice sought is implemented in the interest of all Fund stakeholders.

Statement by the Consulting Actuary

This statement has been provided to meet the requirements under Regulation 34(1)(d) of The Local Government Pension Scheme (Administration) Regulations 2008.

An actuarial valuation of the Worcestershire County Council Pension Fund was carried out as at 31 March 2013 to determine the contribution rates with effect from 1 April 2014 to 31 March 2017.

On the basis of the assumptions adopted, the Fund's assets of £1,721 million represented 69% of the Fund's past service liabilities of £2,488 million (the "Funding Target") at the valuation date.



The valuation also showed that a common rate of contribution of 14.1% of pensionable pay per annum was required from employers. The common rate is calculated as being sufficient, together with contributions paid by members, to meet all liabilities arising in respect of service after the valuation date.

Adopting the same method and assumptions as used for calculating the funding target, the deficit of £767 million would be eliminated by a contribution addition of £41m per annum increasing at 4.1% per annum (equivalent to 12% of projected Pensionable Pay at the valuation date) for 21 years.

Further details regarding the results of the valuation are contained in the formal report on the actuarial valuation dated March 2014.

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

The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement (FSS). Any different approaches adopted, e.g. with regard to the implementation of contribution increases and deficit recovery periods, are as determined through the FSS consultation process.

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

	For past service liabilities (Funding Target)	For future service liabilities (Common Contribution Rate)
Rate of return on investments (discount rate)	4.7% per annum	5.6% per annum
Rate of pay increases (long term)*	4.1% per annum	4.1% per annum
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.6% per annum	2.6% per annum

* allowance was also made for short-term public sector pay restraint over a 5 year period.

The assets were assessed at market value.

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.

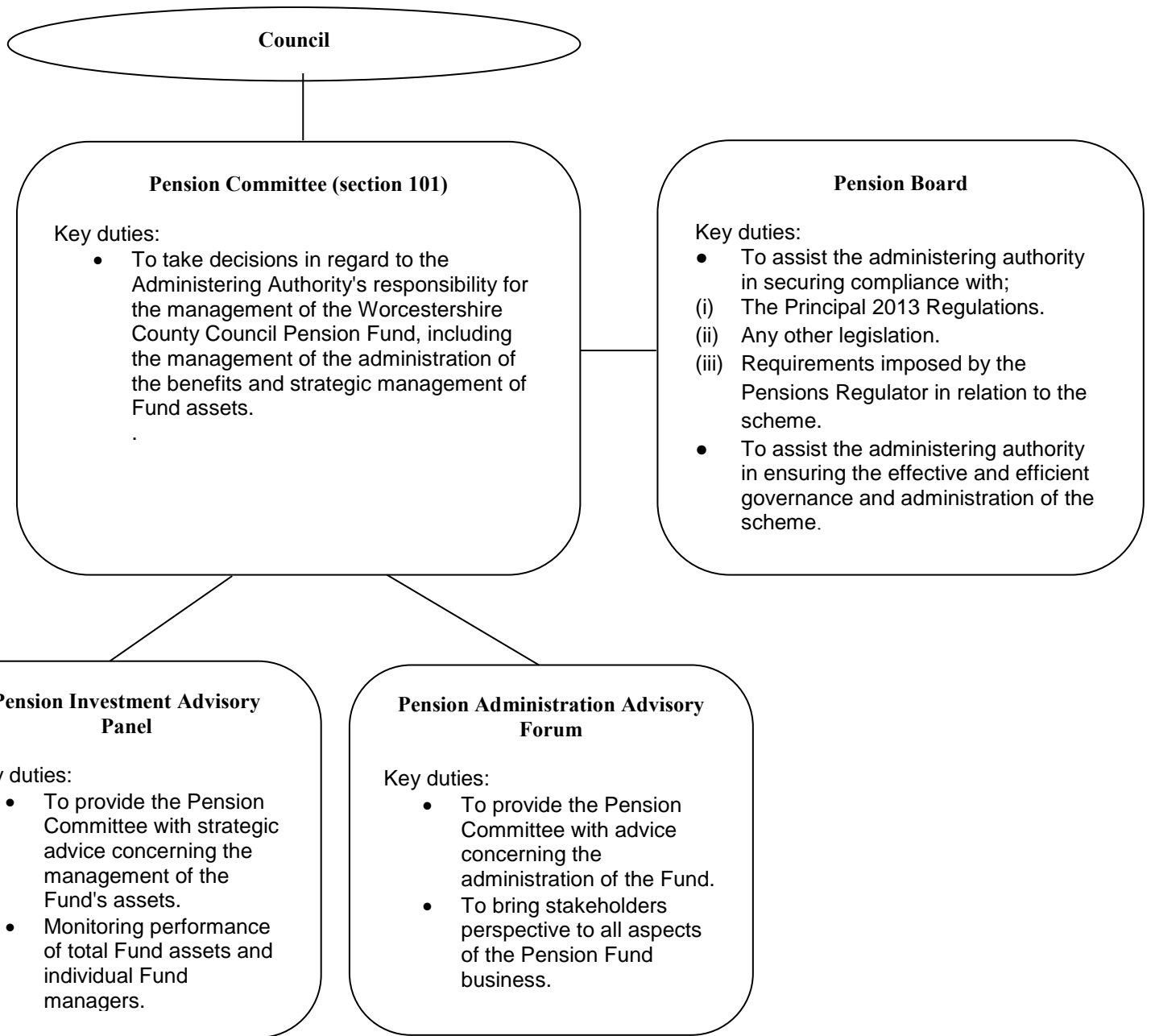
In order to assess the value of the benefits on this basis, we have used the same actuarial assumptions as those used for funding purposes, other than the discount rate where we have used a rate of 4.2% p.a. rather than the rate as outlined above. We have also used valuation methodology in connection with ill-health and death benefits which is consistent with IAS 19. On this basis, the value of the Fund's promised retirement benefits as at 31 March 2013 was £2,771 million.

