



Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Wednesday, 17 October 2018 at 10.00 am in Aldermanbury House, Godwin Street, Bradford

Members of the Committee

Employer Representatives	Member Representatives
Councillor M Slater (Chair) – Bradford	Mr G Nesbitt – GMB
Councillor J Lewis– Leeds	Mr M Binks – Unison
Councillor G Burton – Wakefield	Mr C Sykes – Unison
Ms R Manning - Employer	Mr M Morris - Unite

Notes:

- This agenda can be made available in Braille, large print or tape format on request by contacting the Agenda contact shown below.
- The taking of photographs, filming and sound recording of the meeting is allowed except if Councillors vote to exclude the public to discuss confidential matters covered by Schedule 12A of the Local Government Act 1972. Recording activity should be respectful to the conduct of the meeting and behaviour that disrupts the meeting (such as oral commentary) will not be permitted. Anyone attending the meeting who wishes to record or film the meeting's proceedings is advised to liaise with the Agenda Contact who will provide guidance and ensure that any necessary arrangements are in place. Those present who are invited to make spoken contributions to the meeting should be aware that they may be filmed or sound recorded.
- If any further information is required about any item on this agenda, please contact the officer named at the foot of that agenda item.

From:

Parveen Akhtar

City Solicitor

Agenda Contact:

Phone: 01274 432270

E-Mail: jane.lythgow@brdford.gov.uk

To:

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

(Members Code of Conduct - Part 4A of the Constitution)

To receive disclosures of interests from members and co-opted members on matters to be considered at the meeting. The disclosure must include the nature of the interest.

An interest must also be disclosed in the meeting when it becomes apparent to the member during the meeting.

Notes:

- (1) *Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*
- (2) *Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.*
- (3) *Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.*
- (4) *Officers must disclose interests in accordance with Council Standing Order 44.*

2. MINUTES

Recommended –

That the minutes of the meeting held on 28 March 2018 be signed as a correct record (previously circulated).

(Jane Lythgow – 01274 432270)

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

(Access to Information Procedure Rules – Part 3B of the Constitution)

Reports and background papers for agenda items may be inspected by contacting the person shown after each agenda item. Certain reports and background papers may be restricted.

Any request to remove the restriction on a report or background paper should be made to the relevant Strategic Director or Assistant Director whose name is shown on the front page of the report.

If that request is refused, there is a right of appeal to this meeting.

Please contact the officer shown below in advance of the meeting if you wish to appeal.

(Jane Lythgow - 01274 432270)

B. BUSINESS ITEMS

4. MINUTES OF THE WYPF JOINT ADVISORY GROUP (JAG) 26 JULY 2018 1 - 14

The report of the Director, West Yorkshire Pension Fund, (**Document “A”**) reminds Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The Minutes of meeting of WYPF Joint Advisory Group, 26 July 2018 are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommended –

Members are requested to review the minutes of the WYPF JAG meeting held on 26 July 2018.

(Rodney Barton – 01274 434523)

5. **WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2018** 15 - 24

The report of the Director, West Yorkshire Pension Fund (**Document “B”**) provides a summary of West Yorkshire Pension Fund’s financial position for the year ended 31 March 2018.

Recommended –

That the report be noted.

(Ola Ajala – 01274 434534)

6. **WEST YORKSHIRE PENSION FUND - FIVE YEAR INTERNAL AUDIT PLAN 2018/19 TO 2022/23** 25 - 30

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) presents the latest five year internal audit plan for West Yorkshire Pension Fund (WYPF). The plan is reviewed annually between WYPF finance team and City of Bradford Metropolitan District Council (CBMDC) internal audit by carrying out a detailed assessment of WYPF business risks, pensions and investment regulatory compliance environments, and service developments.

The latest plan delivers a planned increase in internal audit resource to cover increased operational activities from shared services and investment pooling activities in Northern Pool. WYPF have worked with CBMDC internal audit to secure additional audit resources.

Recommended –

That the report be noted.

(Ola Ajala – 01274 434534)

7. **REGISTER OF BREACHES OF LAW** 31 - 44

The Director, West Yorkshire Pension Fund, will present **Document “D”** which reports that, in accordance with the Public Service Pensions Act 2013, all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

A Register of Breaches of Law is therefore maintained in accordance with The Pensions Regulator's requirements and WYPF Breaches Procedure.

Recommended

That the entries on the Register of Breaches of Law be noted.

(Caroline Blackburn – 01274 434523)

8. LOCAL GOVERNMENT PENSION SCHEME 45 - 50

The Director, West Yorkshire Pension Fund, will present a report, (**Document "E"**) which updates Members on changes affecting the Local Government Pension Scheme (LGPS).

Recommended –

That the report be noted.

(Tracy Weaver - 01274 433571)

9. DATA QUALITY 51 - 54

The Director, West Yorkshire Pension Fund, will present a report (**Document "F"**) which explains that The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their members' pension contributions.

