

Report of the Director West Yorkshire Pension Fund to the meeting of Governance and Audit Committee to be held on 19 September 2014.

M**Subject:**

West Yorkshire Pension Fund Report and Accounts for the year ended 31 March 2014.

Summary statement:

This report provides the latest information on the West Yorkshire Pension Fund financial activities and financial performance for the year 2013/14. During the financial year the value of our fund increased in net asset value by £0.43 billion, from £9.94 billion to £10.37 billion.

Our investment activities made a return on asset invested of 4.8%, the average for all local government funds is 6.4%. This placed us in the 75th percentile for all local government pension funds. Our long-term performance continues to be very good.

Based on figures available at the end of June 2014 our total administration cost of £25.59 for pension management is the lowest within local government in England and Wales for 2012/13. Our latest Report and Accounts for 2013/14 indicates, we are in a strong position to retain this performance for the 2013/14 financial year when results are published.

Recommendation:

It is recommended that the unaudited Report and Accounts of WYPF for the financial year ended 31 March 2014 be noted.

Mr Rodney Barton
Director WYPF

Portfolio:
Leader

Report Contact: Ola Ajala
Financial Controller WYPF
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Overview & Scrutiny Area: Corporate



2. BACKGROUND

2.1 The abridged report and accounts for the year ended 31 March 2014 is attached to this report. The report and accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2012/13, using International Financial Reporting Standards (IAS) 26 and following the guidance in the Statement of Recommended Practice “Financial reporting of Pension Schemes” May 2007. This is the accounting and financial regulatory framework for local government pension funds and we are required by pension regulations to observe the framework.

2.2 The total net assets of the WYPF as at 31 March 2014 is £10.37 billion. This compares with the net assets of the Fund over the previous five years as follows:

	£billion
31 st March 2013	9.94
31 st March 2012	8.78
31 st March 2011	8.65
31 st March 2010	7.93
31 st March 2009	5.93

2.3 The increase in net assets of £0.43 billion between 31 March 2013 and 31 March 2014 is attributable to a net return on investments of £0.48 billion and contributions from employers of £0.41 billion less pension payment to members of £0.46 billion.

2.4 For 2013/14 net return on investments is £0.48 billion, this comprises a change in the market value of investments of £0.22 billion and investment income of £0.26 billion.

2.5 The Fund had a strong positive cash flow during 2013/14 of £0.22 billion, comprising investment income of £0.263 billion less £0.048 billion from dealing with members.

2.6 In 2013/14 we made a return on asset invested of 4.8%, the average for all local government fund is 6.4%. This placed us in the 75th percentile for all local government pension funds. Our long-term performance continues to be very good. This is demonstrated by the table below and improvement in the funding level at the latest valuation from 93% to 96% funding.

Investment performance	3 years	5 years	10 years	20 years	25 years
WYPF	6.7%	12.1%	8.4%	7.8%	8.7%
Local Govt Pension Funds	7.5%	12.7%	7.8%	7.2%	8.2%
Ranking	83	70	13	10	16



- 2.7 Active membership increased by 1,128, 1.2% increase from 90,919 to 92,047 for 2013/14. Total membership rose by 8,775, 3.6% increase from 246,538 to 255,313 reflecting the increase in beneficiaries and deferred members. The number of employers rose by 56, 18% increase from 311 to 367 at 31st March 2013.
- 2.8 On quality management, the WYPF achieved most of its Key Performance Indicator targets, which reflects extremely well on the work of WYPF staff and managers.

3. OTHER CONSIDERATIONS

This is the latest update on Report and Accounts for West Yorkshire Pension Fund 2013/14. The year-end account for 2013/14 is currently being audited by Mazars LLP, once the final account audit work is completed the audited Report and Accounts will be presented to the Committee.

4. APPENDICES

List the appendices to the report with a brief description of each.

Appendix 1

WEST YORKSHIRE PENSION FUND –
REPORT AND ACCOUNTS (ABRIDGED) FOR THE YEAR ENDED 31st MARCH 2014



WEST YORKSHIRE PENSION FUND

ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL

PENSION SCHEMES REGISTRY NUMBER 10041078



REPORT AND ACCOUNTS (ABRIDGED)
FOR THE YEAR ENDED 31ST MARCH 2014



West Yorkshire Pension Fund

WEST YORKSHIRE PENSION FUND

ANNUAL REPORT 2013/14

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SECTION 1 – FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31st March 2014 we had 255,313 members and 367 employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

2013/14 was another year where investment markets made positive progress and saw the assets of the fund rise from £9.94 billion to £10.37 billion at the end of the year to 31st March 2014, an increase of £0.43 billion. The Fund continued its high weighting to equity investment, the asset class with the best long-term returns. Whilst equity markets produced the highest returns in the year, all asset classes, except government bonds, made positive contributions. However, strong sterling had a negative impact on our performance, reducing the value of our overseas investments. The Investment Advisory Panel reviews the asset allocation quarterly, and makes adjustments based on future expected returns and volatility.

The Actuarial Valuation as at 31st March 2013 was concluded during the year, and I am pleased to be able to report that the funding level rose to 96% overall, from 93% at 31st March 2010, permitting employer contribution stability to be maintained. Further detail on the Valuation can be found in Section 11.

The Fund prepared for the new career average scheme which came into force on 1st April 2014. We have worked hard to prepare our systems, train staff and support employers in readiness for the new scheme. Our engagement in the process of reforming the Local Government Pension Scheme continues, and we participate in a number of working groups assisting in the development of the new Scheme.

Our administrative workload continues to rise as a direct result of structural changes in the public sector, government budget pressures and changes to pension regulations. To manage these pressures we have:

- Increased investment in our computer systems to simplify services, improved self-service and provide web access for members and employers.
- Developed a new web-based monthly data returns for employers; this improves members' data quality, operational efficiency, and data governance for the Fund.
- Extended our global custodial services contract with HSBC to cover our UK and overseas investments, improving investment administration resilience and reducing operational costs.
- Started working on shared services in partnership with other local government pension funds, allowing us to share our quality services, knowledge and low cost base with other pension funds, building on our experience of providing administration services to all four Fire Authorities in Yorkshire.

I would like to thank members of the Joint Advisory Group, the Investment Advisory Panel, our external advisors, and all the investment and administration staff for their continuing efforts, and for providing a quality service to all the scheme members and employers.

I hope you find the Report and Accounts both useful and interesting.

Councillor Malcolm Slater
Chair,
Joint Advisory Group and Investment Advisory Panel

SECTION 2 – MANAGEMENT STRUCTURE

Members of the WYPF Joint Advisory Group

Bradford Council

Councillor M Slater
(Chairman)

Councillor G Miller
(Deputy Chairman)

Councillor H Middleton

Calderdale Council

Councillor B Metcalfe

Councillor S Baines MBE

Councillor J Beacroft-Mitchell

Kirklees Council

Councillor E Firth

Councillor N Mather

Councillor H Richards

Leeds Council

Councillor P Davey

Councillor C Fox

Councillor T Hanley

Wakefield Council

Councillor G Stokes

Councillor L Shaw

Councillor G Walsh

Trades Union Representatives

I Greenwood OBE – UNISON
Tristan Chard – GMB

Scheme Member Representatives

Sarah Moses
Kenneth Sutcliffe

SECTION 2 – MANAGEMENT STRUCTURE

Members of the WYPF Investment Advisory Panel

Bradford Council

Councillor M Slater
(Chairman)

Councillor G Miller

Councillor H Middleton

Calderdale Council

Councillor B Metcalfe

Councillor S Baines MBE

Kirklees Council

Councillor E Firth

Councillor H Richards

Leeds Council

Councillor C Fox

Councillor T Hanley

Wakefield Council

Councillor G Stokes

Councillor L Shaw

Trades Union Representatives

I Greenwood OBE – UNISON
(Deputy Chairman)
L Bailey – UNISON
Tristan Chard – GMB

Scheme Member Representatives

Peter Meer
Gerald Hey

West Yorkshire Pension Fund

Rodney Barton – Director

Councils Representative

David Smith – Director of Resources
Kirklees Metropolitan Council

External Advisers

Noel Mills

Mark Stevens



SECTION 2 - MANAGEMENT STRUCTURE

Appointed service providers and advisers

Actuarial Services	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ
AVC Providers	Equitable Life Assurance Society P O Box 177 Walton Street Aylesbury, Buckinghamshire HP21 7YH
	Scottish Widows P O Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Prudential AVC Customer Services Stirling FK9 4UE
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Tony Reeves, Chief Executive City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY
Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton, Director WYPF City of Bradford Metropolitan District Council Argus Chambers, Hall Ings, Bradford BD1 1HY



SECTION 2 - MANAGEMENT STRUCTURE

Appointed service providers and advisers (continued)

IDRP Medical Adviser	DR B. Yew – AFOM Santia Occupational Health Santia House Parc Nantgarw, Cardiff CF15 7QX
Auditors	Mazars LLP The Rivergreen Centre Arkley Heads Durham DH1 1LW
Banking and Custodial Services	HSBC 8 Canada Square, Canary Wharf London E14 5HQ
Pensions Computer Services	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD
Legal Adviser	Suzan Hemingway City Solicitor City of Bradford Metropolitan District Council City Hall, Bradford BD1 1HY



SECTION 3 – PENSIONS ADMINISTRATION REVIEW

Overview and legal status of West Yorkshire Pension Fund

West Yorkshire Pension Fund (WYPF) is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme and benefits are paid under the provisions of the Local Government Pension Scheme (Benefits, Membership and Contributions) Regulations 2007, the Local Government Pension Scheme (Transitional Provisions) Regulations 2008, the Local Government Pension Scheme (Administration) Regulations 2008, and other applicable overriding legislation. The government issues the pension scheme regulations through the Department for Communities and Local Government. The regulations have the force of law.

City of Bradford Metropolitan District Council is the administering authority for WYPF. Bradford Council's administering authority responsibilities are met by WYPF's in-house pensions administration and investment teams. WYPF's Pension Schemes Registry number is 10041078. Contributing members of the Scheme are contracted out of the State Second Pension.

HM Revenue and Customs (HMRC) has granted the scheme 'exempt approval' for the purposes of the Income and Corporation Taxes Act 1988. The scheme became a Registered Pension Scheme under Part 4 of Chapter 2 of the Finance Act 2004 with effect from 6th April 2006.

Fund activities during the year

Annual meetings

WYPF held its thirteenth annual meeting for scheme members at Elland Road Stadium in Leeds on 8th November 2013. The guest speaker was Keith Nathan from Age UK. The meeting was chaired by Councillor Malcolm Slater, the Chairman of WYPF's Investment Panel and Joint Advisory Group. There were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. The employer annual meeting was held in Bradford on 7th November 2013. Topics covered were:

- The 2013 pension fund valuation
- Financial planning
- The new 2014 career-average pension scheme
- Updates on the Fund's investments
- The general economic and financial market climate.

The presentations were well received by those present.

SECTION 3 – PENSIONS ADMINISTRATION REVIEW

Employer workshops

During the year WYPF continued to run a successful series of one-day and half-day workshop sessions for employers. Four different types of workshops were provided for employers:

- Introduction to West Yorkshire Pension Fund (full day)
- Complete guide to administration (half day)
- Your Responsibilities (half day)
- Contributions and Year-End Data Return (half day)

These workshops were informative and still continue to attract interest from employers. All employer workshops are delivered by WYPF staff. This strategy provides continuity and access to the extensive pensions knowledge base within WYPF for employers to use from time-to-time free of charge. The workshops are designed to give employers a good understanding of the pension scheme and regulations. Feedback from participants on these events is always very positive.

The new LGPS came into effect at 1st April 2014. The basis of the pension scheme has changed from a final salary pension scheme to a career average scheme. Because of delays in issuing legislation the timescale for implementation has proved very challenging both from software and an administration point of view.

The government has also announced that councillors will no longer be eligible to be members of the LGPS from 1st April 2014. Existing councillors will have their membership terminated when their current fixed term of office ends, even if they are re-elected.

Pension days

A number of Pension Days were held at each of our five Council employers' premises with the focus being to publicise the new LGPS 2014. The sessions were advertised to all our scheme members and were well received. The sessions were sponsored by Prudential (one of additional voluntary contribution providers to our scheme members) who gave a presentation on additional voluntary contributions.

Pension increase

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred members' benefits are also increased by CPI. For the 2013/14 year the increase was applied on 8th April 2013 and was 2.2%.



SECTION 3 – PENSIONS ADMINISTRATION REVIEW

Pension administration and cost

As in previous years, the workload of the pension administration section continued to increase, and member numbers continue to rise, despite reductions in public service budgets. Research shows that the increase in member numbers is largely due to auto enrolment of employees into pension funds.

WYPF's service delivery continues to be underpinned by our accreditation to the International Organization for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are providing the best possible service to our members and employers, and we will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £18.01, the 10th lowest cost amongst 89 LGPS funds and well below the national average of £27.24

Knowledge and skills framework, training and development

WYPF recognises the importance of ensuring that all staff and elected Members charged with financial management and decision-making with regard to the pension scheme are fully equipped with knowledge and skills to discharge their duties and responsibilities. WYPF therefore seeks to appoint individuals who are both capable and experienced and provides training for staff and Members to enable them to acquire and maintain an appropriate level of expertise, knowledge and skills. Newly appointed staff have a training plan which identifies their training needs and requirements, and a record of achievement which identifies what training was received and when. Investment Advisory Panel Members remain active in undertaking training and attending Joint Advisory Group meetings and conferences in order to maintain an informed current understanding of the pension and investment landscape. This enables Investment Advisory Panel Members to monitor new opportunities, make investment decisions and manage investment risks. Over the past 12 months Members have represented the Fund at a number of industry conferences and attended training events such as:

- The Local Government Chronicle (LGC) Investment Summit
- Local Government Pension Scheme (LGPS) Conference
- Local Government Pension (LGP) Investment Forum
- Local Authority Pension Fund Forum (LAPFF) Conference
- National Association of Pension Funds (NAPF) Conference
- IBC - Local Government Pension Investment Forum 2014 Conference.

In addition to the conferences listed above, all new Members are encouraged to attend the three-day LGA Trustee Training – Fundamentals course in Leeds. This provides a basic introduction to the LGPS investment management and governance.



SECTION 3 – PENSIONS ADMINISTRATION REVIEW

Staff training and development

WYPF provides a comprehensive training programme for staff working towards professional qualifications such as:

- Institute of Payroll Professionals (IPP) foundation degree in Pensions Administration and Management
- Pensions Management Institute qualification (APMI)
- Certificate in Pensions Administration (CPA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)

In addition staff members attended a variety of useful events during the year, including:

- National Association of Pension Fund (NAPF) Local Authority Conference
- Pension Managers Conference
- Chartered Institute of Public Finance and Accountancy (CIPFA) Better Governance Forum and Pensions Network
- Eversheds Conference
- Mercers LGPS Summit Conference

Training activities are provided to staff on IT, data security, health and safety and customer care. A comprehensive system of e-learning and self-services are available to support staff with their training and development.

Training for 2014 career average scheme

In preparation for the introduction of the new Local Government Pension scheme WYPF staff and employers received training on the requirements of both the new Local Government Pension Scheme and the transitional provisions for members moving from the old scheme to the new scheme. A one day training and workshop event was delivered by Tim Hazlewood from the Local Government Association (LGA) in partnership with Pensions Training and Guidance (PENTag).

Disaster recovery and risk management monitoring

WYPF use a disaster recovery (DR) Datacentre, which is located separately from Bradford Council's primary datacentre. Our DR Datacentre hosts standby servers, storage and network connectivity.

SECTION 3 – PENSIONS ADMINISTRATION REVIEW

WYPF's primary Datacentre is linked to the DR Datacentre by fibre optic cables. Both centres are live on the Council's network. The DR Datacentre provides service resilience and service continuity in case of primary system failure. All our main network, email services and software applications infrastructure are duplicated at the Primary Datacentre and the DR Datacentre sites, to ensure all software application, system settings, security and user profiles, and data are fully backed up.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices. The Council operates a comprehensive disaster recovery plan for its services.

New LGPS 2014

The proposals announced in May 2012 for the new LGPS 2014 continued to be consulted on during 2013/14. The LGPS Regulations 2013 were laid before Parliament on 19th September 2013 and came into force on 1st April 2014 .

The main provisions of the LGPS Regulations 2013 are outlined below:

- A Career Average Revalued Earnings (CARE) scheme using CPI as the annual revaluation factor.
- The pension accrual rate will be 1/49th.
- The current normal retirement age of 65 years is replaced with the State Pension Age – current minimum is 65 years.
- Member contributions to the scheme will be between 5.5% and 12.5% of actual pay.
- There will be an option for members to elect to pay half contributions for half pension, while retaining the full value of other benefits. This is known as the 50/50 option.
- To be entitled to benefits from the scheme a member will have to have 2 years qualifying service.
- A member who on leaving the scheme is age 55 or over will be able to elect to receive immediate payment of pension benefits.