Ian Kirk
Fellow of the Institute and Faculty of Actuaries
Mercer Limited

Worcestershire County Council Pension Fund

Governance Policy Statement

Governance Structure



This statement has been prepared by Worcestershire County Council (the Administering Authority) to set out the governance policy strategy for the Worcestershire County Council Pension Fund (the Scheme), in accordance with Regulation 73A of the Local Government Pension Scheme Regulations 1997 (as amended).

1. Introduction

- 1.1 The Worcestershire County Council Pension Fund administers the Local Government Pension Scheme for its own employees and employees and those of over 140 other Scheme Employers in the administrative area of Herefordshire and Worcestershire, with 20,000 contributing members, 14,100 pensioners and beneficiaries and a further 14,200 deferred pensioners.
- 1.2 The Local Government Pension Scheme (Amendment) (no.2) Regulations 2005 SI 2005/3199 provides the statutory framework from which the Administering Authority is required to prepare a Fund Governance Statement. The regulations require that an Administering Authority after 67consultation with such persons as they consider appropriate,

prepare, maintain and publish a written statement setting out:

- Whether the administering authority delegates their function or part of their function in relation to maintaining the pension fund to a committee, a sub-committee or an officer of the administering authority;
- The frequency of any committee or sub-committee meetings;
- The terms of reference, structure and operational procedures of the delegation;
- Whether the committee or sub-committee includes representatives of employing authorities (including non-scheme employers) or members, and if so, whether those representatives have voting rights.

1.3 This statement has been prepared by Worcestershire County Council in consultation with appropriate interested persons.