Document "F" confirms that work has started to assess the quality of data held by the Fund.

Recommended

That the report be noted.

(Caroline Blackburn – 01274 434523)

10. RISK REGISTER 55 - 94

The report of the Director, West Yorkshire Pension Fund (**Document "G"**) advises members that West Yorkshire Pension Fund maintains a Risk register which contain 45 risks that have been identified and framed into scenarios. The risks have been rated and 22 of these are above their acceptable tolerance level and 23 are below the tolerance line.

Information on five risks from the 22 which are above their tolerance level is included in Document “G” so that members can ensure that adequate Management Action Plans are in place to monitor those risks.

Recommended –

That the five risks and action plans to manage and mitigate those risks contained in Document “G” be noted.

Yunus Gajra – 01274 432343)

11. TRAINING, CONFERENCES, SEMINARS AND EVENTS

95 - 106

The Director, West Yorkshire Pension Fund, will present a report, (**Document “H”**) which informs Members that their training to understand the responsibilities and issues which they will be dealing with is a very high priority. Details of training courses, conferences, seminars and events which may assist Members are contained in Document “H”.

Recommended –

- (1) That all Pension Board members complete the training needs analysis, appended to Document “H”, on an annual basis so gaps in pension knowledge can be identified.**
- (2) That the report be noted and consideration be given to the events in Section 2 of Document “H” and the date of the next meeting on 26 March 2019.**

(Caroline Blackburn – 01274 434523)

12. EXCLUSION OF THE PUBLIC

Members are asked to consider if the item relating to the West Yorkshire Pension Fund Investment Advisory Panel (**Document “I”**) should be considered in the absence of the public and, if so, to approve the following recommendation:-

Recommended –

That the public be excluded from the meeting during consideration of the item relating to minutes of the West Yorkshire Pension Fund Investment Advisory Panel meetings held on 26 April 2018 and 26 July 2018 because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It is considered that, in all the circumstances, the public interest in maintaining this exemption outweighs the public interest in disclosing this information as it is in the overriding interest of proper administration that Members are made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.

**13. MINUTES OF THE WEST YORKSHIRE PENSION FUND
INVESTMENT ADVISORY PANEL HELD ON 26 APRIL AND 26
JULY 2018**

The report of the Director, West Yorkshire Pension Fund, (**Document “I”**) reminds Members that the role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify

The minutes of meeting of WYPF Investment Advisory Panel are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Members are requested to review the Not for Publication minutes of the Investment Advisory Panel on 26 April and 26 July 2018 appended to Document “I”.

(Rodney Barton – 01274 432317)

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

A

Subject: Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 26 July 2018.

Summary statement:

The role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

The Minutes of meeting of WYPF Joint Advisory Group are submitted to the Pension Board to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommendation

It is recommended that the Local Pension Board review the minutes of the meeting of the 26 July 2018.

Rodney Barton
Director

Portfolio:

Phone: (01274) 432317
E-mail: Rodney.Barton@bradford.gov.uk

Overview & Scrutiny Area:

1. Appendix

Appendix A – Minutes of Joint Advisory Group held on 26 July 2018.

Appendix A

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 26 July 2018 in Aldermanbury House, Godwin Street, Bradford BD1 2ST

Commenced 1.30 pm
Concluded 3.35 pm

Present – Councillors

Members of the Committee

<p><u>Bradford Members</u> Councillors: Thornton Ellis</p>	<p><u>Calderdale Members</u> Councillors: Baines Lynn Metcalf</p>
<p><u>Kirklees Members</u> Councillors: Loonat Firth Richards</p>	<p><u>Leeds Members</u> Councillors: Dawson Harrand Scopes</p>
<p><u>Wakefield Members</u> Councillors: Jones Stokes</p>	<p><u>Trades Union Members</u> Councillor Greenwood (UNISON) Mr Chard (GMB) Ms L Bailey (UNISON)</p>
<p><u>Scheme Members</u> Mr Sutcliffe Ms W Robinson</p>	

Observers: S Liddle, Mazars LLP

Apologies: Councillor Shakeela Lal and Councillor J Speight

1. APPOINTMENT OF CHAIR (Standing Order 35)

Resolved –

That Councillor Thornton be appointed Chair of the Joint Advisory Group for the Municipal Year 2018/2019.

2. **APPOINTMENT OF DEPUTY CHAIR (Standing Order 35)**

Resolved –

That Councillor Ellis be appointed Deputy Chair for the Municipal Year 2018/2019.

3. **DISCLOSURES OF INTEREST**

All those present who were members or beneficiaries of the West Yorkshire Pension Fund disclosed, in the interests of transparency, an interest in all relevant business under consideration.

Action: *City Solicitor*

4. **MINUTES**

Resolved –

That the minutes of the meeting held on 25 January 2018 be signed as a correct record.