After a delay of almost three months the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 were laid before parliament on 5th March 2014 and came into force on 1st April 2014. This delay continues to have a significant impact on our service delivery whilst we wait for updated system software. The new regulations provide some protections for current scheme members, such as pension for past service to 31st March 2014, which continues to be based on final salary and normal pension age. Also included in these regulations are pension changes for councillors. Existing councillors will have their membership terminated when their current fixed term of office ends, even if they are re-elected.



SECTION 3 – PENSIONS ADMINISTRATION REVIEW

During 2014 further consultations are expected on new governance arrangements and the future structure of the LGPS.

Club together

Our partnership with Club Together continues to flourish bringing benefits both to pensioners and WYPF. Club Together is essentially a magazine that includes interesting articles for those of retiring age. Club Together also offers members and their families a range of discounts, offers, competitions, savings, and even earning opportunities

Social media

WYPF's Facebook and Twitter accounts were launched in November 2013 to encourage members of all ages to engage more with the Fund.

www.twitter.com/wypf_lgps

www.facebook.com/westyorkshirepensionfund

SECTION 4 – MEMBERSHIP TRENDS

Total members and beneficiaries

Total membership was 255,313 as at 31st March 2014, with active members employed by 367 separate organisations. Membership increase by 8,775 (3.6%).

	2013/14	2012/13
Active members	92,047	90,919
Beneficiaries – Current pensioners (including widows' and children's pensions in payment)	75,529	72,666
Deferred members		
- deferred pensioners	75,481	72,270
- undecided leavers	3,990	2,426
- frozen refunds	8,266	8,257
Totals	255,313	246,538

Admissions to the Fund

Employees joining the Fund were as follows:

	2013/14	2012/13
Employees/councillors joining with no previous service	16,231	10,951
Employees with transfers from:		
- other local government funds	114	34
- other pension schemes	207	151
Totals	16,552	11,136



SECTION 4 – MEMBERSHIP TRENDS

Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows:

	2013/14	2012/13
Members awarded immediate retirement benefits	2,285	2,187
Benefits awarded on death in service	97	100
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	11,584	5,958
Totals	13,966	8,245



SECTION 5 – PARTICIPATING EMPLOYERS

At 31st March 2014 WYPF had 367 participating employers:

District Councils

**City of Bradford
Metropolitan District
Council**

**City of Wakefield
Metropolitan District
Council**

**Kirklees Metropolitan
Council**

**Leeds City Council
Metropolitan Borough of
Calderdale**

Other Employers

Abbey Grange Church of
England Academy

Abbey Park Primary
Academy

ABM Catering Ltd

Ackworth Parish Council

Affinity Trust

Aire Valley Homes Leeds

Aireborough Learning
Partnership Trust

Airedale Academy

All Saints C.E. J. & I. School

Alwoodley Parish Council

Amey Community Limited
FM Services

Amey Community Ltd
Bradford BSF Phase 2 FM
Services

Amey Community Ltd
Bradford BSF Phase 2 ICT
Services

Amey Infrastructure
Services Limited
(Wakefield)

Amey LG Limited
(Calderdale)

Appleton Academy

Arts Council England

Aspens Services Ltd

Aspire-i

B B G Academy

Barnardo's (Leeds
Portage)

Barnardo's (Askham
Grange Prison)

Batley Girls High School

Batley Grammar Free
School

Beckfoot and Hazelbeck
Academy Trust

Beech Hill School

Beeston Primary Trust

Belle Isle Tenant
Management
Organisation

Belle Vue Girls School

BID Services

Bingley Grammar School

Birstall Primary School

Bolton Brow Primary
Academy

Boothroyd Primary
Academy

Boston Spa School

Bradford Academy

Bradford College

Bradford College
Education Trust

Bradford Diocesan
Academies Trust

Bradford District Credit
Union Ltd

Bradshaw Primary School



SECTION 5 – PARTICIPATING EMPLOYERS

Bramley St Peters C of E School	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Compass Contract (Buttershaw School)
Brighthouse Academy	Carroll Cleaning Company Ltd (Calderdale)	Compass Contract Services (UK) Limited
Brighter Futures Academy Trust	Carroll Cleaning Company Ltd (Crofton Academy)	Compass Contract Services (UK) Limited (Chartwell)
Brooksbank School Sports College	Carroll Cleaning Company Ltd (St Joseph's Bradford)	Compass Contract Services (UK) Limited (Ilkley Grammar School)
Bruntcliffe Trust School	Carroll Cleaning Company Ltd (Wakefield)	Compass Contract Services (UK) Limited (Minsthorpe Academy)
Bullough Contract Services Ltd	Carroll Cleaning Company Ltd (Whetley)	Cottingley Primary Academy
Bullough Contract Services Ltd (All Saints Primary)	Castle Hall Academy	Craft Centre & Design Gallery Ltd
Bullough Contract Services Ltd (Bingley Grammar School)	Castleford Academy	Crawshaw Academy Trust
Bullough Contract Services (Guseley School)	Catering Academy Ltd (BC)	Creative Support Limited
Bullough Contract Services Ltd (Leeds City College)	Catering Academy Ltd (BGS)	Crescent Purchasing Limited
Burley Parish Council	Catholic Care (Diocese of Leeds)	Crigglestone St James C E Primary Academy
Burnley Road Academy	Chickenley Community Cooperative Trust	Crofton Academy
Buttershaw Business and Enterprise College	Christchurch C E Academy	Darrington C of E Primary School
C & K Careers Limited	Clayton Parish Council	David Young Community Academy
CAFCASS	Coalfields Regeneration Trust	De Lacy Academy
Calderdale College	Cockburn High School Trust	Denby Dale Parish Council
Calverley C of E Primary School	Community Accord	Diamond Wood Community Academy
Care Quality Commission	Compass (Leeds PFI Schools)	Dixons Allerton Academy
Carillion Integrated Services		



SECTION 5 – PARTICIPATING EMPLOYERS

Dixons City Academy	Greetland Academy	Holy Trinity Primary C of E Academy
EACT – Leeds West Academy	Groundwork Leeds	Horbury Academy
East Garforth Primary Academy	Groundwork Wakefield	Horbury Bridge C E Junior & Infant School
East North East Homes Leeds	Halifax High	Horsforth School Academy
Elite Cleaning and Environmental Services Ltd	Halifax Opportunities Trust	Horsforth Town Council
England Lane Academy	Hanson School	Horton Housing Association (CSL)
English Basketball Association	Harden Primary School	Huddersfield New College
Feversham College Academy	Harrison Catering Services Ltd	Hugh Gaitskell Primary School Trust
Feversham Primary Academy	Havercroft Academy	igen Limited
Fieldhead Junior Infant and Nursery Academy	Hebden Royd Town Council	igen Limited (Leeds IAG)
First West Yorkshire Limited	Heckmondwike Grammar School Academy Trust	Ilkley Grammar School Academy
Fleet Factors Limited	Hemsworth Academy	Ilkley Parish Council
Foundation Housing	Hemsworth Town Council	Incommunities
Foxhill Primary School	Hepworth Gallery Trust	Independent Cleaning Services Limited (ICS)
Freeston Academy	HF Trust Ltd	Initial Catering Services Limited
Garforth Academy	Hill Top First School	Initial Facilities Management
Gawthorpe Community Academy	Hillcrest Academy	International Food & Travel Studio
Green Lane Primary Academy	Hipperholme & Lightcliffe High School Academy	Interserve (Facilities Management) Ltd (P.C.C for West Yorkshire)
Greenhead Sixth Form College	Hochtief Facility Management UK Limited	Interserve (Facilities Management) Ltd (W Y Police Cleaning Contract)
Greenvale Homes Limited	Hollingwood Primary School	
	Holly Bank Trust	
	Holme Valley Parish Council	



SECTION 5 – PARTICIPATING EMPLOYERS

Interserve Project Services Limited	Leeds College of Building	Luddendenfoot Academy
Iqra Academy	Leeds College of Music	Making Space
Jerry Clay Academy	Leeds East Academy	Manor Croft Academy
John Smeaton Academy	Leeds East Primary Partnership Trust	Manston St James Academy
Keelham Primary School	Leeds Grand Theatre and Opera House Limited	Mears Ltd
Keepmoat Property Services Ltd	Leeds Housing Concern	Mears Ltd (South)
Keighley Town Council	Leeds M.I.N.D.	Mears Ltd (West)
Khalsa Science Academy	Leeds Metropolitan University	Mellors Catering Services Ltd (LCC)
Killinghall Primary School	Leeds North West Education Partnership	Meltham Town Council
King James School	Leeds Racial Equality Council	Menston Parish Council
Kings Science Academy	Leeds Society for Deaf & Blind People	Merlin Top Primary Academy
Kirkburton Parish Council	Leeds Trinity University College	Micklefield Parish Council
Kirklees Active Leisure	Liberty Gas Group Ltd	Middleton Primary School Trust
Kirklees College	Lidget Green Community Co-operative Learning Trust	Minsthorpe Academy Trust
Kirklees Neighbourhood Housing Limited	Lightcliffe C.E. Primary School	Mirfield Free Grammar Academy
Knottingley St. Boltolph's C of E Academy	Lighthouse School	Mitie Pest Control
Lady Elizabeth Hastings School	Lindley Junior School Academy Trust	Mitie PFI Limited
Laisterdyke Business & Enterprise College	Local Government Yorkshire & Humber	Moor End Academy Trust
Leeds Centre for Integrated Living	Longroyde Junior School	Morley Academy
Leeds Citizens Advice Bureau	LPM Cleaning Ltd	Morley Town Council
Leeds City College		Mount Pellon Primary Academy
Leeds College of Art & Design		Myrtle Park Primary School



SECTION 5 – PARTICIPATING EMPLOYERS

National Coal Mining Museum For England	Outwood Grange Academy	Rainbow Primary Free School
NEW College, Pontefract	Outwood Primary Academy, Kirkhamgate	Rastrick High School Academy Trust
Normanton Town Council	Outwood Primary Academy, Ledger Lane	Rawdon Parish Council
North Halifax Grammar Academy	Outwood Primary Academy, Lofthouse Gate	Ripon Diocesan C of E Council For Social Aid
North Huddersfield Trust School	Overthorpe C of E Academy	Ripon House
North Kirklees Citizens Advice Bureau	Park Lane Learning Trust	RM Education PLC
Northern School of Contemporary Dance	Park View Primary Academy	Rodillian Academy
Northorpe Hall Child & Family Trust	Pennine Housing 2000 Limited	Rooks Nest Academy
Notre Dame Sixth Form College	People in Action (Leeds) Limited	Royds Community Association
NPS (North East) Limited	Pinnacle FM Ltd (Leeds)	Royds Hall Trust School
NPS Leeds Limited	Pinnacle FM Ltd (Kirklees)	Royds Learning Trust
Oakbank School	Pontefract Academies Trust	Russell Hall First School
Oakworth Primary School	Pontefract Education Trust	Ryburn Valley High School
Oasis Academy Lister Park	Pool Parish Council	Ryecroft Primary Academy
Ofsted	Priesthorpe School Trust	Ryhill Parish Council
Old Earth Academy	Prince Henrys Grammar School	Salendine Nook Academy Trust
One in a Million Free School	Prospects Services (Bradford 2)	Salterlee Academy Trust
Open College Network Yorkshire & Humber Region	Prospects Services (Wakefield)	Samuel Lister Academy
Ossett Academy & Sixth Form College	Pudsey Grangefield School	Sandal Magna Community Academy
Ossett Trust	Purston E-ACT Academy	Schools Linking Network
Otley Town Council		Scout Road Academy
		Sea Fish Industry Authority



SECTION 5 – PARTICIPATING EMPLOYERS

Shanks Waste Management Limited	St Giles Church of England Academy	The Lantern Learning Trust
Shelley College	St Helen's C E Primary Academy	The Maltings Learning Trust
Shibden Head Primary Academy	St John's Approved Premises	The Police & Crime Commissioner for West Yorkshire
ShIPLEY College	St John's (CE) Primary Academy Trust	The Vale Primary Academy
Shirley Manor Primary Academy	St John's C of E Primary School (Bradford)	Thornhill Community Academy
Simpsons Lane Academy	St John's Primary Academy Rishworth	Thornton Grammar School
SITA UK Limited	St Michael & All Angels C of E School	Todmorden Town Council
Skills for Care Limited	St Michael's C E Academy	Tong High School
Society for the Blind of Dewsbury, Batley and District	Swallow Hill Community College Academy	Trinity Academy Halifax
South Elmsall Town Council	TaylorShaw Ltd (Batley Girls High School)	Turning Point
South Hiendley Parish Council	TaylorShaw Ltd	United Response
South Leeds Academy	The Anah Project	University Academy Keighley
South Ossett Infants Academy	The Bishop Wheeler Catholic Academy Trust	University of Bradford
Southfield Grange Trust	The Bishop Konstant Catholic Trust	University of Huddersfield
SpEN Valley Foundation Trust	The Cathedral C Of E Academy Trust	UPP Leeds Metropolitan University
SSE Contracting Ltd	The Co-Operative Academies Trust	Wakefield & District Housing
St Anne's Community Services	The Crossley Heath Academy Trust	Wakefield City Academy
St Anne's Community Services (Bradford)	The Farnley Academy	Wakefield College
St Catherine's Catholic High School		Welsh Assembly Government
St Chad's C of E Primary School		West End Academy



SECTION 5 – PARTICIPATING EMPLOYERS

West North West Homes
Leeds

West Vale Primary School

West Yorkshire Fire &
Rescue Authority

West Yorkshire Probation
Trust

West Yorkshire Integrated
Transport Authority

West Yorkshire PTE

West Yorkshire Valuation
Tribunal Service

Westborough High School

Westwood Primary School
Trust

Wetherby Town Council

Whetley Academy

Whitehill Community
Academy

William Henry Smith
School

Willow Green Academy

Wilsden Parish Council

Woodhouse Grove School

Woodkirk Academy

Woodside Academy

Yorkshire Community
Housing Limited

Yorkshire Purchasing
Organisation



SECTION 6 – QUALITY MANAGEMENT

ISO 9001:2008

WYPF is an ISO 9001:2008 accredited service provider. All our services are quality assured using rigorous quality management systems, and assessed by external assessors twice a year. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.

The purpose of the ISO 9001:2008 certification is to ensure that WYPF provides quality Local Government Pension Scheme services to employers and members within the scope of Local Government Pension Scheme Regulations 2013 and the Firefighters' Pension Scheme Order 2013.

WYPF quality policy

We will provide best value and deliver and improve our services in an efficient and effective manner by:

- Providing a high-quality service to all beneficiaries and deferred members, paying correct benefits on time, dealing with queries promptly, providing accurate and timely pension information and providing equal access to all our services within the relevant regulations
- Providing an efficient and effective service to all employers in the scheme, which means responding quickly to requests for information, giving advice and training, and supplying detailed guidance on the implications of any new legislation affecting the scheme.

Quality management system

As part of the Quality Management System, several systems and procedures have been put in place to ensure our service continually improves.

These include:

- Having procedures in place for dealing with customer complaints and faults, and ensuring the appropriate corrective and preventative actions are taken
- Conducting internal quality audits to ensure quality is maintained and to identify improvements
- Monitoring our processes to obtain statistical data on our efficiency in calculating and paying pensions, so we can ensure benefits are paid on time
- Surveying customers about their experience of our service
- Holding regular service review meetings to review service performance and quality issues.

SECTION 6 – QUALITY MANAGEMENT

Customer Service Key Performance Indicators

WYPF monitors its performance against several Key Performance Indicators.

	2013/14	2012/13
The percentage of lump sums paid within three days from the later of receipt of notification of retirement or date of retirement.	98.1%	96.4%
Employer satisfaction with the service provided by the Pensions Administration section	86.8%	86.5%
The percentage of visitors waiting less than seven minutes at a reception point.	100% 4,044 customers	100% 3,758 customers
The percentage of phone calls answered within 20 seconds.	98.6%	99.1%



SECTION 7 – POLICY STATEMENTS

STATUTORY DUTY TO PUBLISH POLICY STATEMENTS

Under the LGPS Regulations 2013 local authority pension funds have a statutory duty to prepare, keep under review and publish five policy statements.

A. Statement of investment principles

The Statement of Investment Principles describes the investment decision-making process, the types of investment to be held and the balance between them, the risk and expected return on investments, the realisation of investments, socially responsible investment, responsible ownership and the exercise of rights attached to investments and compliance with the Institutional Shareholders Committee principles and the latest development of the Myners principles.

B. Funding strategy statement

The Funding Strategy Statement establishes a clear and transparent strategy for the Fund identifying how employers' pension liabilities are best met while maintaining a stable contribution rate and taking a prudent long-term view of funding those liabilities.

C. Pension administration strategy

The Pension Administration Strategy is concerned with ensuring that everything runs smoothly for members, employers and the Fund, covering procedures for liaison and communication with employers, levels of performance for employers and the Fund, and procedures to ensure that employers and the Fund comply with statutory requirements.