2. Administrative Arrangements

- 2.1 On 1 April 1998 Worcestershire County Council was constituted and vested, under section 16 of the Hereford and Worcester (Structural, Boundary and Electoral Changes) order 1996 (Statutory Instrument 1996 No 1867), with the rights and liabilities of the former pension fund Hereford and Worcester County Council. Therefore, the Council is the appropriate Administering Authority to maintain the Fund.
- 2.2 As the statutory Administering Authority and Scheme Manager for the Fund, Worcestershire County Council is responsible for ensuring effective stewardship of the Fund's affairs. Worcestershire County Council has established a Pension Committee to discharge the Council's responsibility for the management of the administration of the Fund.
- 2.3 Worcestershire County Council has also established a Pension Investment Advisory Panel to provide the Pension Committee with strategic advice concerning changes to the Fund's asset allocation, the termination and appointment of investment managers and Independent Financial Advisers.
- 2.4 A Pension Administration Advisory Forum has also been established to provide wider stakeholder representation and communication in matters relating to the Fund. The Pension Committee has overall responsibility for the management of the administration of the Fund, as set out in the Scheme of Assignment of Responsibility for Functions, however the Pension Committee takes advice from the Pension Administration Advisory Forum to enable the Pension Committee to discharge its responsibility effectively.

3. Pension Committee

- 3.1 The Pension Committee discharges the responsibilities of the Council as Administering Authority of the Fund pursuant to Section 101 and Regulations under Section 7 of the Superannuation Act 1972.
- 3.2 The Pension Committee discharges the responsibilities for management of the administration of the Fund. However it will take views from the Pension Administration Advisory Forum to enable it to discharge its duties effectively.
- 3.3 The Pension Committee discharges the responsibilities for the strategic management of the Fund's assets. However, it will take strategic advice from the Pension Investment Advisory Panel to enable it to discharge its duties effectively. The dates of Pension Committee meetings will be synchronised with those of the Pension Investment Advisory Panel to ensure investment decisions are reviewed without unnecessary delay.
- 3.4 The Council appoints the Chairman and Vice-Chairman of the Pension Committee. The Chairman of the particular meeting has a second or casting vote in the case of equality of votes.
- 3.5 The Pension Committee is a formal committee of the Council and comprises a total of 8 voting members:
- 5 Worcestershire County Councillors
 - 1 co-opted Councillor as nominated by Herefordshire Council (being the second largest employer in the Fund)
 - 1 co-opted voting employer representative and
 - 1 co-opted voting employee representative from a relevant Union.

The 5 County Councillor members are formally appointed by the Head of Legal and Democratic Services in accordance with political balance requirements from time to time and the nominations of the relevant Group Leaders, and the 3 co-optees are co-opted by the Chairman of the Committee.

- 3.6 The Pension Committee will be advised by on an ad hoc basis by an Independent Financial Adviser and the Fund's Actuary.
- 3.7 Pension Committee Terms of Reference:

The Pension Committee will meet at least quarterly or otherwise as necessary to take decisions on:

- Changes to the Statement of Investment Principles, including the strategic benchmark for asset allocation, Investment Manager benchmarks and Investment Manager targets.
- The termination and appointment of Investment Managers and associated professional service providers.
- The termination and appointment of the Fund's Independent Financial Adviser, Performance Measurement Consultant, Global Custodian and Actuary.
- The Pensions Administration Strategy Statement, Policy Statement on Communication Strategy, Policy Statement on Governance Strategy, Funding Strategy Statement and Governance Compliance Statement.
- The Triennial and Interim Actuarial Valuations.
- The approval of the Pension Fund Annual Report and Accounts.
- The approval of the Pension Fund annual and triennial budgets.
- Key outstanding risks as identified in the Pension Fund Risk Register.
- The Pension Administration Advisory Forum arrangement and regular Forum reports, which consider and address outstanding member and employer issues and concerns.
- The Pension Investment Advisory Panel arrangement and regular Advisory Panel reports, which monitor performance of the Fund's assets.
- Requests for admission of qualifying Community and Transferee Bodies wishing to join the Fund.
- Key pension policy discretions that are the responsibility of the Administering Authority.

3.8 All elected members and voting co-optees of the Pension Committee are subject to the Worcestershire County Council Code of Conduct for Members, and must therefore register and keep updated their Disclosable Pecuniary Interests as required by the law and Code and disclose potential conflicts of interest as required by that Code.