5. **INSPECTION OF REPORTS AND BACKGROUND PAPERS**

There were no appeals submitted by the public to review decisions to restrict documents.

6. **RISK MANAGEMENT**

The Director, West Yorkshire Pension Fund, submitted a report, (**Document “A”**) which presented West Yorkshire Pension Fund’s latest risk management report.

Members questioned the level of risk involved following changes to the contract with HSBC Global Security in relation to the development of the Northern Trust. In response it was explained that the contract with HSBC was on a rolling basis and could be terminated with 30 days notice. HSBC were aware of changes likely to occur due to the Northern Trust and with £15 billions worth of assets would ensure the fund was well supported. WYPF were keen to maintain the contract due to it containing valuable clauses and as a contingency to support any risks.

The dependence on City of Bradford Metropolitan District Council’s processes and procedures was raised as a matter of concern. It was explained that most Local Government Pension Funds were attached to a local authority and assurances were provided that regular communication on a very high level was undertaken with Bradford MDC. In response to questions about the potential penetration of fire walls it was explained that the WYPF did have disaster plans in place and that regular penetration testing was undertaken.



Members were assured that none of the risks identified in the report were in the high or very high likelihood category and the impacts were not catastrophic or critical.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

7. SHARED SERVICE PARTNERSHIP WITH LINCOLNSHIRE PENSION FUND - UPDATE

The report of the Director, West Yorkshire Pension Fund, (**Document “B”**) provided an update on the West Yorkshire Pension Fund’s (WYPF) shared service partnership to provide a pensions administration service for Lincolnshire Pension Fund (LPF) which commenced on 1 April 2015.

Members were assured that performance and benchmarking were key areas of work for the Fund. Document “B” revealed performance against key areas of work for the period 1 April 2018 to 30 June 2018 and reported that a number of targets had been exceeded.

It was mentioned that WYPF would be providing a similar shared service for the London Borough of Hounslow from 1 August 2018. A member referred to teething problems encountered with the quality of data received at the implementation of the shared service partnership with Lincolnshire Pension Fund and questioned whether any were anticipated with London Borough of Hounslow. In response it was acknowledged that all new clients presented their own issues. New partnerships were often sought because of problems with service providers. Data issues were anticipated and plans had been put in place.

It was questioned if contingencies were in place for potential problems arising from the transfer of Multi Academy Trusts. Assurances were provided that all Pension Funds had guarantees from the Department of Education and benefits would not be affected.

A member questioned why a similar report wasn’t provided for WYPF and it was agreed that this would be provided going forward.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund



8. EXTERNAL BUSINESS - PENSION ADMINISTRATION FOR THE FIREFIGHTERS' PENSION SCHEMES

West Yorkshire Pension Fund (WYPF) provides a shared service partnership to deliver a pensions administration for a number of Fire Authorities.

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) provided an update on business to date.

The report explained that the Fund had been chosen to provide pension's administration to seven new fire authorities bringing the total to 14. It was believed that this was because of national recognition of the WYPF's expertise of providing administration services.

The report included performance and benchmarking revealing performance against key areas of work for the period 1 April 2017 to 31 March 2018.

The costs of the shared service partnerships were questioned and it was explained that charges were made as a cost per member. The charges were not for profit and all income received was invested in staff or technology resulting in lower costs per member for all schemes administered.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

9. WEST YORKSHIRE PENSION FUND ADMINISTRATION OUTTURN 31 MARCH 2018

The report of the Director, West Yorkshire Pension Fund, (**Document “D”**) summarised the total costs of administering pensions and investments in 2017/2018.

The report included analyses of WYPF total cost of operations for 2017/18 showing a variance between 2017/18 revised budget and costs. A Member queried the variance between the outturn and estimates and it was also questioned if the overspend on 'other running costs' was expected to continue.

In response it was explained that WYPF set an annual budget of £200k in a normal valuation year and that each third year that provision would be increased to £300k, however, a move had now been made to a more regular process of looking at data for valuation on a monthly basis. This was to ensure that any action required could be taken in a timely manner and prevent costly commissioning of work further down the line. The variance was, therefore, due to a compilation of the fund working with the actuary to look at the final costs and measures undertaken to reduce those costs.



Changes to the way that investment transaction charges were recorded had also affected the variance as investment costs such as stamp duty, previously recorded as capital expenses were now categorised as revenue.

A substantial reduction in oversight and governance in the costs per member 2017/18 were queried. Members were advised that guidance had been received indicating that some costs were wrongly apportioned and should not be included in the oversight and governance category. The refinement of those costs had led to the reduction in that category.