D. Communication policy statement

The Communication Policy describes how the Fund will provide members, representatives of members and employers with the information they need to understand their pension arrangements.

E. Governance compliance statement

The Governance Compliance Statement sets out the arrangements made by City of Bradford Metropolitan District Council for the administration of the Fund. It has delegated responsibility to the Governance and Audit Committee, assisted by the Investment Advisory Panel and the Joint Advisory Group.

The full text of the five policy statements listed above is published on the Fund's website www.wypf.org.uk

SECTION 8 – INVESTMENT REPORT

INVESTMENT ADVISORY PANEL – OPERATIONAL REVIEW

These are the activities of the Investment Panel for the financial year 2013/2014. We also provide a summary of the investment market conditions that were the backdrop to the Panel's operations during the year and highlight other aspects of the Panel's work, including training undertaken and meetings with internal and external investment managers managing assets for the scheme. This is based on the report by Mark Stevens, independent advisor to the Fund, to the April meeting of the Panel.

Financial market performance

The 2012/13 financial year had ended very strongly with all major developed markets delivering good returns. The US and Japanese equity markets were particularly impressive, the former responding to better than expected political news about escaping the worst effects of the so called "fiscal cliff", whereas as the latter continued to benefit from the stimulatory effects of "Abenomics". Even an inconclusive Italian election result and a banking crisis in Cyprus failed to completely dampen the mood, and European equities also ended the financial year strongly. The strong equity market returns coupled with rising Bond yield, combined to provide a reasonably encouraging background for the three-year actuarial valuation, which was struck at the end of the financial year.

The 2013/14 financial year started with the outlook for equity markets continuing to look favourable, particularly in comparison to bonds. Although, given the strong run in equities, there was a degree of caution about timing, the Panel still felt comfortable about allocating additional cash flow into both the US and the European equity markets where the portfolio was underweight against its strategic benchmark.

Private equity and hedge funds

During the first meeting of the new financial year there was some additional cash available for investment as a result of redemptions completed in the quarter from an active currency and a fund of hedge funds manager. Performance had not been of the required level from either of these external managers and the Panel had previously decided to redeem these funds and redeploy the capital elsewhere.

The portfolio had also received a number of distributions of cash from private equity investments during the previous quarter. It is the nature of private equity that in order to maintain the target level of strategic weighting, regular new investments will need to be considered by the Panel to replace investments that are more mature and are in the process of returning cash to the scheme. New private equity investment opportunities are assessed by the in-house team and those considered suitable are presented to the Panel along with a due diligence report. Funds that are accepted will be taken forward by the in-house team, to the final stages of due diligence before the final decision on subscribing is made. During the first meeting of the new financial year a US private equity fund was considered and accepted to go forward onto the final stage of due diligence.

SECTION 8 – INVESTMENT REPORT

Stock lending

In April 2013 the Panel considered a report on the stock lending activities of the Fund and a report on the operating effectiveness of the outsourced stock-lending operations of HSBC securities services. Following this report and after consideration of a recommendation from the internal team the Panel accepted a proposal to increase the allowed level of participation in stock lending to 35% the maximum level allowed under the scheme regulations. Also, in the investment related activity, the Panel considered and noted other relevant scheme-related business. Response was made on this occasion on the Local Government Minister's request for consultation on taxpayer-funded pensions for councillors and other elected local office holders.

Change in the Panel's Chairman

When the Panel convened for the second meeting of the financial year in July, their first task was to formalise a change in the Chairmanship of the Panel. Councillor Malcolm Slater was duly elected and Ian Greenwood who had stepped down as Chair was elected to the role of deputy Chair with Councillor Glen Miller simultaneously stepping down from this role. With the new structure unanimously agreed the Panel turned their attention to the current investment landscape.

Quantitative easing

Global markets had undergone a setback during May 2013 in response to the US Federal reserve announcement that it was considering reducing its asset purchase programme, known as quantitative easing, in response to improved economic data. This proposed reduction became known as 'tapering' and caused both equities and bond markets to fall sharply in what became a perverse "good news" is bad "bad news" is good phase in the markets. Good economic data became associated with the end of the ultra-easy money, which had become the norm since the financial crisis, so markets responded nervously to further signs of economic recovery. The Panel noted the signs of a significant slowdown in Chinese economic growth, and the nervousness across Asia Pacific and Emerging Markets, as worries over capital outflows linked to 'tapering' took hold.

Despite these worries the outlook across a number of equity markets remained positive with earnings growth expected to pick up, and valuations, although not cheap, remained reasonable. Further setbacks emanating from fears of 'tapering' were expected to affect bond markets more severely than equities and with this in mind new cashflow was allocated across a number of different equity regions including the UK where the portfolio's overweight position had slightly fallen and where signs that the UK economy was recovering faster than many other developed economies was becoming clear.

Panel review of 2012/13 performance

The investment performance achieved by the Fund in the last financial year was formally reviewed by the Panel at the July 2013 meeting. A representative of the investment performance measurement company WM Performance Services presented a report detailing performance over both the long and short term, with reference made both to the Fund's own customised benchmark and the wider local authority universe of Funds. The Fund had beaten its own benchmark and the wider universe over



SECTION 8 – INVESTMENT REPORT

both the short term and longer time periods. WM Performance Services also shared with the Panel some research that they had undertaken which highlighted the benefit of internally managed investments within the local authority universe.

LGPS new governance arrangements

In order to continue with best practice in terms of governance, the Panel responded to proposals that had resulted from an Independent Public Service Pensions Commission report on governance. It was decided that three working groups should be established to allow improved oversight and greater member involvement in governance arrangements. Two working groups would be formed from the Investment Advisory Panel with a third being formed from the Joint Advisory Group. Terms of reference were agreed for working groups focused on Alternative Investments, Environmental, Social and Governance (ESG) and Administration & Communications. It is expected that the wider Panel will consider detailed reports from these working groups during future Panel meetings.

Business plan and statement of investment principles

In a busy July 2013 meeting the Panel also discussed and approved the new business plan and statement of investment principles to be adopted by the scheme. The Myner's principles set out a number of principles for codifying the model of best practice to be adopted by pension funds. An important aspect of these principles as they relate to 'effective decision making' is that a business plan is prepared that covers areas such as investment risk and return expectations, types of investments utilised by the scheme and procedures for voting on stock holding or the lending of stock. The plan approved by the Panel also included other aspects of governance including performance monitoring and training which is covered elsewhere in this report.

November 2013 meeting

The November 2013 Panel meeting took place just prior to the annual meetings of the employers and members and the upcoming Special Panel meeting in London. Equity markets had bounced back strongly from the 'tapering' induced setback of the Spring/Summer. The UK economy was gaining momentum and sterling was strengthening which had slightly dampened returns from overseas assets on translation despite good performance from most of these markets. In spite of the Federal Reserve's decision to delay its planned reduction in asset purchases bond markets continued to struggle globally, with ten-year UK Gilts hitting yields as high as 3% during the quarter, and treasuries falling too. However, the better environment for risk assets particularly helped emerging markets, and they recovered strongly after a very difficult period since May. Given the strong recovery in equity markets and the Fund's overweight position the Panel made no further allocations to public equity at this time, with cashflow directed towards property and private equity opportunities, where due diligence reports had been received, instead.

'Investing for Growth' initiative

The Panel also received an update report on the 'Investing for Growth' initiative where the WYPF has been working jointly with a number of other large metropolitan funds to identify potential 'impact investment' opportunities that meet strict commercial rates of return hurdles but have the potential

SECTION 8 – INVESTMENT REPORT

to be regionally significant. The report was noted and the initiative will now move onto the detailed due diligence phase with work divided between the participating schemes. The Panel will again review progress when the next phase has been completed.

Employer and member annual meetings

Communication with both employers and members remains an important aspect of the Panel's activities. Immediately following the Panel's meeting on 7th November, the annual meetings for employers took place in Bradford and for members the following day at Elland Road, Leeds. These annual events remain popular and are well attended. They provide an opportunity for employers, and members to hear about the investment environment as well as changes to the asset allocation and a review of the investment performance of the Fund over both the previous year and also over the longer term. In addition to the economic and investment background these meetings provide an opportunity to hear about the administration aspects of the fund and changes that have taken place for members and employers. As it is the administration function of the scheme that is the main interface with members and pensioners this information always proves of interest. There was an opportunity to ask questions which were answered for the benefit of the whole meeting. As usual, there were informative guest speakers at both events.

November 2013 – Special Panel meeting

A Special Panel meeting was held in London during November for face-to-face meetings with eighteen external managers running the fund of hedge fund, private equity and Infrastructure investments for the scheme. These face-to-face meetings allow for a review of the performance and strategy, as well as a detailed look at the investment environment that these various strategies are operating in. By meeting a number of managers in a short period of time the Panel members are in a good position to identify both market trends, but also, they are able to compare and contrast the various managers and their responses to changing market conditions. As a result of these detailed meetings the Panel decided to redeem, in full, two further fund of hedge fund managers because of concerns about sustainable performance and high correlation levels to existing assets.

The year in summary

The final two meetings of the financial year took place in January and February 2014. Markets had continued their strong run into the yearend and overall 2013 had been a very strong year for risk asset returns. Although worries about emerging economies and slowing Chinese growth remained, the US economy and somewhat surprisingly the UK economy continued to recover strongly. The US equity market in particular had performed strongly, up over 30% in local currency terms. Japanese shares responding to central bank stimulation returned over 50% during the year, however with the Yen dropping by almost a quarter against sterling almost half these gains were lost to a UK investor. The Panel's caution on bond markets was proved correct with both UK and US ten-year bond delivering negative returns. Looking forward, there was a consensus that for equity markets to make further progress genuine earnings growth needs to be seen, given that the multiple expansions seen since the dark days of the financial crisis has in all probability run its course. However, there are still pockets of value, and the decision to allocate further cashflow to US, European and Japanese equity markets reflected the view that with careful timing the opportunities within these markets remain more attractive than within bond markets.



SECTION 8 – INVESTMENT REPORT

February 2014 – Special Panel meeting

At the Special Panel meeting in February the Panel reviewed in detail eleven funds from eight separate managers, where the fund has a current net commitment of £63m. Most of these private equity funds would be considered UK lower mid-market in terms of geography and target market. As with the London meetings, these face-to-face meetings provide members of the Panel with the opportunity to ask questions of the managers and to monitor the investment landscape in which these investments are deployed. Some of the funds are specifically targeted at local business investment so Panel members are able to ask detailed questions given their local knowledge. In addition to gaining an insight into the general outlook for the various investment types by sector and style, the Panel can monitor any changes to investment approach in the appointed managers and directly compare progress with the expectations that management had previously outlined in their strategy updates.

Panel Members' training

An important aspect of maintaining a high level of competence and understanding within the Investment Panel is to encourage and facilitate opportunities for training. Attendance at investment and training seminars is encouraged not only for new Panel Members, but also for existing members to keep their knowledge as up-to-date as possible. During the period the Panel has been represented at a number of industry investment seminars including the LGC Investment Summit, Aon Hewitt Pensions Conference and the LGA Pension Conference. The Panel continues to support the work of LAPFF and was represented at the LAPFF conference. In addition to industry and investment-related events, Panel members are encouraged to attend suitable training events in order to enhance their investment understanding to better contribute to the workings of the Panel. To this end some Panel Members attended both the LGPS Fundamentals training and LGPS Trustees Conference during the year. The availability of upcoming training and investment seminars is a regular agenda item discussed at the regular quarterly Panel meetings.

Responsible ownership

In terms of responsible ownership, the scheme continued to exercise its shareholder voting rights in full. The Panel adopts the PIRC shareholder voting guidelines for this purpose, making use of the full-extended service. The Fund is able to vote on every company represented in its investment portfolio anywhere in the world. The Fund continues to engage directly with a number of company managements where there have been specific issues to discuss in terms of good governance and social responsibility. As reported in previous years this engagement is conducted through the LAPFF where Deputy Chairman Ian Greenwood remains a very active member.

Governance

The experience of the Investment Panel remains a significant benefit to the Fund and ensures that investment decisions are reviewed and monitored to the highest standards and the scheme continues to operate with high standards of governance. During any financial year it is usual for some members of the Panel to leave and to be replaced with new faces. During the period we welcomed Councillor Hilary Richards, Unison representative Liz Bailey and GMB representative Tristan Chard. They replaced



SECTION 8 – INVESTMENT REPORT

departing Panel members Councillor C Preest, Mr C Robinson of Unison and Mr S Morris of the GMB. The Panel wishes to thank them all for their enormous contribution to the scheme during the period of their tenure

Performance monitoring

Investment performance of the Fund is independently measured by the WM Performance Services, and as mentioned above the company provided a formal review of performance during the July meeting. The Panel continues to take a genuinely long-term investment view, which is consistent with the long-term nature of the liabilities of the Fund. It is, however, still relevant to monitor investment performance over the short term as well. Over the year to December 2013 (which is the most recent time period available at the time of writing), the Fund returned 14%, which compares with 13.4% for the scheme's benchmark, and the Fund remains ahead of its benchmark over one, three, five and ten year periods. These investment returns place the Fund in the middle of the range over one year against the local authority average. However, over longer periods the Fund remains ahead of this peer group.

As the new financial year 2014/15 begins the Panel will continue to operate to the highest levels of governance and seek to adapt as new best practice emerges. The results of the 2013 actuarial valuation, which appear encouraging, will inform the Panel's ongoing decisions about investment strategy and will form a basis for evaluating the Fund's specific benchmark, which itself will be reviewed during the 2014/15 financial year.

SECTION 9 – INVESTMENT MANAGEMENT AND STRATEGY

Investment management and strategy

The Fund's entire investment portfolio continues to be managed on a day-to-day basis in-house, supported by the Fund's external advisers. Investment strategy and asset allocation is agreed at quarterly meetings of the Investment Panel. There are twelve professional investment managers and seven administration/settlement staff in the in-house investment team.

The in-house investment management costs continue to be among the lowest of all local authority pension funds. In 2012/13, the Fund's in-house investment management costs were £7.58 per scheme member compared with the national average for all local authority pension funds of £87.43

The Panel adopted a fund-specific benchmark in April 2005, which is reviewed and revised annually. Details of the benchmark currently being used are shown in the Statement of Investment Principles. The benchmark represents the optimal investment portfolio distribution between asset classes to bring WYPF up to 100% funding in accordance with the principles outlined in the Funding Strategy Statement. The Panel does however make tactical adjustments around the benchmark for each asset class within a set control range.

The volatility in markets over the last year, which is covered in more detail in the following sections, provided the investment Panel with opportunities to allocate investment into equities, bonds and private equity during the year. The investment in hedge and currency funds was reduced during the year. The Fund holds 3% in cash. The return on cash balances remains at a historic low.

Voting policy

The Fund will vote on resolutions put to the Annual and Extraordinary General Meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Fund's Statement of Investment Principles. Full details of the voting policy is also available for viewing on the Fund's website, as are details of the Fund's voting activity at companies' Annual General and Extraordinary General Meetings.

Custody of financial assets

In January 2014 the Fund transferred all its UK fixed-interest and equity shareholdings to HSBC Global Custodial Services. This transfer means that HSBC is now responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, general custodial services and other administrative actions in relation to all the Fund's fixed-interest and equity shareholdings, with the exception of private equity and properties.

SECTION 9 – INVESTMENT MANAGEMENT AND STRATEGY

Investment performance

The Fund returned 4.8% in 2013/14, 0.7% below the return on the fund-specific benchmark of 5.5% and the average return for all local authority pension funds of 6.4%. This positioned the Fund in the 75th percentile of the local authority universe.

The Fund's long-term investment performance continues to be good. WYPF's average annualised return over the last three years was 6.7%; over the last five years it was 12.1%; and over the last ten years it was 8.4%. The benchmark figures were 7.0%, 12.2% and 7.9%. The respective average returns for local authority pension funds are 7.5%, 12.7% and 7.8%, which on a league table basis places WYPF in the 83rd, 70th and 13th percentile over these periods.

The longer-term out-performances against the local authority average have been achieved from both asset allocation and consistent good stock selection. This positive contribution from stock selection demonstrates the excellent work of the in-house investment management team.



SECTION 10 – INVESTMENT MARKETS

INTERNATIONAL EQUITIES INVESTMENT MARKETS

The 12 months to March 2014 saw very strong returns from developed markets contrasting sharply with poorer returns in emerging markets. The driving force behind this was the ongoing recovery of the US economy, economic reforms in Japan, and a burgeoning recovery in Europe set against declining growth rates in China and other emerging economies. The FTSE index return for developed economies excluding the UK was 9% in sterling terms, whilst the FTSE emerging market index returned a loss of 11%. The return in local currency was much higher in most cases, but was dampened by the strong pound.