3.9 Members of the Pension Committee are expected to hold the appropriate knowledge and skills to discharge their responsibility effectively – see Section 8.

3.10 The responsibility for advising the Pension Committee is delegated to the Chief Financial Officer.

3.11 Members of the Pension Committee have equal access to Pension Committee agenda papers and associated appendices in accordance with the legislation and constitutional Rules relating to access to information for committees. Formal meetings of the Committee will take place in public unless it has resolved to move into exempt session in accordance with the applicable access to information provisions.

4. Pension Board

Please see separate Pension Board Terms of Reference document.

5. Pension Investment Advisory Panel

5.1 The Pension Investment Advisory Panel provides the Pension Committee with strategic advice concerning changes to the Fund's asset allocation, the termination and appointment of Investment Managers and Independent Financial Advisers. It is not a decision-making body or formal committee, and will not normally meet in public.

5.2 The Chief Financial Officer appoints the members of the Pension Investment Advisory Panel, which comprises of:

- four County Councillors
- the Chief Financial Officer
- the Principal Accountant – Pension Fund and;
- one employee representative.

The composition of the Pension Investment Advisory Panel is intended to reflect the abilities and knowledge of the individuals in matters relating to the investment of the Fund's assets rather than political representation. All members of the Panel are entitled to vote if necessary for the Panel to fulfil its role and provide advice to the Pension Committee regarding the administration of the fund's assets.

The Chairman of the Panel is appointed from amongst its members by the Chairman of the Pensions Committee.

5.3 Terms of reference:

The Pension Investment Advisory Panel will meet at least quarterly or otherwise as necessary to produce strategic advice to the Pension Committee on:

- Changes to the Statement of Investment Principles, including the strategic benchmark for asset allocation, Investment Manager benchmarks and Investment Manager targets.
- The termination and appointment of Investment Managers and associated professional service providers.
- The termination and appointment of the Fund's Independent Financial Adviser, Performance Measurement Consultant and Global Custodian.

The Pension Investment Advisory Panel will also:

- Monitor performance of total Fund assets and individual Investment Managers.
- Monitor compliance with the Statement of Investment Principles.
- Monitor performance of the Independent Financial Advisor.

- 5.4 The Pension Investment Advisory Panel is advised by an Independent Financial Adviser who attends all meetings.
- 5.5 Active Equities Investment Managers report to the Pension Investment Advisory Panel bi-annually, whilst the Fund's Bond Manager reports annually. Further monitoring meetings with Investment Managers are undertaken by officers of the Administering Authority and the outcomes reported to the Pension Investment Advisory Panel.
- 5.6 One of the regular quarterly meetings will include an annual meeting to consider the Fund's full year's performance.
- 5.7 The Fund's Statement of Investment Principles (SIP) sets out the arrangements in place for the management of the investments of the Worcestershire County Council Pension Fund.
- 5.8 The day to day management of the Fund's investments is divided between external Investment Managers, operating in accordance with mandates set out in the Statement of Investment Principles.
- 5.9 The Chairman of the Panel may attend the Pension Committee to ensure flow of information between the 2 bodies.
- 5.10 Members of the Pension Investment Advisory Panel must not have a conflict of interest and are required to provide the Chief Financial Officer with such information as the Chief Financial Officer reasonably requires for the purposes of ensuring no conflict of interest exists prior to appointment to the Pension Investment Advisory Panel and on an ongoing annual basis.
- 5.11 Members of the Pension Investment Advisory Panel are required to hold the appropriate knowledge and skills to discharge their responsibility effectively.