Resolved –

- 1. That the West Yorkshire Pension Fund total cost for 2017/18 reported in Document D be noted.**
- 2. That the achievement of the Director, West Yorkshire Pension Fund, and officers, in achieving the favourable cost per member be acknowledged and the appreciation of the WYPF JAG be relayed.**

ACTION: Director, West Yorkshire Pension Fund

10. UNAUDITED REPORT AND ACCOUNTS 2017/2018

The report of the Director, West Yorkshire Pension Fund, (**Document “E”**) presented the WYPF unaudited Report and Accounts for the financial year 2017/18.

The unaudited Fund’s financial position for the year ended 31 March 2018. The accounts had been Report and Accounts provided a summary of West Yorkshire Pension prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18.
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007.
- International Financial Reporting Standards (IFRS), as amended for the UK public sector.

It was reported that the value of the Fund as at 31 March 2018 was £13,566.6m, a net decrease of £65.7m, 0.5%, compared to the asset value at 31 March 2017 of £13,632.3m. The reduction in value was mainly due to a large scale bulk transfer in October 2017 of assets estimated at £450m to Greater Manchester Pension Fund (GMPF) for First Group West Yorkshire. There was a corresponding transfer of liabilities (which did not appear on the balance sheet) estimated at £482m, the net impact was an improved funding position for WYPF.



The actuarial valuation at 31 March 2016 had determined that the funding level was 94% and was one of the highest funding levels within LGPS in the last valuation. Following the large transfer of assets and liabilities to GMPF, an updated funding report at 31 March 2018 was requested from Aon plc, which indicated that the fund was now 107% funded. The improvement was principally due to the strong financial markets since the 2016 valuation. As this was merely an updated funding level it would not provide any cash flow benefit to employers. If the markets remained steady to 31 March 2019 it should result in employers' contributions continuing at current levels, however investment markets may rise or fall.

Members were advised that the accounts were subject to audit but would be presented to the Governance and Audit Committee on Monday 30 July 2018.

Resolved –

- 1. That the unaudited WYPF Report and Accounts for the financial year ended 31 March 2018 be noted.**
- 2. That the planned transfer of custody to Northern Trust, as outlined in Document “E” be noted.**
- 3. That the planned extension and review of banking services for West Yorkshire Pension Fund, as outlined in Document “E” be noted.**

ACTION: Director, West Yorkshire Pension Fund

11. AUDIT COMPLETION REPORT YEAR ENDING 31 MARCH 2018

The Audit Completion Report (ACR), (**Document “F”**) set out the findings from the audit of the West Yorkshire Pension Fund for the year ended 31 March 2018, and would form the basis for discussions at the Governance & Audit Committee meeting on 30 July 2018.

The Audit Manager for WYPF from Mazars LLP, addressed the meeting and explained that the audit had been completed in accordance with International Standards of Auditing (UK and Ireland) issued by the Audit Practices Board. The work was substantially complete but some areas of work were still continuing as set out in the Executive Summary on page 4 of the report. The statutory deadline for completing the audit was 31 July.

The report revealed that a trivial threshold, the level under which individual errors were not communicated to the Governance and Audit Committee, was set at £4m. A Member questioned if the Governance and Audit Committee would monitor if cumulatively that amount was exceeded. Assurances were provided that the phrase error was a term for discrepancy and that the Director, West Yorkshire Pension Fund, would be aware, and take action, on discrepancies below that amount. There was no trivial threshold permitted for fraud.



Resolved –

That the Audit Completion Report, Appended to Document “F”, be noted.

ACTION: Director, West Yorkshire Pension Fund

12. NORTHERN POOL

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) set out the progress in establishing the Northern Pool covering:-

- Drafting the Northern Pool Operating Agreement, including the Terms of Reference for the Joint Committee.
- Procuring a joint custodian for all assets of the Pool.
- Developing the GLIL Infrastructure Vehicle (including FCA regulation to facilitate it becoming the national LGPS vehicle for infrastructure investment)
- Developing a joint private equity vehicle.

Document “G” sought the approval of the Northern Pool Operating Agreement which was appended to the report, subject to review by the City Solicitor.

A Member questioned the purpose of an infrastructure vehicle and it was explained that the rationale was to invest in UK infrastructure. Investments which had already commenced included off shore wind; East Anglia rail stock; South West Railways and Anglian Water.

The report revealed that in March 2018, after a complex competitive tender process, the Northern Pool Shadow Joint Committee had approved the appointment of a common custodian bank, Northern Trust. It was confirmed that the bank had provided services for Merseyside Pension Fund for a number of years. Northern Trust was one of six major international providers of custody services. Specialist advisors had been used to advise on the legal agreements required and the tender process had been based on the condition that a legal agreement be made. The length of the legal agreement would depend on performance compliance and would be re-tendered in due course.

Resolved –

That progress on pooling arrangements to date be noted, and the inter authority agreement, be approved, subject to review by the City Solicitor, known as the Northern Pool Operating Agreement (Appendix A to Document “G”) for submission to the Governance and Audit Committee and, in due course, City of Bradford Metropolitan District Council, and that the Director West Yorkshire Pension Fund, be authorised to amend it as expedient or necessary and put in place any ancillary documentation.