USA

The USA saw a year of steady growth with GDP rising 1.9% whilst inflation rose at 1.5%. This contrasted with several western economies where inflation has exceeded GDP growth leading to a fall in living standards. Unemployment declined steadily and as it approached 7% the Chairman of the Federal Reserve Ben Bernanke began to talk about “normalisation” of the economy and monetary policy. This initially caused a fall in the stock market because the Federal Reserve’s monetary policy has been to maintain low interest rates and to buy US treasury stock and commercial bonds at a rate of \$85bn per month in a process called Quantitative Easing (QE). The principal behind this policy is that, by buying fixed income securities, they are injecting money into the stock market which raises the price of fixed income securities and this in turn lowers the yield generated by their fixed payouts. This serves to lower interest rates and therefore the cost of borrowing. By reducing or tapering this asset buying policy, the price of bonds would fall and interest rates would conversely rise, thus raising the cost of borrowing. This created a sense of fear in the market that costs would increase, growth would slow and investment returns would diminish. However, once the initial shock had passed the market recovered its nerve and optimism that the recovery was here to stay drove the market higher. As it turned out, the Federal Reserve did not begin tapering its QE program until December and then by a modest \$10bn, and went on to reduce it by a further \$10bn each month thereafter. This policy has been continued by Ben Bernanke’s successor Janet Yellen who took over the role in February 2014.

Europe

Europe continued to be a continent of two halves, the Northern economies continuing to grow, albeit at a pedestrian pace, whilst the Southern economies showed signs of recovery as the threat of debt default receded and countries such as Spain and Italy gradually emerged from recession. This improvement was reflected in GDP growth across the euro area which moved from contraction in the first half of the year to expansion in the second. Investors recognised the opportunity to buy cheaply priced stocks at what they hoped to be the turning point of the recession, and drove the market forward 21% in local currency and 18% in sterling terms.

Japan

Japan meanwhile also made a positive 18% return in local currency terms, but unfortunately because the value of the yen fell 20% against the pound, the market made a 1% loss in sterling terms. Japan has suffered a lost decade of economic growth and has floundered in a malaise of deflation and high

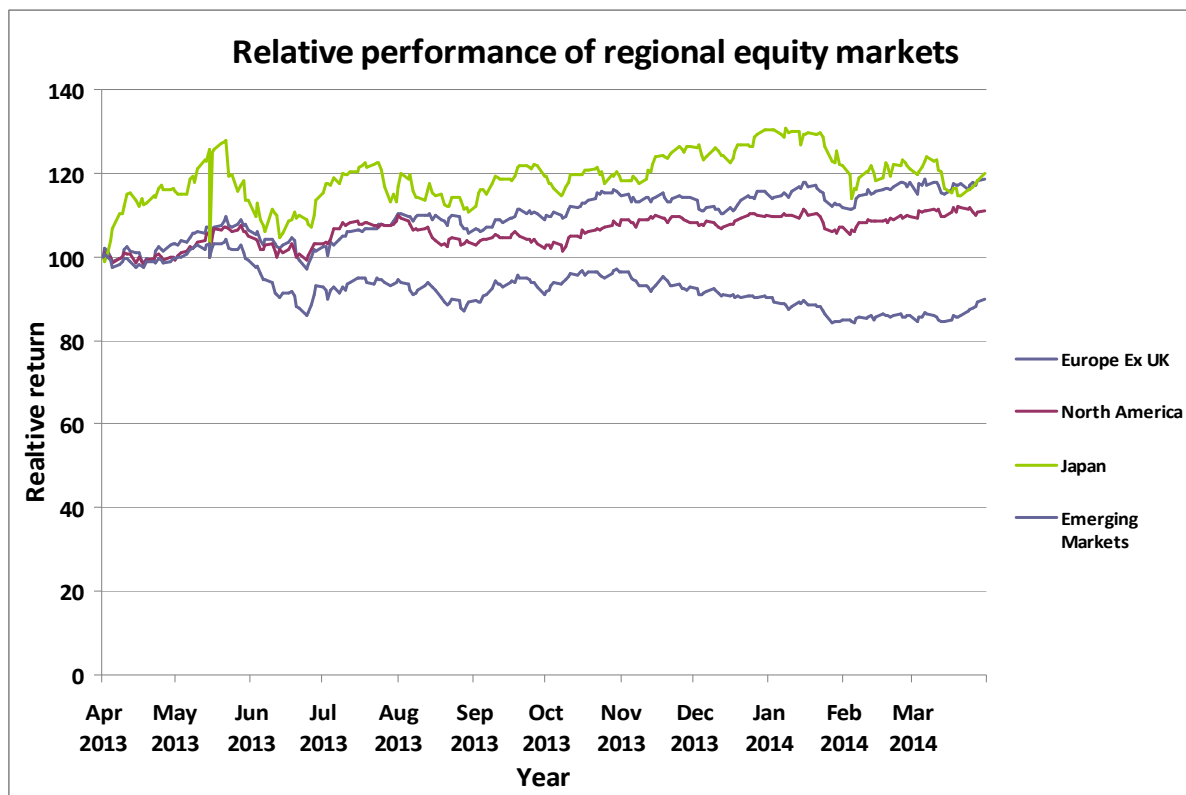


SECTION 10 – INVESTMENT MARKETS

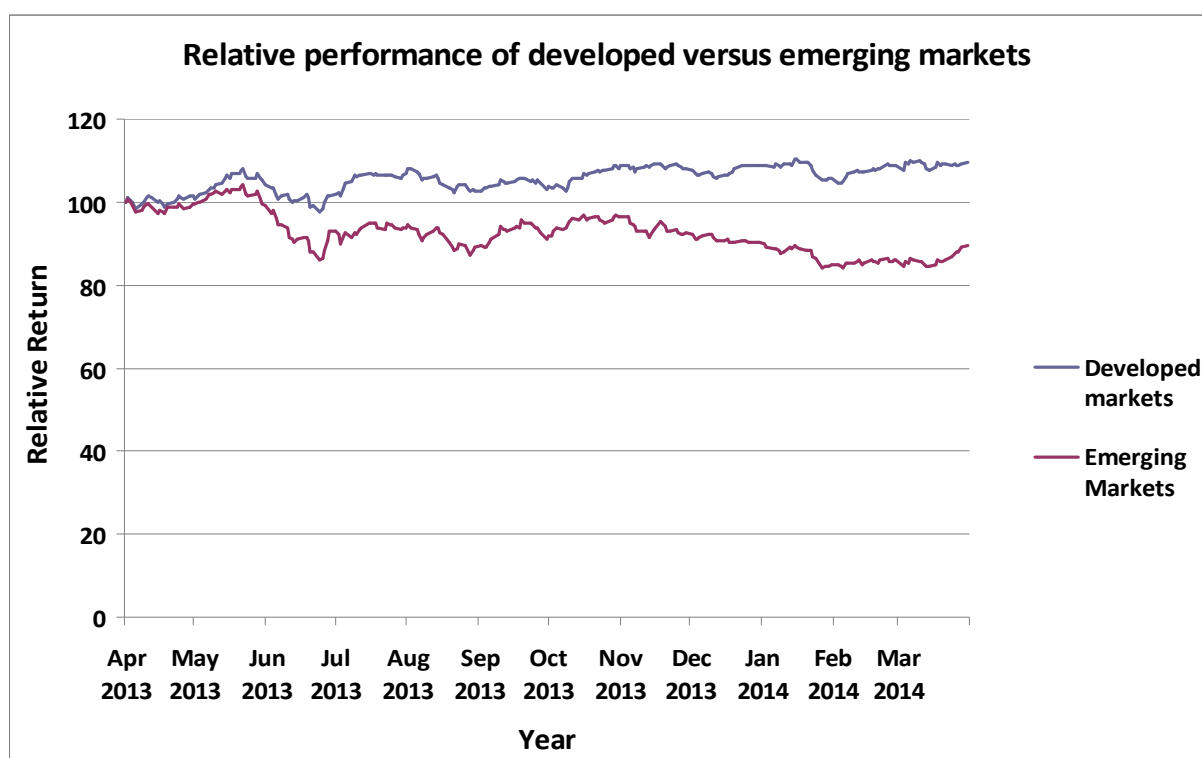
government debt. However, when Prime Minister Shinzo Abe was elected in December 2012, he introduced a series of economic reforms later dubbed “Abenomics” to try to stimulate the economy through fiscal stimulus, monetary easing and structural reforms. The policies have succeeded in stimulating the economy and generating some inflation which has driven the stock market higher, but whilst a weaker yen has helped exports, tax reform is proving to be troublesome.

China

Meanwhile in China, GDP growth began to slow amid increasing concern over high levels of debt. The government decided to rebalance the economy away from exports and more toward domestic consumption, and set a slower growth target of 7.5%. Unfortunately this was seen as disappointing compared to the 10% growth figure seen in previous years and this decline in demand growth has had a negative impact on global growth generally. Other developing economies such as Brazil, also ran into problems. Brazil has suffered pressure from three sources: firstly, the government has borrowed heavily to prepare for the 2014 World Cup, secondly their rate of export growth to countries such as China has fallen, and thirdly it has been impacted by the USA tapering its policy of QE. The reason for this latter point is the perception that the indebted, dollar dominated emerging markets such as Brazil would suffer from the inflationary pressures of rising interest rates and a stronger dollar, which it has. Consequently, with the improving picture in western markets and a deteriorating one in emerging markets, investors’ money flooded away from emerging markets and into developed markets.



SECTION 10 – INVESTMENT MARKETS



UK EQUITIES

The UK equity portfolio valued at £3,800m continues to be the largest single asset class representing 37% of the total portfolio. UK equities are an important driver of performance in the Fund, and being actively managed by the in-house team they generated a total return of 9.8% in the year to March 2014, outperforming the UK equity market return of 8.8% by almost 1%.

Stock selection and performance

The UK equity portfolio has underperformed the UK equity market in only one of the last ten years, enhancing the overall performance of the Fund significantly over the long term. This has been achieved by consistently good stock selection, and carefully balanced exposure to sectors offering high yield or sustainable growth.

Dividend yield of 3.5%

Equities are a good source of real return offering protection from inflation. UK equities being denominated in sterling also give some protection from foreign currency risk as the Fund's liabilities are also predominantly in sterling. They also generate a substantial dividend yield: £125m in dividends flowed into cash from the UK portfolio over the year, a yield of 3.5%.

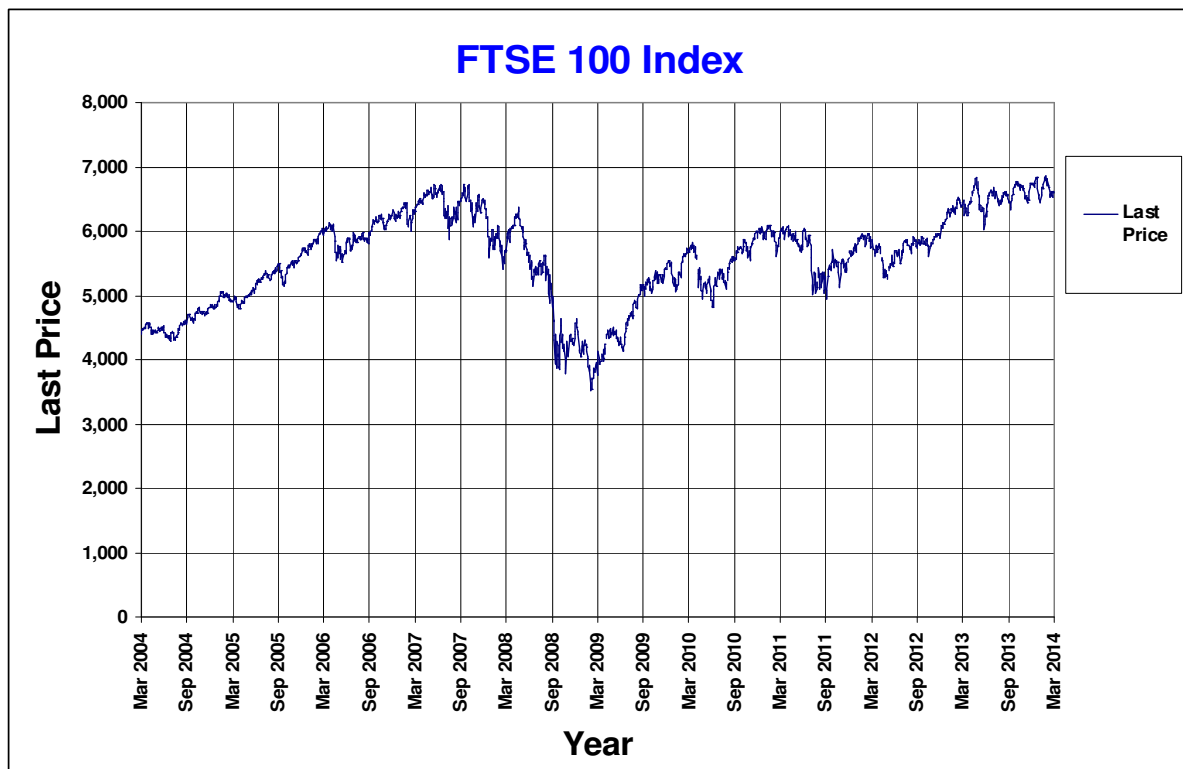


SECTION 10 – INVESTMENT MARKETS

UK equity market performance

The UK equity market has delivered very strong returns in the recovery from the global financial crisis of 2008. The chart below illustrates that the FTSE100 Index surpassed its pre-crisis high several times during the last financial year. Setting a 10-year high of 6865 in February it ended the year just under 6600. This is in stark contrast to the low point of 3512 in March 2009, and an increase of 88% since that point.

FTSE 100 Index



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UK equity market exposure overseas markets

The UK equity market has exposure not only to the domestic economy but is also significantly exposed to overseas earnings through the high percentage of multinationals listed on the London Stock Exchange. It has therefore been a major beneficiary of the growth in emerging markets over recent years. As the growth rate in those countries has dampened slightly, the US and UK economies have slowly recovered, adding earnings growth to the UK equity market.

Exposure to overseas growth is higher in the UK equity market than the UK economy, and more highly exposed to overseas earnings than other developed equity markets. Exposure to Europe whilst less attractive than the UK domestic economy is set to improve as it emerges from recession. However the



SECTION 10 – INVESTMENT MARKETS

exposure to other overseas markets and in particular emerging markets continues to add, albeit at a slower rate, significant earnings growth to the UK equity market.

UK recovery

The UK economic recovery has been slow and mixed, twelve months ago growth in the economy was hovering around zero and fears of a triple dip recession were still realistic. Figures now suggest that in the year to March 2014 GDP grew by 3.1%. Industrial production and manufacturing output remain below their pre-recession levels but have improved somewhat over the year. The trade deficit has also narrowed but unfortunately due to shrinking imports rather than growing exports.

The rate of unemployment having recently fallen under 7% is an improvement compared to its most severe point of 8.4% at the end of 2011. Encouragingly, the increase in part-time workers looking for full-time posts has also reversed.

In recent history the UK has relied upon consumer spending to lead the way out of recession, despite the improving employment figures the UK consumer is still suffering from the lowest standard of living in a decade. Although inflation has fallen to 1.7% (well below the target rate) average wage growth has trailed significantly. Only recently has the CPI rate fallen below wage growth, and RPI remains higher. Whilst non-food retail sales are rising, the food retail industry is currently waging a price war as consumers shop around and favour discount supermarkets. Furthermore, the savings ratio has continued to decline from 8.5% in early 2009 to just over 5%, which has held non-food retail sales up but raises concerns about personal financial health.

Government initiatives in the form of Funding for Lending and Help-to-Buy have recharged the housing market over the last year. So successful have these schemes been that the housing market has begun to overheat with house prices and new mortgage approvals being highly buoyant.

UK interest rate

The Bank of England has kept interest rates at the abnormally low level of 0.5% since 2009; a resolution to this and the outstanding £375bn of quantitative easing must be addressed. The timing of both could be crucial to the continuing recovery. The monetary policy committee of the Bank of England has to weigh up the overheating housing market, strengthening employment and GDP, against benign price inflation and fragile business and consumer finance. Raising interest rates from such a low level will increase costs significantly in particular for small businesses and those with large mortgages, and reveal the volatility inherent in the UK housing market.

Recent comments from the Governor of the Bank of England have suggested that rate rises would not happen until next year and would be gradual. However the consensus market view is anticipating an earlier rise. As the UK may well be ahead of both US and Europe in raising interest rates this has strengthened sterling, which is problematic for exporters.

Banking regulations

The banking sector has come under further pressure from regulators to improve balance sheet strength following the financial crisis in 2008. The Prudential Regulatory Authority issued new stress

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test conditions, the first of which the UK banks had to comply with by the end of 2013. These forced Barclays into a rights issue, and the Cooperative Bank to near collapse, the ramifications of this are still unfolding. A second more stringent test is now being formulated. UK domestic banks continue to divest of non-core activities, working towards more sustainable funding ratios and higher net interest margins.