6. Pension Administration Advisory Forum

- 6.1 The Pension Administration Advisory Forum provides the Pension Committee with advice concerning the administration of the Fund. It is neither a decision-making body nor formal committee, and will not normally meet in public. No voting rights apply to the Pension Administration Advisory Forum as the purpose of the Forum is to provide transparency of information to scheme employers and for scheme employers to provide advice to, and raise concerns with, the employer representative.
- 6.2 The Pension Administration Advisory Forum comprises
- all Fund employers who wish to attend following invitation by the Administering Authority
 - the Fund's Actuary (ad hoc basis)
 - the Administering Authority's Pensions Manager and HR Service Centre Manager
 - and the employer representative and employee representative of the Pension Committee.
- 6.3 Terms of reference:
- The Forum will meet at least twice a year or otherwise as necessary to:
- Discuss an Annual Administration Report and respond to any issues raised by employers.
 - Discuss Government Consultations relating to the administration and benefits of the LGPS.
 - Discuss the outcomes of the triennial/interim valuations and respond to any issues raised by employers.
 - Discuss the minutes and updates from the Pension Committee and ensure flow of information between the Pension Committee and the Forum.
 - To advise on service delivery to all stakeholders.
 - To bring stakeholders perspective to all aspects of the Pension Fund business.
 - To ask the Administering Authority and the Pension Committee to consider topics which affect the Pension Fund.
- 6.4 All Fund employers are invited to attend the Pension Administration Advisory Forum along with the Fund's Actuary, Administering Authority officers and the employer and employee representatives on the Pension Committee.
- 6.5 Other meetings are held as required between Administering Authority officers and employers to discuss important issues such as discretionary policies and regulatory changes.
- 6.6 The Administering Authority also communicates with the Fund's membership through newsletters, road shows and presentations.

6.7 The Fund's Policy Statement on Communication Strategy explains in more detail engagement with all stakeholders.

7. Delegation

7.1 The day to day administration of, and investment decisions for, the Worcestershire County Council Pension Fund are delegated to the Chief Financial Officer.

7.2 The Chief Financial Officer may authorise other officers to exercise on his/her behalf those functions delegated to him/her.

7.3 The Chief Financial Officer has delegated responsibility for the following responsibilities concerning the management of the administration of the Fund including:

- Preparing and maintaining a Pensions Administration Strategy Statement, Policy Statement on Communication Strategy, Policy Statement on Governance Strategy, Funding Strategy Statement and Governance Compliance Statement.
- Provision of data for the Triennial and Interim Actuarial Valuations. The Chief Financial Officer will also negotiate over actuarial assumptions, set the appropriate funding target and associated recovery period.
- Preparing the Pension Fund Annual Report and Accounts.
- Preparing the Pension Fund annual and triennial budgets.
- Preparing and maintaining a Pension Fund Risk Register and monitoring key outstanding risks.
- Overseeing and administering the Pension Administration Advisory Forum arrangement and review regular Forum reports to consider and address outstanding member and employer issues and concerns.
- Administering the Pension Investment Advisory Panel arrangement and reviewing regular Advisory Panel reports to monitor performance of the Fund's assets.
- Deciding upon requests for admission of qualifying Community and Transferee Bodies and Scheduled and Designated Bodies wishing to join the Fund.
- Deciding upon key pension policy discretions that are the responsibility of the Administering Authority.
- Executing documentation relating to the implementation of new and existing investment mandates, Independent Financial Advisers, Performance Measurement Consultant, Global Custodians, Actuaries and any other associated professional service providers.
- Quarterly monitoring of Investment Managers' performance for managers not presenting to the Pension Investment Advisory Panel.
- The effective discharge of the pensions administration function, including the payment of pensions and collecting and reconciling of contribution income.
- Maintaining the Fund's accounting records.
- Preparing and maintaining the Statement of Investment Principles, including implementing changes to the strategic benchmark for asset allocation.
- Implementing and maintaining a knowledge and skills training plan for members of the Pension Committee and Pension Investment Advisory Panel.
- Advising the Pension Committee.
- Implementing and maintaining the cash flow strategy for the Fund, which includes the transfer of cash to the Fund's Global Custodian to ensure cash is fully invested when available and the transfer of cash from the Global Custodian to pay pension liabilities as they fall due.