ACTION: Director, West Yorkshire Pension Fund



13. LOCAL GOVERNMENT PENSION SCHEME 2014

The Director, West Yorkshire Pension Fund presented **Document “H”** which updated Members on changes to the Local Government Pension Scheme (LGPS) 2014 made by the Local Government Pension Scheme (Amendment) Regulations 2018.

Resolved –

That the amendments to the Local Government Pension Scheme, contained in Document “H” be noted.

ACTION: Director, West Yorkshire Pension Fund

14. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

West Yorkshire Pension Fund has three Additional Voluntary Contribution Providers namely:

- Equitable Life Assurance Society
- Scottish Widows
- Prudential

Annually the West Yorkshire Pension Fund asks Aon plc’s Additional Voluntary Contribution Team to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration. The report of the Director, West Yorkshire Pension Fund (**Document “I”**) outlined the findings of that review.

A proposal that Club Active, WYPF’s communication with Members, could be used to advise members to consider Lifestyle Funds, which were considered less risky as members approached retirement, was suggested. In response it was explained that WYPF as administrators of the Fund were unable to provide financial advice. That view was challenged and a belief that the fund was making decisions for its members was expressed, however, the Director, WYPF explained that members were provided with options and that they did make active decisions.

The report revealed that one of the Fund’s three AVC providers, Equitable Life, had entered into an agreement to transfer its business to Reliance Life. Members questioned the effect of that transfer and were assured that advice would be sought from the Actuary.



Resolved –

That the outcome of the annual review of West Yorkshire Pension Fund’s Additional Voluntary Contribution Providers, contained in Document “I” be noted.

ACTION: Director, West Yorkshire Pension Fund

15. ACTUARIAL VALUATION 2019

The report of the Director, West Yorkshire Pension Fund (WYPF), (**Document “J”**) advised Members that the next triennial Actuarial valuation of the Fund was due at 31 March 2019 and that it would determine employer contribution rates from April 2020 onwards.

It was explained that an initial meeting with the Actuary would be arranged in autumn 2018 when issues relating to the valuation and investment markets would be explored in some depth.

A Member referred to the current difficult market conditions and his belief that, in such a market, it would not be prudent to consider any reduction in contributions until the fund was 140% funded. It was confirmed, in response, that discussions were held with the finance directors of all five local authorities and the fire service and in those discussions the message was communicated that although the fund was in surplus there was no intention to reduce contributions.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

16. FUNDING STRATEGY STATEMENT

The report of the Director, West Yorkshire Pension Fund, presented a report, (**Document “K”**) which advised Members that the current Funding Strategy Statement and Exit Policy required updating.

A summary of the changes to be implemented were detailed in Document “K” and it was explained that a consultation exercise with stakeholders had been undertaken on the proposed changes to the current Funding Strategy Statement and Exit Policy.

Resolved –

That changes to the Funding Strategy Statement, contained in Document “K” be noted.

ACTION: Strategic Director, West Yorkshire Pension Fund



17. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund, presented a report (**Document “L”**) which informed Members that, in accordance with the Public Service Pensions Act 2013 all Public Service Pension Schemes now came under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposed a requirement to report a matter to the Pensions Regulator as soon as it was reasonably practicable where that person had reason to believe that:

- (a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) The failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

A register of any breaches of the Pensions Code of Practice was maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2017/18 and 2018/19 were appended to Document “L”.

Resolved –

That Document “L” and the entries on the Breaches Register appended to Document “L” be noted.

ACTION: Director, West Yorkshire Pension Fund

18. TRAINING, CONFERENCES AND SEMINARS

Members were reminded that training to understand their responsibilities and the issues they would be dealing with was a very high priority.

The report of the Director, West Yorkshire Pension Fund, (**Document “M”**) informed Members of training courses, conferences and seminars which may be of assistance. Full details about each event were available at the meeting.

The requirement for Members to develop and maintain their skills to fulfil their roles and to demonstrate that they had the appropriate level of knowledge to take appropriate decisions and challenge officers was stressed.

Members were urged to give consideration to attending the training courses, conferences and seminars set out in Document “M”.

No resolution was passed on this item.



19. ANNUAL MEETINGS

The Director, West Yorkshire Pension Fund, presented a report (**Document “N”**) which advised Members that West Yorkshire Pension Fund would be holding two Annual Meetings in 2018. One meeting would be for Employers and the other would be for Scheme Members.

A Member suggested that retired Members may not wish to travel in rush hour traffic to the meeting which was proposed to be held in the afternoon of 31 October 2018. He questioned if the timings had affected attendance at previous meetings.