Bank share prices have been volatile while investor confidence is rebuilt, not helped by bad publicity from unscrupulous practices and shareholder activism by persisting with higher remuneration and bonus packages. The Fund has been at the forefront of shareholder action in voting against excessive remuneration policies. Whilst Lloyds bank share price has risen sufficiently for the government to sell into the market a significant portion of the shares held by the Treasury, it is still not paying a dividend to its ordinary shareholders.

Commodity prices

Subdued commodity prices and restrained demand from China led to another disappointing year for the mining stocks which had been a fast growing sector in the UK market in recent years. Mining companies have reduced capital expenditure and rebalanced supply to meet demand, therefore improving the longer term prospects for shareholders.

Performance of UK small listed companies

The UK equity portfolio has a high weighting in investment trusts focusing on exposure to smaller listed companies. This has added significantly to performance as the FTSE index of small companies has returned an impressive 20.43% over the last year compared to the overall market 8.81%. Stock selection has added a further 1% performance to the Fund's holdings in this sector.

Corporate actions

The latter part of the year saw an increase in activity in corporate actions. The largest single corporate action was in Vodafone which comprised over 5% of the FTSE Allshare Index and in which the portfolio had an overweight position. Vodafone had a 45% stake in Verizon Wireless the rest being owned by Verizon Group. For some time Vodafone had considered either taking full ownership of Verizon Wireless or finding a tax-efficient method of disposing of the highly valued asset. A deal was struck to sell the holding to Verizon Group and receive part cash, part Verizon shares. The Fund received cash of £23m and shares in Verizon Group worth £57m on its holding. Of this distribution over £26m was profit. The Verizon shares were transferred to the Fund's US portfolio.

New listings on the UK market

In the last quarter of the year there has been a plethora of new companies being floated, taking advantage of rising share prices on the UK market. The Fund has participated in a number of these including Poundland and pharmaceuticals company Circassia. There are a significant number still in the pipeline.



SECTION 10 – INVESTMENT MARKETS

Based on historic earnings the FTSE All Share traded on 18.3x earnings and yielded 3.4% at the end of March. Consensus earnings per share (eps) growth is expected to be 9% for 2014 and 9.7% for 2014, which brings the forward rating to 13.7x followed by 12.5x. Based on historic earnings the market is not cheap. However, taking into account the earnings growth potential and the forecast yield of 3.6% for 2014, nor is the market expensive.

UK CORPORATE BONDS

The Bank of England has kept interest rates at the abnormally low level of 0.5% since 2009. A rate rise is widely expected in the next 12 months, and whilst the timing and extent are still unclear, the Bank of England has stated that interest rate rises will be gradual.

Yields on UK government bonds illustrate the rate rise expectation as yields on short to medium maturities have risen by 100bp or more over the last 12 months. Longer dated gilt yields have also risen but to a lesser extent.

Higher gilt yields generally lead to a fall in the value of the gilt portfolio, however, as the WYPF liabilities are discounted by government bond yields this is beneficial to the Fund as a whole.

UK corporate bonds attract extra yield to compensate for the credit risk; the yield spread over gilts has widened by up to 30bp over the period. Yields on AAA rated corporate bonds are 4.5% at most, and as such are not good value to buy currently. However, the WYPF added significantly to this asset class some years ago when yield spreads were more than 500bp higher. This will provide a continuing outperformance over the market yield for many years to come.

Despite holding a number of the Co-operative Bank bonds which were replaced primarily with low value equity in the recent recapitalisation of the bank, the WYPF UK corporate bond portfolio has again returned a superior level of performance. Over the last 5 years the UK corporate bond portfolio returned 11.7% pa compared to the benchmark in that asset class of 2.2% pa. Despite being only 4% of the Fund's assets this performance has added 0.3% pa to the performance of the overall fund over the 5 years.

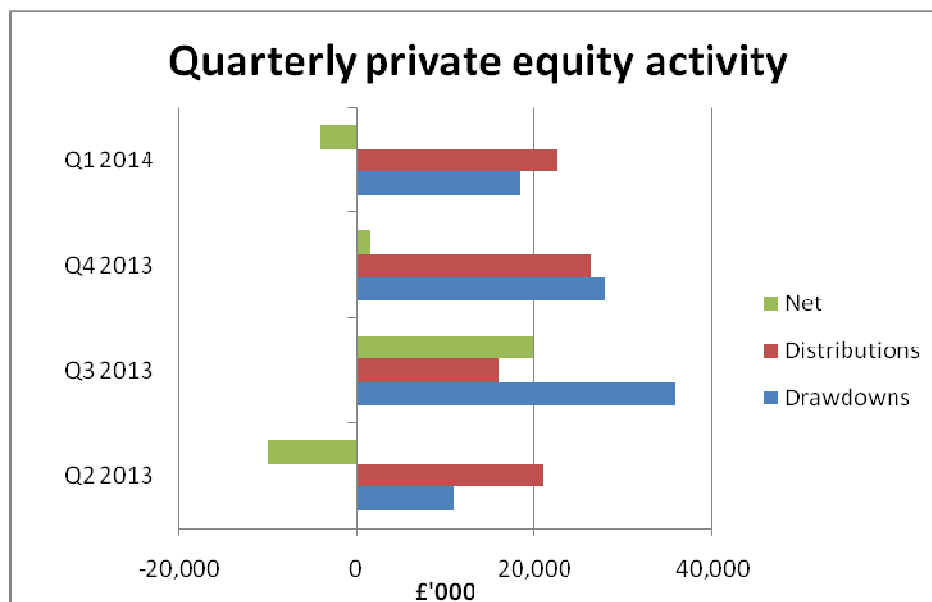
PRIVATE EQUITY

The financial year to 31st March 2014 began with a slowdown in private equity deals. Anticipated changes in the US capital gains tax rate pulled forward a number of deals into 2012 that would have occurred during 2013. This was mirrored within the WYPF private equity portfolio where deal drawdowns in the second quarter of 2013 were nearly half what they were in the final quarter of 2012. The rebound in the third-quarter drawdowns that followed was accentuated by two new commitments that were near final close and required a larger than usual drawdown to equalise with earlier investors. Distributions in the final quarter of 2013 and the first quarter of 2014 had a disproportionate European bias and were supported by strong refinancing and exit markets. At the



SECTION 10 – INVESTMENT MARKETS

start of the financial year, euro denominated funds represented 37.7% of value, and yet distributed equal proceeds to those of USD-denominated funds (representing 49.5% of value).



Private equity net investments

Overall, net investment for the WYPF's private equity portfolio for the year to 31st March 2014 amounted to £7.0m. The weighting of the private equity portfolio as a proportion of the Fund was 5.2%, up from 5.0% the previous year. A detailed breakdown is provided below.

Currency	Net undrawn commitments at 31 st March 2014	Draw down during 2013/14	Distribution during 2013/14	Net investment at 31 st March 2014
	%	£m	£m	£m
Euro	19.4	15.1	34.5	-19.4
Sterling	20.4	24.9	6.6	18.3
USD	60.2	51.2	43.1	8.1
Total	100.0	91.2	84.2	7.0

Diversification

The WYPF's private equity portfolio remains well diversified across industry sectors, geographical locations, vintage years, financing stages and managers. The portfolio, split between EUR, GBP and USD denominated funds, produced internal rates of return (IRRs) of 9.0%, 13.5% and 14.8% in their

SECTION 10 – INVESTMENT MARKETS

respective local currency fund denominations. However, in sterling terms, this only amounted to an overall IRR of 6.6% for the year to 31st March 2014 due to USD weakness over the period.

The USD depreciated by nearly 10% against GBP, resulting in USD-denominated funds producing an aggregate IRR of only 4.5% in sterling terms.

New commitments made during 2013/14

Private equity fund	
	£m
Environmental Technologies Fund II	10.0
CCMP Capital Investors III Fund	15.6
Trilantic Capital Partners V North America	23.0
Resonance British Wind Energy Income Limited	8.8
Pantheon Global Infrastructure Fund II	23.0
BlackRock co-investment mandate	15.0
HGGC Fund II	20.0
Total	115.4

Net undrawn commitments

At 31st March 2014, net un-drawn commitments amounted to £352.9m.

Private equity strategy

The strategy and approach to this asset class remains unchanged. Net investment will continue to be monitored closely, but will ultimately follow from the pre-determined steering level. This is a commitment strategy for amounts and timings that aim to achieve a 5% exposure to private equity.

HEDGE FUNDS

The WYPF's allocation to hedge funds for the twelve months to 31st March 2014 returned 3.8% in aggregate. However, this masks varying component returns. The fund-of-hedge-fund portfolio returned 4.93% versus -3.58% for the HFRI Fund-of-Funds Composite Index (GBP), whilst the single manager hedge fund portfolio returned 7.35% (in local currency), compared to 4.63% for the HFRX Global Hedge Fund Index (USD). A near 10% depreciation in the USD over the period meant that the single manager hedge portfolio returned -2.20% in sterling terms and therefore had a negative impact on overall performance.



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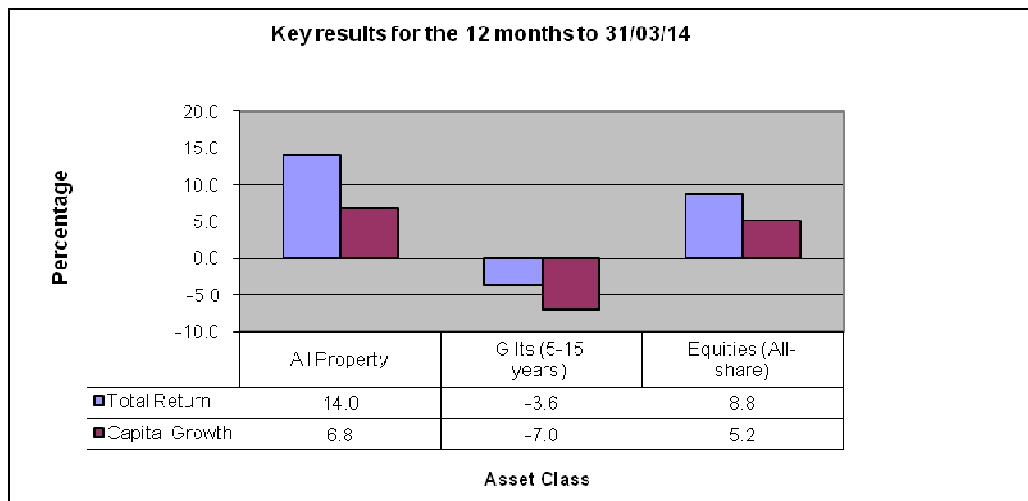
Six of the seven single manager hedge funds (representing 88% of value) are multi-strategy managers. They performed best during the period, reflecting their ability to remain flexible and adjust their allocations in reaction to market changing events. In aggregate, these six funds returned 8.75% for the financial year to 31st March 2014 (in their USD denominated currency).

During the 2013/14 financial year, the WYPF fully redeemed from two of its fund-of-hedge-fund managers. The majority of proceeds from these redemptions will be received after yearend. As reported in 2012/13 accounts, WYPF is reducing its diversification to a more suitable level whilst reducing fees paid to hedge funds. The Fund will continue to focus on efficient diversification and fee structures whilst limiting downside risk and allowing strategy flexibility should lead to better returns in the future.

PROPERTY

For the 12 months to 31st March 2014, total returns for All Property amounted to 14.0% (IPD monthly, March 2014). This compares to the WYPF benchmark of the All Pooled Property Funds Index which returned 11.4%.

The return comparison for Property versus Gilt and UK Equity returns is detailed in the bar chart below.



Source: IPD Index

Since the beginning of May 2013, All Property capital values have seen 11 consecutive months of small but improving rates of capital growth, amounting to 6.9%. This is marginally better than the full 12 months result of 6.8%. Much of this improvement was seen in London and South East office markets, along with industrials. Equivalent yields for industrials compressed by 86 basis points over the same 12-month period, whilst yields in the office market compressed by 63 bps.

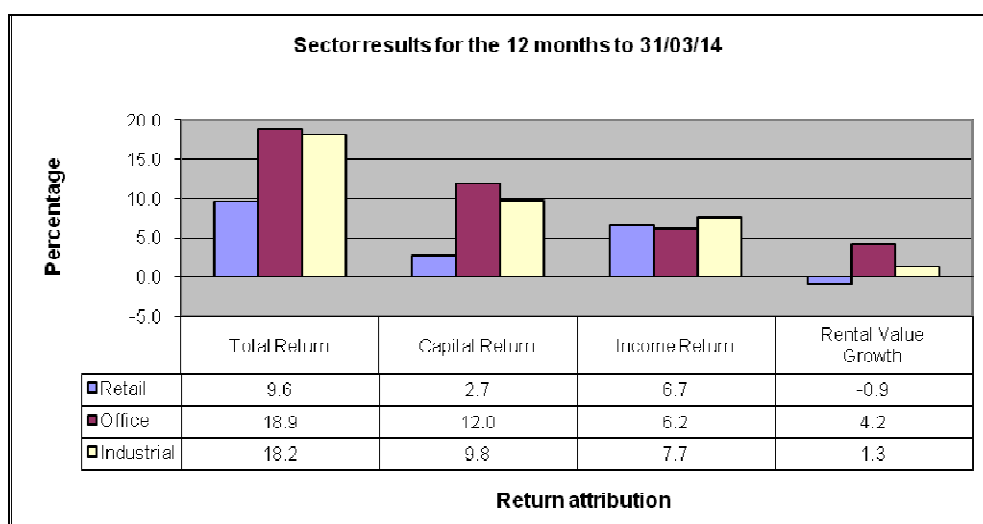
In the second half of the financial year, UK domiciled investors mainly targeted regional opportunities to take advantage of the record yield gap between London and regional property. This has resulted in regional market investment yield compression, which is expected to continue throughout 2014. Prime

SECTION 10 – INVESTMENT MARKETS

and secondary property yield spreads reached a historic high of almost 6% in September 2013 but have since narrowed. Entry of new lenders, e.g. insurers and debt funds, and re-entry of re-capitalised banks, has improved debt availability for a wider property pool.

With the exception of retail, rental growth over the period was positive, albeit small. The void rate also improved over the period down from 11.4% at the start of the financial year to 9.8% at calendar year-end (latest figures available).

Occupational demand is improving with economic recovery. Take-up in central London, M25 and regional office markets improved notably toward the end of 2013. Over the last 5 years, good quality stock availability has been scarce due to low new supply levels in offices, retail and industrials. As a result, rental growth is expected in most markets.



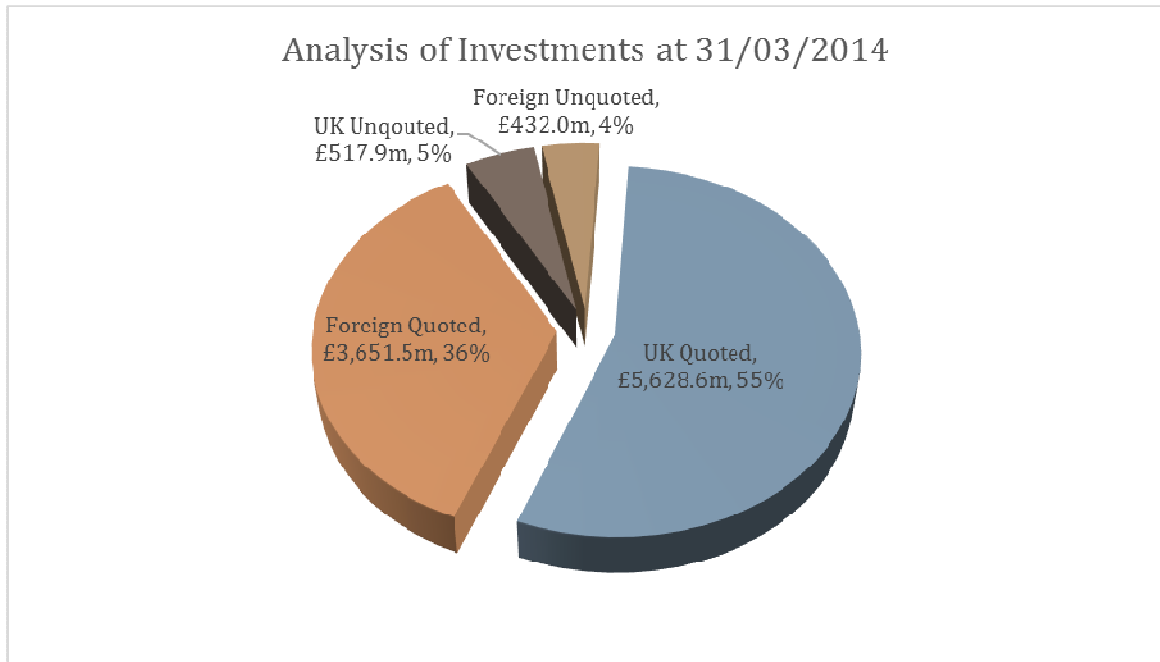
Source: IPD Index

Excluding London City and West End offices, which are up 8.9% and 7.6% respectively, average rents on most property types are typically up 0–3% over the last 12 months (IPD, Mar '14). One particular outlier is retail, where rents are typically 1% lower than 12 months ago. During the 12 months to 31st March 2014, retail was again the worst performing sub-sector (9.6%), along with regional offices (11.2%, total returns, IPD). WYPF is underweight in retail but overweight in regional offices compared to the agreed benchmark. The best performing sub-sectors during the 12 months to 31st March 2014 were West End offices and South East offices (22.3% and 20.6%, respectively). The WYPF is underweight in West End offices but overweight in South East offices when compared to the All Pooled Property Funds Index.