8. Knowledge and Skills

8.1 The Administering Authority has regard to the legal requirements set out in the Local Government Pension Scheme Regulations, other relevant legislation and best practice guidance published by CIPFA and other professional and regulatory bodies in creating a knowledge and skills policy for the Worcestershire County Council Pension Fund, to ensure all those involved in the decision-making process receive relevant training in order to obtain the appropriate knowledge and skills to discharge their responsibilities effectively.

8.2 Committee members and appropriate Administering Authority officers complete an annual knowledge and skills self-assessment form. These are used to prepare annual training plans and a log of training undertaken is maintained by the Administering Authority. The annual training plans include a programme of external and internal training events designed to meet the requirements both of new members of the committee and the ongoing needs of existing members. These events are reported formally to members on an annual basis. Individual reports to authorise attendance by members at these events are put to the Chief Financial Officer on an event by event basis.

9. Further information

Additional information on the activities of the Pension Fund can be found in the Annual Report and Accounts, which is available on the Worcestershire County Council's website at:

http://www.worcestershire.gov.uk/downloads/download/697/pension_fund_annual_report

Governance Compliance Statement

This statement shows how Worcestershire County Council as the administering authority of the Worcestershire County Council Pension Fund complies with guidance on the governance of the Local Government Pension Scheme (LGPS) issued by the Secretary of State for Communities and Local Government in accordance with the Local Government Pension Scheme (Amendment) Regulations 2008.

Ref.	Principles	Compliance Status	Evidence of Compliance
A	Structure		
a.	That the management of the administration of benefits and strategic management of fund assets clearly rests with the main committee established by the appointing council.	Compliant	The responsibilities of the Pensions Committee (PC) and its Sub-Groups are set out in the Fund's Governance Policy Statement. The Governance Policy Statement was approved by Full Council in February 2015.
b.	That representatives of participating LGPS employers, admitted bodies and scheme members (including pensioner and deferred members) are members of either the main or secondary committee established to underpin the work of the main committee.	Compliant	The Pension Committee membership includes an employee and employer representative. Full membership details are set out in the Fund's Governance Policy Statement.
c.	That where a secondary committee or panel has been established, the structure ensures effective communication across both levels.	Compliant	The Pension Investment Advisory Committee provides strategic advice to the Pension Committee regarding the management of the Fund's assets. The Chairman of the Pension Committee also sits on the Pension Investment Advisory Committee to ensure effective communication. The Pension Committee receives quarterly investment updates from the Pension Investment Advisory Committee.
d.	That where a secondary committee or panel has been established, at least one seat on the main committee is allocated for a member from the secondary committee or panel.	Compliant	The Chairman of the Pension Committee also sits on the Pension Investment Advisory Committee.
B	Representation		
a.	That all key stakeholders have the opportunity to be represented within the main or secondary committee structure. These include: <ul style="list-style-type: none"> i) employing authorities (including non-scheme employers, e.g., admitted bodies) ii) scheme members (including deferred and pensioner scheme members) iii) where appropriate, independent professional observers, and iv) expert advisers (on an ad-hoc basis). 	Compliant	Membership of the Pension Committee and Pension Investment Advisory Committee include employer and employee representatives and an independent financial adviser. Full membership details are set out in the Fund's Governance Policy Statement.
b.	That where lay members sit on a main or secondary committee, they are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process, with or without voting rights.	Compliant	All committee members are treated equally in terms of access to papers, meetings, and training and are given full opportunity to contribute to the decision-making process. These terms are set out in the Fund's Governance Policy Statement.