The Director, West Yorkshire Pension Fund, explained that the timings of the meetings had been amended to facilitate attendance by active members and the situation would be monitored. The member who had raised the issue acknowledged that active members would be interested in the meetings as their pensions were not yet granted. It was believed, however, that it was just as important that retired members got together and receive assurances about the fund's performance. It was requested that changes to meeting arrangements be kept under review.

Resolved –

That the details of the West Yorkshire Pension Fund Annual Meetings, as set out in Document “N”, be noted.

ACTION: Director, West Yorkshire Pension Fund

Chair

Note: These minutes are subject to approval as a correct record at the next meeting of the WYPF Joint Advisory Group.

THESE MINUTES HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER



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Report of the Director, West Yorkshire Pension Fund, to the meeting of the WYPF Local Pension Board to be held on 17 October 2018.

B

Subject:

West Yorkshire Pension Fund audited Report and Accounts for 31 March 2018.

Summary statement:

This is the audited report on the West Yorkshire Pension Fund financial activities and financial performance for the year 2017/18 (attached as Appendix 1). A version of this report was provided to the WYPF Joint Advisory Group in July 2018.

The value of the Fund as at 31 March 2018 is £13,566.6m, a net decrease of £65.7m, 0.5%, compared to the asset value at 31 March 2017 of £13,632.3m. The reduction in value is mainly due to a large scale bulk transfer in October 2017 of assets estimated at £450m to Greater Manchester Pension Fund (GMPF) for FirstGroup West Yorkshire. There is a corresponding transfer of liabilities (which do not appear on the balance sheet) estimated at £482m, the net impact is an improved funding position for WYPF.

The actuarial valuation at 31 March 2016 determined that the funding level was 94% one of the highest funding levels within LGPS in the last valuation. Following the large transfer of assets and liabilities to GMPF, an updated funding report at 31 March 2018 was requested from Aon, which indicates that the fund is now 107% funded. This improvement is principally due to the strong financial markets since the 2016 valuation. As this is merely an updated funding level, it will not provide any cashflow benefit to employers. If the markets remains steady to 31 March 2019 this should result in employers' contributions continuing at current levels, however investment markets may go up or down.

Rodney Barton
Director WYPF

Portfolio:

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Overview & Scrutiny Area:

1 SUMMARY

- 1.1 In order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, WYPF must prepare an annual audited Report and Accounts. The 2017/18 Reports and Accounts was reported to the Joint Advisory Group and approved by Bradford Council Governance and Audit Committee on 30 July 2018.
- 1.2 The Reports and Accounts provide a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2018. The audited accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2017/18
 - CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
 - Pensions Statement of Recommended Practice 2007
 - International Financial Reporting Standards (IFRS), as amended for the UK public sector

Key events in 2017/18

- 1.3 Mid 2017/18 we received notice from First West Yorkshire Group requesting transfer of their members' pension to GMPF. WYPF agreed to this transfer due to the large deficit on First West Yorkshire pension account. Secretary of State Direction was provided in September 2017, stipulating effective transfer date of 1 October 2017 and asset transfers to be completed by 31 March 2019. The net deficit for First West Yorkshire Group at the last valuation was £43.0m, resulting in a funding level of 89.49%.
- 1.4 Our estimate is that the funding position First West Yorkshire Group improved during 2017/18 to 93.32%. This is due to the positive financial markets in 2016/17. We used this estimated funding position to draft a transfer plan for First West Yorkshire Group based on the table below:

	<u>Triennial Valuation</u> 31/03/2016 £m	<u>Estimates</u> 31/03/2017 £m
Assets	366.18	450.00
Liabilities	409.20	482.20
Deficit	-43.03	-32.17
Funded %	89.49%	93.32%

External auditor work - 2017/18

- 1.5 Bradford Council auditors, Mazars presented their audit report on WYPF accounts at the meeting of the Joint Advisory Group on 26 July 2018.

2 BACKGROUND

Net value of assets

- 2.1 The value of the Fund as at 31 March 2018 is £13,632.33m, a net reduction of £65.7m -0.48% from 31 March 2017. The table below gives assets values for the last eight years including 2017/18:

<u>Year to 31 March</u>	<u>Net Asset</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
	<u>£m</u>	<u>£m</u>	
2018	13,566.63	(£65.70)	-0.48%
2017	13,632.33	£2,421.35	21.59%
2016	11,210.98	(£108.22)	-0.96%
2015	11,319.20	£950.40	9.17%
2014	10,368.80	£428.50	4.31%
2013	9,940.30	£1,155.89	13.16%
2012	8,784.41	£134.11	1.55%
2011	8,650.30	£710.80	8.95%

Decrease in net assets during the year

- 2.2 The decrease in net assets of £65.7m between 31 March 2017 and 31 March 2018 is mainly due to the bulk transfer of assets of £450m to GMPF and net payments of £78.5m from dealing with members (pension payments of £485.8 less contributions received of £407.3m). This impact was reduced to £65.7m by a moderate net return of £462.1m on our investments.