During the year, a strategic decision was made to begin investing directly in UK property, whilst maintaining a move to an 80:20 geographical split between UK and non-UK property over the medium-to long-term, as and when the timing is right. The current split is approximately 90:10 in favour of UK property. The rationale for investing directly in property is to reduce fees and mitigate third party investor-led liquidity issues, and the forced sale situations that the Fund experienced following the global financial crisis. The Fund made property purchases of £45.1m and sales of £42.1m, giving a net investment of £3.0m over the 12 months to 31st March 2014.

SECTION 11 – INVESTMENT PORTFOLIO

Market Value of total investments £10,230m by type



SECTION 11 – INVESTMENT PORTFOLIO

Analysis of investments held at 31st March 2014

		Book Cost	Market Value	
		£m	£m	%
<u>UK Quoted</u>				
UK Fixed Interest	Public Sector Bonds	384.9	390.9	3.8
	Corporate Bonds	305.5	334.6	3.3
UK Index Linked	Public Sector	389.2	486.6	4.8
	Corporate	31.6	51.7	0.5
UK Ordinary and Convertible Shares (Equities)		1,914.9	3,672.4	35.9
UK Unit Trust	Property	201.3	294.4	2.9
	Other	38.3	137.6	1.3
UK Fund of Hedge Funds		215.7	260.4	2.5
<u>UK Unquoted</u>				
UK Fixed Interest Corporate Bonds		25.0	29.1	0.3
UK Ordinary and Convertible Shares (Equities)		4.1	0.6	0.0
UK Cash Deposits		319.0	319.0	3.1
UK Private Equity		121.6	169.2	1.7
SUB TOTAL UK		3,951.1	6,146.5	60.1
<u>Foreign Quoted</u>				
Foreign Fixed Interest	Public Sector Bonds	136.8	87.1	0.9
	Corporate Bonds	81.6	126.7	1.2
Foreign Index Linked	Public Sector	64.2	60.3	0.6
	Corporate	0.0	0.0	0.0
Foreign Ordinary and Convertible Shares (Equities)		1,961.3	2,908.0	28.5
Foreign Unit trusts	Property	33.8	28.6	0.3
	Other	166.3	440.8	4.3
<u>Foreign Unquoted</u>				
Foreign Fixed Interest Corporate Bonds		42.4	45.6	0.4
Foreign Private Equity		259.5	361.2	3.5
Foreign Unit Trusts		14.9	25.2	0.2
SUB TOTAL FOREIGN		2,760.8	4,083.5	39.9
TOTAL		6,711.9	10,230.0	100.0



SECTION 11 – INVESTMENT PORTFOLIO

UK equity investments by industry at 31st March 2014

	Book Cost		Market Value		No of Companies
	£m	%	£m	%	
Oil & Gas Producers	262.9	13.7	507.3	13.8	18
Oil Equipment & Services	12.3	0.6	28.1	0.8	7
Alternative Energy	3.4	0.2	3.4	0.1	4
Chemicals	10.8	0.6	30.5	0.8	8
Forestry & Paper	4.3	0.2	7.4	0.2	1
Industrial Metals & Mining	4.5	0.2	1.5	0.0	2
Mining	150.7	7.9	273.0	7.4	16
Construction & Materials	7.0	0.4	11.2	0.3	4
Aerospace & Defence	32.4	1.7	85.0	2.3	8
General Industrials	12.2	0.6	33.1	0.9	5
Electronic & Electrical Equip.	7.8	0.4	23.4	0.6	9
Industrial Engineering	11.7	0.6	49.8	1.4	10
Industrial Transportation	7.6	0.4	14.3	0.4	3
Support Services	83.2	4.3	160.3	4.4	29
Automobiles & Parts	5.0	0.3	17.5	0.5	1
Beverages	31.4	1.6	141.9	3.9	3
Food Producers	11.4	0.6	82.1	2.2	7
Household Goods & Home					
Construction	22.2	1.2	89.8	2.4	8
Personal Goods	3.7	0.2	17.2	0.5	4
Tobacco	41.1	2.1	159.4	4.3	2
Healthcare Equipment & Services	3.1	0.2	15.5	0.4	3
Pharmaceuticals & Biotechnology	77.6	4.0	259.7	7.1	8
Food & Drug Retailers	25.6	1.3	57.3	1.6	4
General Retailers	23.6	1.2	87.1	2.4	18
Media	83.7	4.4	116.8	3.2	16
Travel & Leisure	63.1	3.3	123.5	3.4	22
Fixed Line Telecommunications	44.9	2.3	66.1	1.8	3
Mobile Telecommunications	71.8	3.7	105.2	2.9	2
Electricity	9.0	0.5	29.2	0.8	3
Gas Water & Multi-utilities	46.8	2.4	111.2	3.0	5
Banks	389.3	20.4	380.8	10.5	6
Nonlife Insurance	22.8	1.2	32.9	0.9	6
Life Insurance	97.6	5.1	158.8	4.3	7
Real Estate Invest & Services	6.6	0.3	12.6	0.3	4
Real Estate Investment Trusts	43.8	2.3	66.8	1.8	11
Financial Services	42.4	2.2	70.5	1.9	12
Equity Investment Instruments	105.6	5.5	181.0	4.9	31
Software & Computer Services	15.8	0.8	30.7	0.8	15
Technology Hardware & Equipment	20.3	1.1	31.1	0.8	9
TOTALS	1,919.0	100.0	3,673.0	100.0	334



SECTION 11 – INVESTMENT PORTFOLIO

Analysis of overseas equity investments as at 31st March 2014

	Book Cost		Market Value		No of Companies
	£m	%	£m	%	
Australia	121.9	6.2	165.4	5.7	38
Austria	4.2	0.2	6.5	0.2	8
Belgium	6.1	0.3	3.1	0.1	3
Brazil	58.0	3.0	45.3	1.6	35
Canada	42.1	2.1	58.2	2.0	13
Chile	3.9	0.2	2.3	0.1	6
China	59.7	3.0	76.1	2.6	36
Columbia	3.2	0.2	2.5	0.1	2
Denmark	16.8	0.9	38.8	1.3	12
Ireland	15.3	0.8	27.4	0.9	15
Finland	27.0	1.4	33.9	1.2	18
France	59.2	3.0	121.5	4.2	31
Germany	65.1	3.3	129.9	4.5	34
Greece	6.6	0.3	2.8	0.1	12
Hong Kong	69.4	3.5	89.9	3.1	40
India	0.8	0.0	4.2	0.1	2
Indonesia	12.5	0.6	20.1	0.7	11
Italy	50.2	2.6	58.9	2.0	39
Japan	316.7	16.1	365.6	12.6	92
Korea	56.0	2.9	116.8	4.0	28
Malaysia	20.6	1.1	30.2	1.0	15
Mexico	21.1	1.1	32.1	1.1	18
Netherlands	26.2	1.3	54.8	1.9	15
Norway	21.2	1.1	40.0	1.4	22
Peru	4.8	0.2	3.9	0.1	3
Philippines	12.3	0.6	20.4	0.7	10
Portugal	6.8	0.3	9.4	0.3	9
Singapore	34.6	1.8	51.1	1.8	24
South America	2.4	0.1	5.1	0.2	1
Spain	66.7	3.4	108.2	3.7	27
Sweden	41.1	2.1	78.6	2.7	30
Switzerland	32.6	1.7	135.6	4.7	17
Taiwan	36.7	1.9	46.6	1.6	26
Thailand	18.8	1.0	39.5	1.4	14
United States	535.3	27.3	767.7	26.4	102
Other Asian	3.0	0.2	7.7	0.3	2
Other Eastern European	10.4	0.5	13.1	0.5	4
Other International	37.4	1.9	43.7	1.5	15
Other Western European	34.6	1.8	51.1	1.8	7
TOTALS	1,961.3	100.0	2,908.0	100.0	836



SECTION 11 – INVESTMENT PORTFOLIO

List of twenty largest holdings at 31st March 2014

	Market Value	% of Total Investment
	£m	%
BP	207.1	2.0
HSBC	196.0	1.9
Royal Dutch Shell A	171.5	1.7
Glaxosmithkline	149.1	1.5
British American Tobacco	116.3	1.1
Vodafone	98.5	1.0
Rio Tinto	94.5	0.9
Astrazeneca	93.6	0.9
Diageo	83.1	0.8
Quellos	82.3	0.8
BHP Billiton	81.0	0.8
BG Group	73.8	0.7
Aurum	72.5	0.7
Barclays	66.9	0.7
Prudential	65.7	0.6
BT Group	64.2	0.6
Treasury IL 2029	62.2	0.6
National Grid	60.2	0.6
Unilever	60.0	0.6
Sabmiller	58.2	0.6
TOTAL	1,956.7	19.1



SECTION 12 – ADDITIONAL VOLUNTARY CONTRIBUTIONS

AVC investments

WYPF has three AVC providers – Equitable Life, Scottish Widows and Prudential. In line with Regulation 5(2)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 1998, AVCs are not included in WYPF's Fund Account and Net Assets Statement.

AVC membership information at 31st March 2014.

	Equitable Life	Prudential	Scottish Widows	TOTAL
	£000	£000	£000	£000
Scheme value	£3,165	£6,687	£12,027	£21,879

Scheme members with an AVC policy	Equitable Life	Prudential	Scottish Widows	TOTAL
At 31st March 2014	762	982	1,550	3,294
At 31st March 2013	830	770	1,618	3,218
Members still contributing	55	906	460	1,421



SECTION 13 – ACTUARY’S REPORT

WEST YORKSHIRE PENSION FUND

STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31ST MARCH 2014

Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31st March 2013 by Aon Hewitt Limited, in accordance with Regulation 36 of the Local Government Pension Scheme (Administration) Regulations 2008.

Actuarial Position

1. The valuation as at 31st March 2013 showed that the funding ratio of the Fund had increased since the previous valuation with the market value of the Fund’s assets at that date (of £9,956.7M) covering 96% of the liabilities allowing, in the case of current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1st April 2014 is:
 - 14.3% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date.
Plus
 - Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1st April 2014, amounting to £26.5M in 2014/15, and increasing by 3.9% p.a. thereafter.
3. In practice, each individual employer's position is assessed separately and contributions are set out in Aon Hewitt Limited's report dated 31st March 2014 (the "actuarial valuation report"). In addition to the contributions shown above, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.



SECTION 13 – ACTUARY’S REPORT

4. The funding plan adopted in assessing the contributions for each individual employer is in accordance with the Funding Strategy Statement. Different approaches adopted in implementing contribution increases and individual employers' recovery periods are set out in the actuarial valuation report.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	5.2% p.a.
Discount rate for periods after leaving service	
Scheduled Bodies	5.6% p.a.
Admission Bodies	3.6% p.a.
Rate of pay increases:	
	3.9% p.a.
Rate of increase to pension accounts	
	2.4% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension):	
	2.4% p.a.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation were set out in the actuarial valuation report.

6. The valuation results summarised above are based on the financial position and market levels at the valuation date, 31st March 2013. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1st April 2014 to 31st March 2017 were signed on 31st March 2014. Contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31st March 2016.
8. This Statement has been prepared by the current Actuary to the Fund, Aon Hewitt Limited, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31st March 2013. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

SECTION 13 – ACTUARY’S REPORT

This Statement must not be considered without reference to the formal actuarial valuation report which details fully the context and limitations of the actuarial valuation.

Aon Hewitt Limited does not accept any responsibility or liability to any party other than our client, City of Bradford Metropolitan District Council, the Administering Authority of the Fund, in respect of this Statement.

9. The report on the actuarial valuation as at 31st March 2013 is available on the Fund's website at the following address: [WYPF Valuation/2013](#)

Aon Hewitt Limited
30th April 2014

SECTION 14 – AUDITOR’S REPORT

**TO BE PROVIDED
INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF WEST
YORKSHIRE PENSION FUND**



SECTION 14 – AUDITOR’S REPORT



SECTION 15 – STATEMENT OF ACCOUNTS

STATEMENT OF ACCOUNTS

The City of Bradford Metropolitan District Council (Bradford Council), as administering authority for West Yorkshire Pension Fund, is required to make arrangements for the proper administration of its financial affairs, and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance.

The Director of Finance is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the Fund at 31st March 2014 and its income and expenditure for the year ended 31st March 2014.

In preparing this Statement of Accounts, the Director of Finance has issued a manual on the practices to be adopted in the preparation of the year end accounts. This document sets out arrangements for ensuring the accounts are prepared in a consistent and prudent manner in line with suitable accounting principles.



SECTION 15 – STATEMENT OF ACCOUNTS

Fund Account for the year ended 31st March 2014

	Note	2013/14	2012/13
		£000	£000
Contributions and benefits			
Contributions receivable	1	360,413	338,463
Transfers in	2	28,732	21,751
Other income		0	1
Non-statutory pensions and pensions increases recharged	3	24,182	24,270
		<u>413,327</u>	<u>384,485</u>
Benefits payable	5	-418,555	-388,624
Non-statutory pensions and pensions increase	3	-24,182	-24,270
Payments to and on account of leavers	7	-13,650	-14,482
Administrative and other expenses borne by the scheme	8	-4,691	-4,375
		<u>-461,078</u>	<u>-431,751</u>
Net withdrawals from dealings with members		<u>-47,751</u>	<u>-47,266</u>
Returns on investments			
Investment income	9	265,580	253,204
Taxes on income		-2,174	-2,087
Profit and losses on disposal of and changes in value of investments	11	217,177	952,712
Stock lending	10	1,434	1,167
Underwriting commission		2	4
Investment management expenses		-2,297	-1,842
Net return on investments		<u>479,722</u>	<u>1,203,158</u>
Net increase / (decrease) in the Fund for the year		431,971	1,155,892
Opening net assets of the Fund		9,940,305	8,784,413
Closing net assets of the Fund at 31st March		<u>10,372,276</u>	<u>9,940,305</u>



SECTION 15 – STATEMENT OF ACCOUNTS

Net Assets Statement at 31st March 2014

	Note	2013/14	2012/13
		£000	£000
Investment assets	11		
Fixed interest securities		1,014,078	1,023,063
Equities (including convertible shares)		7,111,415	6,565,740
Index-linked securities		598,625	697,136
Pooled investment vehicles		1,187,433	1,183,798
Cash deposits		318,967	356,205
Other investment balances		87,526	53,743
Investment liabilities			
Other investment balances		-7,675	-14,903
Net investments		10,310,369	9,864,782
Current assets			
Debtors	15	51,940	50,905
Cash balances (not forming part of the investment assets)		22,900	34,182
Current liabilities			
Creditors	16	-12,933	-9,564
Net current assets and liabilities		61,907	75,523
Total net assets of the Fund at 31st March		10,372,276	9,940,305

Signed:

Stuart McKinnon-Evans
Director of Finance
City of Bradford Metropolitan District Council

30 September 2014



SECTION 15 – STATEMENT OF ACCOUNTS

Accounting policies

1. Basis of preparation

The statement of accounts summarises the Fund's transactions for the 2013/14 financial year and its position at year-end as at 31st March 2014. The accounts have been prepared in accordance with the latest Chartered Institute of Public Finance and Accountancy (CPIFA) Code of Practice on Local Authority Accounting in the United Kingdom which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The actuarial present value of promised retirement benefits, valued on an International Accounting Standard (IAS) 19 basis, is disclosed in Note 6 to the accounts.

2. Contributions

Contributions are accounted for on an accruals basis.

Employers have met the indirect costs of early retirement. These costs 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 financial assets.

3. Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period for individual and bulk transfers that came into, or out of the Fund. These are calculated in accordance with the Local Government Pension Scheme Regulations.

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

4. Benefits payable

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

5. Administrative expenses

All administrative expenses are accounted for on an accruals basis. These costs are met from within the employers' contribution payments.



SECTION 15 – STATEMENT OF ACCOUNTS

6. Cash and cash equivalents

Cash comprises of cash in hand and on demand deposits.

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

7. Investment income

Interest due on fixed-interest securities, index-linked securities and short-term investments is accounted for on an accruals basis, income from UK equities is accounted for on the date when stocks are quoted ex-dividend, and other investment income is accounted for when received.

8. Taxation

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

9. Investment management expenses

Investment management expenses are accounted for on an accruals basis and disclosed within the Fund Account.