C	Selection and role of lay members		
a.	That committee or panel members are made fully aware of the status, role and function they are required to perform on either a main or secondary committee.	Compliant	The Pension Committee has noted its terms of reference and the Fund's Governance Policy Statement. Minutes of the Pension Committee meetings are published on the Council's website. Training is also provided to Committee members where required.
b.	That at the start of any meeting, committee members are invited to declare any financial or pecuniary interest related to specific matters on the agenda.	Compliant	Declaration of interests is a standing agenda item at the start of all Pension Committee meetings. The Pension Committee is serviced by Legal and Democratic Services who invite members to declare any financial or pecuniary interest related to specific matters on the agenda. Minutes of the Pension Committee meetings are published on the Council's website.
D	Voting		
a.	That the individual administering authorities on voting rights are clear and transparent, including the justification for not extending voting rights to each body or group represented on main LGPS committees.	Compliant	Voting rights are clearly set out in the Fund's Governance Policy Statement.
E	Training / facility time / expenses		
a.	That in relation to the way in which the administering authority takes statutory and related decisions, there is a clear policy on training, facility time and reimbursement of expenses for members involved in the decision-making process.	Compliant	A policy on expenses is set out in the Fund's Governance Policy Statement along with the number of Committee meetings required each year. The Fund has also published a Knowledge and Skills Policy Statement, which has been endorsed by the Pension Committee.
b.	That where such a policy exists, it applies equally to all members of committees, sub-committees, advisory panels or any other form of secondary forum.	Compliant	These policies apply to all committee members and this is clearly set out in the Fund's Governance Policy Statement and Knowledge and Skills Policy Statement.
c.	That the administering authority considers adopting annual training plans for committee members and maintains a log of all such training undertaken.	Compliant	The fund's Knowledge and Skills Policy Statement sets out the requirement for annual training plans to be developed and maintained for committee members and for a log of all such training undertaken to be maintained.
F	Meetings (frequency / quorum)		
a.	That an administering authority's main committee or committees meet at least quarterly.	Compliant	The Pension Fund Committee meets quarterly. This requirement is set out in the Fund's Governance Policy Statement.
b.	That an administering authority's secondary committee or panel meets at least twice a year and is synchronised with the dates when the main committee sits.	Compliant	The Pension Fund Investment Advisory Committee meets quarterly. These meetings are synchronised with the dates when the Pension Committee sits. These requirements are set out in the Fund's Governance Policy Statement.
c.	That an administering authority that does not include lay members in its formal governance arrangements, must provide a forum outside of those arrangements to represent the interests of key stakeholders.	Compliant	The Fund has established a Pension Administration Advisory Panel which meets twice yearly. All Fund employers are invited to attend the Panel meetings. The Panel arrangement and terms of reference are set out in the Fund's Governance Policy Statement.
G	Access		
a.	That subject to any rules in the Council's constitution, all members of main and secondary committees or panels have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee.	Compliant	All members of the Pension Committee, Pension Investment Advisory Committee and the Pension Administration Advisory Panel have equal access to committee papers, documents and advice that are due to be considered at meetings of the main committee. The Pension Committee agendas and associated papers are published on the Council's website prior to the committee meeting.

H	Scope		
a.	That administering authorities have taken steps to bring wider scheme issues within the scope of their governance arrangements.	Compliant	The Pension Administration Advisory Panel which meets twice yearly is also attended by the employer and employee representatives who sit on the Pension Committee. This ensures flow of information between the wider scheme employers and the main committee. Scheme employers are invited to bring wider scheme issues to the attention of the Pension Committee through the established communication routes.
I	Publicity		
a.	That administering authorities have published details of their governance arrangements in such a way that stakeholders with an interest in how the scheme is governed can say they want to be part of those arrangements.	Compliant	The Fund's Governance Policy Statement is published on the Council's website and all scheme employers are invited to attend the Pension Administration Advisory Panel meetings. The Fund ran an open recruitment process for the employer and employee representative appointments to the newly established Pension Board.