Investment income

- 2.3 Total return on investment of £462.1m is made up of £74.5m (2016/17 £2,180.6m) increase in market value and net investment income of £392.1m (2016/17 £338.46m) from dividends, interest, and stock lending commission, less taxes on income.

Net cashflow

- 2.4 The Fund continues to have a positive net cashflow of £309.1m (2017 was £240.8m), once the exceptional bulk transfer for First Group of £450m is added back.

Investment performance

- 2.5 In 2017/18 our investment activities delivered a return of 3.3%. Investment returns against benchmark are as follows:

<u>31 March 2018</u>	<u>Annualised Return</u>	<u>Fund Specific Benchmark</u>	<u>Over /(Under)</u>
	<u>%</u>	<u>%</u>	<u>%</u>
One Year	3.3	3.2	0.1
Three Years	7.8	7.5	0.3
Five Years	7.9	7.7	0.2
Ten Years	7.3	7.1	0.2

Membership numbers

- 2.6 During 2017/18 our active membership was virtually the same as last year 2016/17, with an increase of 136 active members, from 101,881 to 102,017. Total membership rose by 1,651 (0.6%) from 284,820 to 286,471.

Number of employers

- 2.7 During 2017/18 employer numbers paying contributions increased from 456 to 477, an increase of 21 (4.6%). At 31 March 2018 there were 443 (2017 422) active employers.

Key performance indicators

- 2.8 The table below shows our 2017/18 performance in 18 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

Work type	Total cases	Target days	Target cases met	KPI target %	Actual KPI 2017/18 %	Actual KPI 2016/17 %
1. Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,042,404	Due days	1,042,404	100.00	100.00	100.00
2. Transfer-in quote	563	35	559	85.00	99.29	96.44
3. Transfer-in payment received	353	35	331	85.00	93.77	88.17
4. Divorce quote	516	35	499	85.00	96.71	96.12
5. Refund quote	2,457	35	2,421	85.00	98.53	89.89
6. Refund payment	2,704	10	2,655	95.00	98.19	98.96
7. Transfer-out quote	1424	35	1339	85.00	94.03	92.13
8. Transfer out payment	245	35	232	85.00	94.69	91.62
9. Pension estimate	6,317	10	4,816	75.00	76.24	83.19

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI 2017/18	Actual KPI 2016/17
10. Retirement actual	2,863	3	2,625	90.00	91.69	94.26
11. Deferred benefits into payment actual	1,999	5	1,777	90.00	88.89	93.03
12. Death grant single payment	447	5	395	90.00	88.37	99.06
13. Change of address	4,529	5	4,381	85.00	96.73	97.64
14. Life certificate received	5,046	20	4,876	85.00	96.63	98.48
15. Payroll changes	1,941	5	1,866	90.00	96.14	97.77
16. Change to bank details	1,483	5	1,305	90.00	88.00	97.48
17. Death in retirement	2,384	5	2,177	85.00	91.32	92.91
18. Retirement quote	3,086	10	2,843	85.00	92.13	94.36

2016/17 Pension administration cost per member

- 2.9 The latest published data (2016/17) for all LGPS funds administration costs shows that pensions administration cost per member is £14.35, the 7th lowest cost amongst 89 LGPS funds and well below the national average of £27.81. The lowest cost per member for pension administration is £10.92 and the highest is £86.43.

2016/17 Investment management cost per member

- 2.10 For investments we have the lowest cost per member at £20.58, the highest is £476.36. This low cost is mainly the result of our internal management of assets, and using the same back office to support both investment and pension administration.

2016/17 Oversight and governance cost per member

- 2.11 On oversight and governance we have the 9th lowest cost £3.10. The lowest is £0 (this is impossible) and the highest is £78.62.

2016/17 Total cost per member

- 2.12 We have the lowest total cost per members (administration, investment and oversight & governance) at £38.03, the national average for LGPS in 2016/17 is £214.87 and the highest is £531.84.

Cost per member 2016/17	Position	West Yorkshire Pension Fund	LGPS Lowest	LGPS Highest
Admin cost per member	7th	£14.35	£10.92	£86.43
Investment cost per member	1st	£20.58	£20.58	£476.36
Oversight & Governance	9th	£3.10	£0.00	£78.62
Total cost per member	1st	£38.03	£38.03	£531.84

2017/18 Cost per member

- 2.13 The 2017/18 annual cost of administering the West Yorkshire Pension Fund per member is £14.35, investment management cost per member is £21.11, oversight and governance cost per member £1.91 and the total management cost per member is £37.37. These figures compare favourably with the average cost for authorities in the DCLG –SF3 results for 2016/17 as shown in the table above.