10. Financial assets and liabilities

On initial recognition, the Fund is required to classify financial assets and liabilities into held-to-maturity investments, available-for-sale financial assets, classified at fair value through profit or loss, or loans and receivables.

The assets and liabilities held by West Yorkshire Pension Fund are classified at fair value through profit or loss, or loans and receivables.

Financial instruments at fair value through profit or loss

Financial assets may be classified as at fair value through profit or loss only if such classification (a) eliminates or significantly reduces a measurement or recognition inconsistency; or (b) applies to a group of financial assets, financial liabilities or both that the fund manages and evaluates on a fair value basis; or (c) relates to an instrument that contains an embedded derivative which is not evidently closely related to the host contract. Financial assets that the Fund classify on initial recognition as being at fair value through profit or loss are recognised at fair value, and are subsequently measured at fair value. Gains and losses on financial assets that are classified as at fair value through profit or loss are recognised in profit or loss as they arise.



SECTION 15 – STATEMENT OF ACCOUNTS

Loans and receivables

Non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market are classified as loans and receivables, except those that are classified as available-for-sale, or classified as at fair value through profit or loss. Loans and receivables are initially recognised at fair value.

11. Fair value of financial instruments

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction. Fair values are determined from quoted prices in active markets for identical financial assets or financial liabilities where these are available. Fair value for a net open position in a financial instrument in an active market is the number of units of the instrument held multiplied by the current bid price (for financial assets) or offer price (for financial liabilities).

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

Valuation methodology

Financial instruments include financial assets and financial liabilities. The fair value of a financial instrument is the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The methodologies adopted in valuing financial instruments are explained in greater detail in note 14 to the accounts.

Wherever possible, fair values have been calculated using unadjusted quoted market prices in active markets. Where quoted market prices are not available, or are unreliable because of poor liquidity, fair values have been determined using valuation techniques which, to the extent possible, use market observable inputs, but in some cases use non-market observable inputs.

Because a variety of estimation techniques are employed and significant estimates made, comparisons of fair values between financial institutions may not be meaningful.



SECTION 15 – STATEMENT OF ACCOUNTS

Readers of these financial statements are thus advised to use caution when using this data to evaluate the Fund's financial position.

Fair value information is not provided for items that do not meet the definition of a financial instrument.

Fair values of financial instruments are carried at amortised cost. The fair value of deposits is considered to be equal to their carrying value. Receivables are disclosed at their carrying value, and no discounting is performed on amounts receivable over a period greater than 12 months, as this is not considered material.

12. Additional voluntary contributions (AVCs)

In line with Regulation 5(2) (c) of the Local Government Pension Scheme (management and Investment of Funds) Regulations 1998, AVCs are not shown in the Fund Account and Net Assets Statement. Details of AVC investments are, however, included in the commentary in the 'Investment Report' and in the 'Notes to the Accounts' (Note 4).

AVC investments are valued by the Equitable Life Assurance Society, Scottish Widows and Prudential. Those AVC funds that relate to the with profits fund are valued at contributions. The value of the unit-linked fund element is based on the bid price of the relevant fund at the year-end date.

13. Currency translation

Investments in foreign currency are translated into Sterling at exchange rates ruling at the financial year-end. Any gains or losses arising are treated as part of the change in market value of investments. Cash held in foreign currency at the year-end are translated into sterling at exchange rates ruling at the time the balances were acquired. Transactions throughout the year are translated at the exchange rate prevailing at the date of the most recent currency trade.

14. Acquisition costs of investments

Acquisition costs of investments are included in the purchase price.

15. Critical accounting estimates and judgements

The preparation of the Fund's financial statements in accordance with IFRS requires management to make judgements, estimates and assumptions in applying accounting policies that affect the reported amounts of assets, liabilities, income and expenses. Due to the inherent uncertainty in making estimates, actual results reported in future periods may be based upon amounts which differ from those estimates. Estimates, judgements and assumptions are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.



SECTION 15 – STATEMENT OF ACCOUNTS

The significant judgements made by management in applying the Fund's accounting policies and key sources of estimation uncertainty in these financial statements, which together are deemed critical to the Fund's results and financial position, are explained below.

Fair value of financial instruments

In accordance with IFRS 7, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty.

Retirement benefit obligations

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note (note 6) and doesn't comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which is disclosed in note 6.

16. Netting

A financial asset and a financial liability shall be offset and the net amount presented in the Net Assets Statement when and only when, the Fund:

- a) Currently has a legally enforceable right to set off the recognised amounts,
- And
- b) Intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

17. Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in a note to the accounts.

Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The

SECTION 15 – STATEMENT OF ACCOUNTS

amounts “called” by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

Aggregate undrawn commitments at 31st March 2014 equated to £450.4m (31st March 2013: £405.4m).

18. Investment transactions

Investment transactions occurring up to 31st March 2014 but not settled until later are accrued in the accounts.



SECTION 15 – STATEMENT OF ACCOUNTS

Note to the accounts

1. Contributions receivable

Note	2013/14	2012/13
	£000	£000
Employers	256,768	238,987
Members	103,645	99,476
Total	360,413	338,463
By type of employers	£000	£000
Contribution income		
Administering authority	54,129	48,800
Scheduled bodies	273,727	257,320
Admitted bodies	32,475	32,147
Bodies with no further interest	82	196
Total	360,413	338,463

Employers' contribution rates

Employers are required to pay contributions at a rate set by the Fund's actuary on a three year cycle. The employers' contributions for 2013/14 reflect the rates set for the three financial years 2011/2012 to 2013/14, and the current rate was set by the 2010 actuarial valuation.

Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2008, and there are several tiered employee contribution rates. For 2013/14 the rates start at 5.5% payable by employees with salaries up to £13,700 a year, and the highest rate is 7.5% to be paid on salaries over £87,100 a year.

Additional voluntary contributions

The Fund has made provision for employees to make additional voluntary contributions (AVCs) under AVC Schemes with Equitable Life, Scottish Widows and Prudential. All contributions by employees to the AVC schemes are made direct to Equitable Life, Scottish Widows and Prudential, further details of which are shown in note 4.



SECTION 15 – STATEMENT OF ACCOUNTS

2. Transfers in from other pension funds

	2013/14	2012/13
	£000	£000
Individual transfers in from other schemes	28,732	20,613
Bulk transfers in from other schemes	0	1,138
Total transfers in	28,732	21,751

3. Non-statutory pensions increase and recharges

	2013/14	2012/13
	£000	£000
Pensions	24,182	24,270
Lump sums	0	0
Total	24,182	24,270

The costs of added years granted by participating employers for early retirement together with associated inflation proofing costs are reimbursed to the Fund, by the employer. Costs of annual inflation proofing for non-participating employers are also recharged.



SECTION 15 – STATEMENT OF ACCOUNTS

4. AVC Scheme – Equitable Life, Scottish Widows and Prudential

Details of AVC transactions are as follows:

	2013/14	2012/13
	£000	£000
Value of funds at 1 April	20,704	17,479
Contributions received	3,746	3,464
Transfers and withdrawals	74	129
Internal transfers	54	109
Interest and bonuses/change in market value of assets	915	1,478
Sale of investments to settle benefits due to members	-3,614	-1,955
Value of funds at 31st March	21,879	20,704

AVC investments by providers	Active members	Members 2013/14	Members 2012/13	2013/14	2012/13
				£000	£000
Equitable Life	460	1,550	1,618	3,165	3,378
Prudential	906	982	770	6,687	5,028
Scottish Widows	55	762	830	12,027	12,298
Total	1,421	3,294	3,218	21,879	20,704

The 2012/13 amounts relating to Prudential AVC were revised by the provider after the 2012/13 accounts were completed, they have therefore been restated.



SECTION 15 – STATEMENT OF ACCOUNTS

5. Benefits payable

	2013/14	2012/13
	£000	£000
Pensions		
Funded pensions – retired employees	-301,426	-286,444
Funded pensions – dependants	-25,979	-24,978
Total pensions	-327,405	-311,422
Lump sums		
Funded lump sums on retirement	-80,263	-67,401
Funded lump sums on death	-10,887	-9,801
Total benefits paid in year	-418,555	-388,624
Benefits payable by type of employers		
Pensions		
Administering authority	-61,400	-60,693
Scheduled bodies	-302,048	-280,946
Admitted bodies	-39,904	-41,291
Other interested bodies with no pensionable employees	-15,203	-5,694
Total pensions	-418,555	-388,624

For participating employers, all basic pensions plus the costs of annual inflation proofing are met from the assets of the Fund.

Details of AVC benefits are shown in note 4.

SECTION 15 – STATEMENT OF ACCOUNTS

6. Actuarial present value of promised retirement benefits

Introduction

The Fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the Fund as a whole.

The Fund provides defined benefits, which for membership to 31st March 2014, are based on members' Final Pensionable Pay.

The required valuation is carried out by the Fund Actuary, Aon Hewitt, using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (Actuarial statement on p49).

The information set out below relates to actuarial present value of the promised retirement benefits in the Fund.

Actuarial present value of promised retirement benefits

Paragraph 6.5.2.7 of CIPFA's Code of Practice on local authority accounting for 2013/14 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31st March 2013 together with the 2010 figures are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS19 assumptions.

	31 st March 2013	31 st March 2010
	£m	£m
Fair value of net assets	9,940.30	7,916.91
Actuarial present value of the promised retirement benefits	12,259.30	11,726.54
Surplus / (deficit) in the Fund as measured for IAS26 purposes	-2,319.00	-3,809.63

SECTION 15 – STATEMENT OF ACCOUNTS

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31st March 2013. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 st March 2013	31 st March 2010
	% p.a.	% p.a.
Discount rate	4.5	5.5
RPI Inflation	3.4	3.9
CPI Inflation	2.4	3.0
Rate of increase to pensions in payment*	2.4	3.9
Rate of increase to deferred pensions*	2.4	3.9
Rate of general increase in salaries **	3.9	5.4

* *In excess of Guaranteed Minimum Pension increases in payment where appropriate*

** *In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at 31st March 2013.*

The assumptions to which the actuarial present value of promised retirement benefits are most sensitive are the discount rate, net of pay and pension increases, and the longevity improvement assumption.



SECTION 15 – STATEMENT OF ACCOUNTS

Principal demographic assumptions

Post retirement mortality	31 st March 2013	31 st March 2010
Males		
Base table	Standard SAPS Normal Health All Amounts (S1NMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	22.5	21.7
Future lifetime from age 65 (currently aged 45)	24.7	23.6
Females		
Base table	Standard SAPS Normal Health All Amounts tables (S1NFA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	100%	105%
Allowance for future improvements	CMI 2012 with a long-term rate of improvement of 1.5% p.a.	In line with CMI 2009 with long-term improvement of 1.25% p.a.
Future lifetime from age 65 (currently aged 65)	25.4	23.9
Future lifetime from age 65 (currently aged 45)	27.7	25.9

* A rating of x years means that members of the Fund are assumed to follow the mortality pattern of the base table for an individual x years older than them. The ratings shown apply to normal health retirements.

** The scaling factors shown apply to normal health retirements.



SECTION 15 – STATEMENT OF ACCOUNTS

	31 st March 2013	31 st March 2010
Commutation	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service is 75% of the permitted maximum.	Each member is assumed to exchange 50% of the maximum amount permitted of their past service pension rights on retirement for additional lump sum. Each member is assumed to exchange 75% of the maximum amount permitted of their future service pension rights on retirement for additional lump sum.
Changes in benefits during the accounting period	There have been no changes in benefits during the accounting period. No allowance has been made in our calculations for the new Scheme benefits accruing from 1st April 2014.	

7. Payments to and on account of leavers

	2013/14	2012/13
	£000	£000
Refund of contributions	-59	-22
Individual transfers	-13,591	-14,460
Bulk transfers	0	0
	-13,650	-14,482

All transfer values paid during the year were calculated either in accordance with the provisions of the Local Government Pension Scheme Regulations, or where applicable, in the manner required by Chapter IV of Part IV of the Pension Schemes Act 1993. Where both methods of calculation could be applied, the higher amount was paid in all cases. Details of AVC Refunds and Transfers are shown in Note 4.

SECTION 15 – STATEMENT OF ACCOUNTS

8. Administrative expenses and other expenses

	2013/14	2012/13
	£000	£000
Administration and processing	-4,353	-4,546
Actuarial fees	-256	223
Audit fee	-48	-48
Legal and other professional fees	-34	-4
Total	-4,691	-4,375

In 2012/13 an amount previously set aside for Actuarial fees was reversed after contractual negotiation.

9. Investment income

	2013/14	2012/13
	£000	£000
Income from fixed interest securities	43,600	41,775
Dividends from equities	198,774	185,362
Income from index-linked securities	8,304	8,289
Income from pooled funds	13,969	14,680
Interest on cash deposits	933	3,098
Total	265,580	253,204



SECTION 15 – STATEMENT OF ACCOUNTS

10. Stock lending

	2013/14	2012/13
	£000	£000
UK stock lending		
Income - fixed interest	222	132
Income - UK equities	372	353
Overseas equities	1,022	1,133
	1,616	1,618
Less - costs	-182	-451
Total	1,434	1,167

At 31st March 2014, £708.2 million of stock was on loan to market makers, (31st March 2013 £895.2m) and this was covered by collateral totalling £751.6 million, (31st March 2013 £960m), which includes an appropriate margin, comprising UK & International Government Bonds (£402.7 million), International Equities (£161.5 million) and UK Equities (£187.4 million).



SECTION 15 – STATEMENT OF ACCOUNTS

11. Investments

Movement in the value of investments in 2013/14

	Opening Value at 01.04.13	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.14
	£000	£000	£000	£000	£000
Fixed interest securities	1,023,063	315,367	-276,123	-45,054	1,017,253
Equities	6,565,740	640,928	-344,093	245,665	7,108,240
Index-linked securities	697,136	141,243	-193,058	-46,696	598,625
Pooled funds	1,183,798	70,948	-130,575	63,262	1,187,433
Cash deposits	356,205	0	-37,238	0	318,967
Other investment debtors	53,743	0	33,783	0	87,526
Other investment creditors	-14,903	7,228	0	0	-7,675
	9,864,782	1,175,714	-947,304	217,177	10,310,369

Comparative movement in the value of investments in 2012/13

	Opening Value at 01.04.12	Purchases Cost	Sales Proceeds	Change in MV	Closing Value at 31.03.13
	£000	£000	£000	£000	£000
Fixed interest securities	918,993	283,250	-248,412	69,232	1,023,063
Equities	5,667,062	403,371	-254,262	749,569	6,565,740
Index-linked securities	636,598	77,425	-77,624	60,737	697,136
Pooled funds	1,225,230	58,513	-173,119	73,174	1,183,798
Cash deposits	239,332	116,873	0	0	356,205
Other investment debtors	34,408	0	19,335	0	53,743
Other investment creditors	-2,986	-11,917	0	0	-14,903
	8,718,637	927,515	-734,082	952,712	9,864,782

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 the sale of investments during the year. Cash deposit represents cash element of investment assets.



SECTION 15 – STATEMENT OF ACCOUNTS

Investments analysis by security type

	2013/14	2012/13
	£000	£000
Fixed interest securities:		
UK public sector quoted	390,878	413,515
UK other quoted	334,642	339,463
UK unquoted	29,059	32,427
Overseas public sector quoted	132,754	108,652
Overseas other quoted	81,192	69,927
Overseas unquoted	45,553	59,079
Total Fixed Interest Securities	1,014,078	1,023,063
Equities:		
UK quoted	3,672,397	3,430,785
UK unquoted	169,825	145,969
Overseas quoted	2,908,019	2,638,846
Overseas unquoted	361,174	350,140
Total equities	7,111,415	6,565,740
Index linked securities:		
UK public sector quoted	486,635	516,799
UK other quoted	51,692	54,696
Overseas public sector quoted	60,298	125,641
Total index linked securities	598,625	697,136
Managed and unitised funds:		
Hedge funds	260,408	321,098
Property	322,998	290,319
Other	604,027	572,381
Total managed funds	1,187,433	1,183,798
Cash deposits:		
Sterling	318,967	356,205
Total investments	10,230,518	9,825,942



SECTION 15 – STATEMENT OF ACCOUNTS

Concentration of investments

The SORP and Code require disclosure where there is a concentration of investment which exceeds either 5% of the total value of the net assets of the scheme or of class of security. No single investment makes 5% of the value of the scheme. Those which make 5% of a class of security are listed below:

	2013/14	2012/13
	£000	£000
Fixed interest securities		
Treasury 1.75% 2022	57,370	61,206
Index linked securities		
Treasury 2020	52,282	56,298
Treasury 2022	34,446	37,578
Treasury 2024	50,297	77,240
Treasury 2029	62,200	n/a
Treasury 2030	31,362	62,622
Treasury 2035	43,431	57,328
Treasury 2040	49,070	50,926
Treasury 2044	46,851	n/a
US Treasury 2022	n/a	41,024
Managed and unitised funds		
Aurum ISIS Sterling Fund	72,508	68,517
QIP Ltd	82,333	76,276



SECTION 15 – STATEMENT OF ACCOUNTS

12. Financial instruments – classification

The following table analyses the carrying amounts of the financial assets and liabilities by category and by net asset statement heading.