Disclosures to assist the LGPS scheme advisory board Report 2014/15

The following summary tables, based on information provided in the Worcestershire County Council Pension Fund Final Accounts 2014/15, have been produced and published to assist in the production of the scheme annual report compiled by the LGPS scheme advisory board:

Summary of fund employer bodies as at 31st March 2015:

	Active	Ceased	Total
Scheduled Body	123	3	126
Admitted Body	75	3	78
Total	198	6	204

An analysis of fund net investment assets as at 31st March 2015:

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	634.7	945.4	242.7	1,822.8
Bonds	13.4	114.4	0	127.8
Cash and cash equivalents	12.9	2.7	0	15.6
Other	2.9	0.9	0	3.8
Total	663.9	1,063.4	242.7	1,970.0

An analysis of investment income accrued during the financial year to 31st March 2015:

	UK	Non-UK	Global	Total
	£m	£m	£m	£m
Equities	15.5	23.1	0.0	38.6
Bonds	0.7	3.4	0.0	4.1
Cash and cash equivalents	0.5	0.1	0.0	0.6
Other	0.0	0.1	0.0	0.1
Total	16.7	26.7	0.0	43.4

Glossary of Terms

Accounting Policies

The policies and concepts used in the preparation of the accounts.

Accruals

Sums included in the accounts to cover income and expenditure attributable to the accounting period, but for which payment has not been received or made by 31 March.

Actuary

An independent company which advises on the assets and liabilities of the fund with the aim to ensure that the payment of pensions and future benefits are met.

Admitted Bodies

Voluntary and charitable bodies whose staff can become members of the Local Government Pension Scheme subject to certain terms and conditions and other organisations to whom Local Government employees have been transferred under the outsourcing of Local Government services.

Augmentation

Additional employer contributions relating to the cost of employees who are allowed to retire before their normal retirement age.

Custodian

The organisation that holds and safeguards the Pension Fund assets.

Deferred Pension benefit

A pension benefit which a member has accrued but is not yet entitled to receive payment.

Derivatives

A financial instrument whose characteristics and value depend upon the characteristics and value of an underlier, typically a commodity, bond, equity or currency. Examples of derivatives include futures and options.

Equities

Shares representing the capital of a company issued to shareholders usually with voting rights on the way the company runs the business.

Fixed Interest

Corporate Bond - A certificate of debt issued by a company or institution in return for a fixed rate interest with a promise of redemption to repay the original sum.

Gilt - Similar to Corporate Bonds by way of interest and redemption but these are issued by Government and is a loan to the Government.

Forward Foreign Exchange

An agreement to purchase or sell an amount of foreign currency at a future date and predetermined price.

Index Linked

Stock whose value is related directly to an index, usually the Retail Price Index and therefore provides a hedge against inflation.

Pooled Investment Vehicles

A fund in which multiple investors contribute assets and hold them as a group, for example a unit trust.

Scheduled Employers

Are local authorities and other similar bodies, whose staff automatically qualify to become members of the LGPS. These include county councils, district councils, foundation schools and colleges and academies.

Designated Employers

Are scheme employers whose employees can be if the employer has passed a resolution to that effect. These include town and parish councils.

Admitted Bodies

Are scheme employers whose staff can become members of the pension Fund by virtue of an admission agreement made between the Fund and the relevant organisation and have been nominated for membership. They include non-profit making organisations providing a public service (CAB –Community Admission Body) or a contractor providing a service previously undertaken by a scheme employer TAB – transferee Admission Body).

Statement of Recommended Practice (SORP)

This relates to the Code of Practice on Local Authority accounting which is published by the Chartered Institute of Public Finance and Accountancy.

Stock Lending

The temporary transfer of stock (shares/securities) to a third party for a fixed or open period of time. In return the owner of the stock receives an agreed consideration secured by collateral of equal or greater value than the loaned securities.

Transfer Values

Sums which are paid either to or received from other pension schemes and relate to new and former members' periods of pensionable employment with employers participating in the scheme.

Contact Points

For further information on issues relating to Fund Investments and Accounts please contact:

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If you have any queries on the benefits or costs of membership of the Pension Fund please contact:

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Or you can write to:-

Sean Pearce
Chief Financial Officer
Worcestershire County Council
County Hall
Worcester
WR5 2NP

Copies of this Annual Report and further information can also be found on the Worcestershire County Council website:
(www.worcestershire.gov.uk)