31st March 2014				
	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
	£000	£000	£000	£000
Financial Assets				
Fixed interest securities	1,014,078	0	0	1,014,078
Equities	7,111,415	0	0	7,111,415
Index-linked securities	598,625	0	0	598,625
Pooled investment vehicles	1,187,433	0	0	1,187,433
Cash deposits (Investments)	0	318,967	0	318,967
Cash balances (not forming part of the investment assets)	0	22,900	0	22,900
Other investment balances	87,526		0	87,526
Debtors	0	51,940	0	51,940
Total financial assets	9,999,077	393,807	0	10,392,884
Financial Liabilities				
Other investment balances	-7,675	0	0	-7,675
Creditors	0	0	-12,933	-12,933
Total financial liabilities	-7,675	0	-12,933	-20,608



SECTION 15 – STATEMENT OF ACCOUNTS

	31 st March 2013			
	Classified as at fair value through profit or loss	Loans and receivables	Financial assets / liabilities at amortised cost	Total financial assets / liabilities
Financial Assets	£000	£000	£000	£000
Fixed interest securities	1,023,063	0	0	1,023,063
Equities	6,565,740	0	0	6,565,740
Index-linked securities	697,136	0	0	697,136
Pooled investment vehicles	1,183,798	0	0	1,183,798
Cash deposits (Investments)	0	356,205	0	356,205
Cash balances (not forming part of the investment assets)	0	34,182	0	34,182
Other investment balances	53,743	0	0	53,743
Debtors	0	50,905	0	50,905
Total financial assets	9,523,480	441,292	0	9,964,772
Financial Liabilities				
Other investment balances	-14,903	0	0	-14,903
Creditors	0	0	-9,564	-9,564
Total financial liabilities	-14,903	0	-9,564	-24,467

All net gains or losses on financial instruments are on those classified as financial assets at fair value through profit or loss.



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13. Financial instruments – fair values of financial assets and liabilities

The following table summarises the carrying values of financial assets and liabilities presented on the Fund's net asset statement. The fair values presented in the table are at a specific date and may be significantly different from the amounts which will actually be paid or received on the maturity or settlement date.

	2013/14 Carrying value	2012/13 Carrying value	2013/14 Fair value	2012/13 Fair value
	£000	£000	£000	£000
Financial assets				
Trading and other financial assets at fair value through profit or loss	9,999,077	9,523,480	9,999,077	9,523,480
Loans and receivables	370,907	407,110	370,907	407,110
Total financial assets	10,369,984	9,930,590	10,369,984	9,930,590
Financial liabilities				
Trading and other financial liabilities at fair value through profit or loss	-7,675	-14,903	-7,675	-14,903
Financial liabilities at amortised cost	-12,933	-9,564	-12,933	-9,564
Total financial liabilities	-20,608	-24,467	-20,608	-24,467



SECTION 15 – STATEMENT OF ACCOUNTS

14. Financial instruments – valuation

Valuation of financial assets carried at fair value.

The valuations of financial assets have been classified into three levels according to the quality and reliability of information used to determine the fair values.

Level 1

Level 1 fair value measurements are those derived from unadjusted quoted prices in active markets for identical assets or liabilities. Financial assets classified as level 1 comprise quoted equities, quoted fixed interest securities, quoted index linked securities and unit trusts.

Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.

Level 2

Level 2 valuations are those where quoted market prices are not available, for example where the financial asset is traded in a market that is not considered to be active or valuation techniques are used to determine fair value and where these techniques use inputs that are based significantly on observable market data. Financial asset classified as level 2 are property funds and currency funds.

Property Funds are valued at closing bid price. Property valuations are normally undertaken by the Property Trusts' own valuers. The values disclosed in the financial statements are extracted from valuation statements issued by the Property Trust. Valuations are performed in accordance with RICS (Royal Institution of Chartered Surveyors) Valuation Standards (The Red Book), or the international equivalent.

Level 3

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

The values of investment in private equity are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. These valuations are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31st March as appropriate.

The values of investments in Fund of Hedge Funds are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment

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fund performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.

The table below provides an analysis of the financial assets and liabilities of the Fund that are carried at fair value in the Fund's Net Asset Statement, grouped into levels 1 to 3 based on the degree to which the fair value is observable.

Valuation hierarchy

	31 st March 2014			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	8,810	323	866	9,999
Loans and receivables	371	0	0	371
Total financial assets	9,181	323	866	10,370
Financial liabilities				
Financial liabilities at fair value through profit or loss	-8	0	0	-8
Total financial liabilities	-8	0	0	-8

	31 st March 2013			
	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
Financial assets				
Financial assets at fair value through profit or loss	8,324	313	886	9,523
Loans and receivables	407	0	0	407
Total financial assets	8,731	313	886	9,930
Financial liabilities				
Financial liabilities at fair value through profit or loss	-15	0	0	-15
Total financial liabilities	-15	0	0	-15



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15. Current assets (Debtors)

Debtors

	2013/14	2012/13
	£000	£000
Contributions due from employers	25,307	28,226
Other Debtors	26,633	22,679
	51,940	50,905
By type of body:		
Central government bodies	184	340
Other local authorities	44,653	42,847
NHS bodies	18	8
Public corporations and trading funds	1,595	1,748
Bodies external to general government	5,490	5,962
	51,940	50,905

16. Current liabilities

	2013/14	2012/13
	£000	£000
Unpaid benefits	-9,329	-6,137
Other current liabilities	-3,604	-3,427
	-12,933	-9,564
By type of body:		
Central government bodies	-3,604	-3,427
Other local authorities	0	0
NHS bodies	0	0
Public corporations and trading funds	0	0
Bodies external to general government	-9,329	-6,137
	-12,933	-9,564



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17. Related party transactions

In accordance with IAS24 Related Party Disclosures, material transactions with related parties not disclosed elsewhere are detailed below.

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. Contributions in respect of March 2014 payroll are included within the debtors figure in note 15.

Central government bodies are related parties and are included within the creditors figure in note 16.

In 2013/14, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £596,850 in respect of support services provided (£578,514 in 2012/13). The charge included accommodation, financial, legal and information technology services.

Under legislation introduced in 2003/04, eligible councillors are entitled to join the scheme.

No senior officers responsible for the administration of the Fund have entered into any contract, other than their contract of employment with City of Bradford Metropolitan District Council, for the supply of goods or services to the Fund.

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £117,600 (2013 £116,624). Details of the remuneration for these two posts are included in Note 30 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2014 was valued at £19m, and has an original cost of £4.9m. There has been no investment activity with the Fund during 2013/14. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

18. Nature and extent of risks arising from Financial Instruments

Risk and risk management

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

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The management of risk is set out in the Fund's Statement of Investment Principles, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at www.wyph.org.uk

The Investment Principles are managed by the Investment Advisory Panel, whose responsibility it is to ensure that the Fund's investment portfolio, which is managed in-house, agrees with policy and strategy with regard to asset allocation.

The Fund routinely monitors all risks in accordance with the Fund's risk management strategy.

a) **Market risk**

Market risk is the risk of loss from fluctuations in equity and commodity prices, interest and foreign exchange rates and credit spreads. The Fund is exposed to market risk from its investment activities, particularly through its equity holdings. The level of risk exposure depends on market conditions, expectations of future price and yield movements and the asset mix.

The objective of the Fund's risk management strategy is to identify, manage and control market risk exposure within acceptable parameters, whilst optimising the return on risk.

In general, excessive volatility in market risk is managed through the diversification of the portfolio in terms of geographical and industry sectors and individual securities. To mitigate market risk, the Fund and its investment advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable. Mercer Investment Consulting completed an Investment Strategy Review for WYPF in 2008, and this has provided details of the risks associated with adopting the fund-specific benchmark and variations to it.

Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.

Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's actuary.

Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.



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b) Price risk

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

The Fund is exposed to share price risk. This arises from investments held by the Fund for which the future price is uncertain. All securities investments present a risk of loss of capital. Except for shares sold short, the maximum risk resulting from financial instruments is determined by the fair value of the financial instruments. Possible losses from shares sold short is unlimited.

The Fund's investment managers mitigate this price risk through diversification. The selection of securities and other financial instruments is monitored by the Fund to ensure it is within limits specified in the Fund's investment strategy.

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2013/14 reporting period.

Asset Type	2013/14	2012/13
	Potential Market Movement +/- (%p.a.)	Potential Market Movement +/- (%p.a.)
UK equities	12.2	13.0
Overseas equities	11.4	12.2
UK gilts	5.4	5.5
UK corporate bonds	5.1	4.2
UK index-linked	7.4	7.1
Overseas bonds	7.6	7.5
Alternatives (universe)	4.3	3.7
Property	2.0	1.1
Cash	0.0	0.0

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years.



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This can then be applied to the period end asset mix as follows.

Asset type	Value as at 31 st March 2014	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	3,842,222	12.2	4,310,973	3,373,471
Overseas equities	3,269,193	11.4	3,641,881	2,896,505
UK gilts	390,878	5.4	411,985	369,771
UK corporate bonds	363,701	5.1	382,250	345,152
UK index-linked	538,327	7.4	578,163	498,491
Overseas bonds	319,797	7.6	344,102	295,492
Alternatives (universe)	864,435	4.3	901,606	827,264
Property	322,998	2.0	329,458	316,538
Cash	318,967	0.0	318,967	318,967
Other investment assets	87,526	0.0	87,526	87,526
Other investment liabilities	-7,675	0.0	-7,675	-7,675
Total investment assets	10,310,369		11,299,236	9,321,502

Asset type	Value as at 31 st March 2013	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK equities	3,576,754	13.0	4,041,732	3,111,776
Overseas equities	2,988,986	12.2	3,353,642	2,624,330
UK gilts	413,515	5.5	436,258	390,772
UK corporate bonds	371,890	4.2	387,509	356,271
UK index-linked	571,495	7.1	612,071	530,919
Overseas bonds	363,299	7.5	390,546	336,052
Alternatives (universe)	893,479	3.7	926,538	860,420
Property	290,319	1.1	293,513	287,125
Cash	356,205	0.0	356,205	356,205
Other investment assets	53,743	0.0	53,743	53,743
Other investment liabilities	-14,903	0.0	-14,903	-14,903
Total investment assets	9,864,782		10,836,854	8,892,710



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c) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's direct exposure to interest rate movements as at 31st March 2014 and 31st March 2013 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 st March	31 st March
	2014	2013
	£000	£000
Cash deposits	318,967	356,205
Cash balances	22,900	34,182
Total	341,867	390,387

d) 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 assumed interest rate volatility is 100 basis point (BPS) per annum.

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

Asset type	Carrying amount as at 31 st March 2014	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	318,967	3,190	-3,190
Cash balances	22,900	229	-229
Total	341,867	3,419	-3,419



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Asset type	Carrying amount as at 31 st March 2013	Change in year in the net assets available to pay benefits	
		+100BPS	-100BPS
	£000	£000	£000
Cash deposits	356,205	3,562	-3,562
Cash balances	34,182	342	-342
Total	390,387	3,904	-3,904

e) Currency risk

Currency risk represents the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Fund is exposed to currency risk on financial instruments that are denominated in any currency other than the functional currency of the Fund (GBP). The Fund holds both monetary and non-monetary assets denominated in currencies other than GBP.

The following table summarises the Fund's currency exposure as at 31st March 2014 and 31st March 2013:

Currency exposure - asset type	Value as at 31 st March 2014	Value as at 31 st March 2013
	£000	£000
Overseas quoted fixed interest securities	213,946	178,579
Overseas unquoted fixed interest securities	45,553	59,079
Overseas quoted equities	2,908,019	2,638,846
Overseas unquoted equities	361,174	350,140
Overseas quoted index linked securities	60,298	125,641
Overseas unit trusts	466,401	464,007
Property funds	28,621	22,794
Total overseas assets	4,084,012	3,839,086



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Currency risk – sensitivity analysis

Following analysis of historical data in consultation with the Fund investment advisors, the Fund considers the likely volatility associated with foreign exchange rate movements to be 5.7%, (2012/13 5.8%).

A 5.7% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would increase/decrease the net assets available to pay benefits as follows.

Asset type	Value as at 31 st March 2014	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	213,946	226,141	201,751
Overseas unquoted fixed interest securities	45,553	48,150	42,956
Overseas quoted equities	2,908,019	3,073,776	2,742,262
Overseas unquoted equities	361,174	381,761	340,587
Overseas quoted index linked securities	60,298	63,735	56,861
Overseas unit trusts	466,401	492,986	439,816
Property funds	28,621	30,252	26,990
Total overseas assets	4,084,012	4,316,801	3,851,223

Asset type	Value as at 31 st March 2013	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted fixed interest securities	178,579	188,937	168,221
Overseas unquoted fixed interest securities	59,079	62,506	55,652
Overseas quoted equities	2,638,846	2,791,899	2,485,793
Overseas unquoted equities	350,140	370,448	329,832
Overseas quoted index linked securities	125,641	132,928	118,354
Overseas unit trusts	464,007	490,919	437,095
Property funds	22,794	24,116	21,472
Total overseas assets	3,839,086	4,061,753	3,616,419



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f) Credit risk

Credit risk represents the risk that the counterparty to a transaction or a financial instrument will fail to discharge an obligation and cause the Fund to incur a financial loss. The market values of investments generally reflect an assessment of credit in their pricing and consequently the risk of loss is implicitly provided for in the carrying value of the Fund's financial assets and liabilities.

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. 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.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 10.

g) Liquidity risk

Liquidity risk represents the risk that the Fund will not be able to meet its financial obligations as they fall due. The Fund therefore takes steps to ensure there are adequate cash resources available to meet its commitments. This will particularly be the case for cash, from the cashflow matching mandates from the main investment strategy to meet pensioner payroll costs, and also cash to meet investment commitments.

19. Contingent liabilities and contractual commitments

At 31st March 2014 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 st March 2014	Un-drawn commitments
	£m	£m
Asset class		
Private equity	530.4	352.9
Property funds	323.0	78.8
Global bonds	322.7	18.7
	1,176.1	450.4



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At 31st March 2013 the West Yorkshire Pension Fund had the following un-drawn commitments:

	Investment Value at 31 st March 2013	Un-drawn commitments
	£m	£m
Asset class		
Private equity	495.8	332.0
Property funds	290.3	52.8
Global bonds	366.6	20.6
	1,152.7	405.4

20. Accounting Developments

The following accounting standard pronouncements have been fully implemented by the Fund.

IFRS 13 Fair Value Measurement – The standard defines fair value, sets out a framework for measuring fair value and requires disclosures about fair value measurements. It applies to IFRSs that require or permit fair value measurements or disclosure about fair value measurements. Effective from annual periods beginning on or after 1 January 2014.

Amendments to IAS 32 Financial Instruments: Presentation – ‘Offsetting Financial Assets and Financial Liabilities’ Inserts application guidance to address inconsistencies identified in applying the offsetting criteria used in the standard. Some gross settlement systems may qualify for offsetting where they exhibit certain characteristics akin to net settlement. Effective from annual periods beginning on or after 1 January 2014



SECTION 16 – RESOLVING COMPLAINTS

Internal disputes resolution procedure

With pensions being such a complicated issue at times it's inevitable that occasionally disagreements between members, employers and WYPF arise.

When disagreements do happen we do all we can to try to resolve them informally and reach an agreement.

But this isn't always possible. The scheme provides a formal way for disagreements to be resolved: the Internal Disputes Resolution Procedure.

The Internal Disputes Resolution Procedure is a two -stage process.

Stage 1 gives scheme members a chance to have a disagreement reviewed by either the employer or WYPF, depending on whom the dispute is against. The review will be undertaken by the person specified by the body which was responsible for making the original decision being appealed. The member must apply for a review under Stage 1 within 6 months of the disagreement coming to light.

If the scheme member or their employer is not happy with the outcome of the Stage 1 review, they can refer the matter to the administering authority for review under the procedure's second stage.

If further help is needed?

The Pensions Advisory Service (TPAS) can also help with resolving disputes if both stages of the Internal Disputes Resolution Procedure have not provided an agreement.

The Pensions Ombudsman settles disputes and investigates complaints that TPAS has not been able to settle. The Ombudsman's decision is final and binding on all the parties to a dispute.

Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role is to protect pension scheme members' interests and it can step in and run schemes where employers, professional advisers or trustees or administrators have failed in their duties.

SECTION 17 – FURTHER INFORMATION AND CONTACTS

WYPF's senior management team are

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SECTION 17 – FURTHER INFORMATION AND CONTACTS

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Our office at Argus Chambers, Britannia House, Hall Ings, Bradford, is open Monday to Friday
between 08.45 and 16.30.

Company information

WEST YORKSHIRE PENSION FUND

[ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL]

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