Accounting policy change

- 2.14 In order to address the technical accounting issues presented by the First West Yorkshire Group bulk transfer, being completed over two financial years, we have had to review and change our accounting policy on bulk transfers. The policy change allowed for the estimated amount outstanding to be paid to GMPF in 2018/19 to be fully accrued in accounts for in 2017/18. This change of policy ensured our policies are consistent with accounting standards and financial reporting disclosure guidelines.

Old accounting policy on - Transfers in and out of the fund

- 2.15 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 2013.

New accounting policy on - Transfers in and out of the Fund

- 2.16 Transfer values represent amounts received and paid during the period for individuals. Bulk (group) transfers are accounted for on an accruals basis, these are calculated in accordance with the Local Government Pension Scheme Regulations 2013.
- 2.17 The change in accounting policy allowed us to make provisions in our account for the estimated balance of payment of £300m outstanding to GMPF for the First West Yorkshire Group transfer.

<u>First West Yorkshire Group</u>		
	<u>£m</u>	<u>£m</u>
Estimated Assets		450
Payments made		
Dec 17	75	
Mar 18	<u>75</u>	
Paid		150
<u>Outstanding</u>		<u>300</u>

Custodial Contract – Northern Pool Common Custodian

- 2.18 In March 2018, after a complex competitive tender process, the Northern Pool Shadow Joint Committee approved the appointment of a common custodian bank, Northern Trust, to provide custodial services for all funds in the pool. The appointment of a common custodian is a key strategic milestone in setting up Northern Pool.
- 2.19 Northern Trust is contracted to provide:
- Global securities custody
 - Stock Lending
 - Private equity fund administration and custody
 - Performance monitoring
 - Pool reporting on:
 - Compliance
 - Carbon reporting
- 2.20 The tender process, as expected, focused on quality of service, asset safeguarding, and cost of services. Northern Trust will replace the current custodian bank JP Morgan for GMPF and HSBC for WYPF. MPF is currently with Northern Trust, therefore MPF will not need to change.
- 2.21 WYPF plan to transfer custodian services to Northern Trust as soon as agreement is reached on legal contracts.

HSBC Banking and Global Securities Custody Contract

- 2.22 We currently have a single contract with HSBC for banking and global securities custody services. With the transfer of global securities to Northern Trust, we will be left with banking services with HSBC. In order to manage the complexity and service risks associated with financial assets our plan is to extend the current contract with HSBC for banking and global securities custody for two years. We will only pay for the services we receive, and the two year extension will allow us to focus on the services we are transferring to Northern Trust ensure these perform as expected, and to review banking services needed to support investment and pensions administration shared operations
- 2.23 Within the next 12 to 15 months, we plan to go out to tender for WYPF banking services after a full review of the type of banking services needed post pooling and how best to sustain the pension administration shared service.

3 OTHER CONSIDERATIONS

- 3.1 The financial accounts for the Council was approved by the Governance and Audit Committee on 31 July 2018.

4 FINANCIAL & RESOURCE APPRAISAL

- 4.1 The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statement. The audited account for the Council was completed by the specified statutory deadline of 31 July 2018. In addition WYPF must publish a separate audited reports and accounts by 1 December 2018, the account must be prepared in accordance with accounting standards and comply with statutory requirements.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 WYPF reports and accounts is a statutory financial document. It is a key element of financial risk management and governance tool and provides evidence of risk management and governance processes in operation during the financial year.

6 LEGAL APPRAISAL

- 6.1 In order to meet statutory deadlines the reports and accounts have to be approved and signed by the Chair of Governance and Audit Committee on or before 31 July 2018. These were completed in July 2018. There are no other legal issues.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

- That the report be noted.

9 APPENDICES

Appendix 1 – due to the size of the report, we have not printed it. Please follow the link below to WYPF website for the Audited Reports and Accounts 2017/18 or search for the report at:

http://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx

[Report and Accounts 2017/18](#)

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Report of the Director, West Yorkshire Pension Fund, to the meeting of the WYPF Local Pension Board to be held on 17 October 2018.

C

Subject:

West Yorkshire Pension Fund – five year internal audit plan 2018/19 to 2022/23

Summary statement:

This report presents the latest five year internal audit plan for West Yorkshire Pension Fund (WYPF). The plan is reviewed annually between WYPF finance team and CBMDC internal audit by carrying out a detailed assessment of WYPF business risks, pensions and investment regulatory compliance environments, and service developments.

The latest plan delivers a planned increase in internal audit resource to cover increase operational activities from shared services and investment pooling activities in Northern Pool. We have worked with CBMDC internal audit to secure additional audit resources.

Rodney Barton
Director WYPF

Portfolio:

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Overview & Scrutiny Area:

1 SUMMARY

- 1.1 We held our annual internal audit planning meeting with CBMDC internal audit in January 2018 and reviewed a number of key service areas in terms of business and operation risks, with specific focus on new statutory requirements and enforced changes as a result of government agenda for pooling. Our primary aim is to refocus internal audit activities and use this to manage inherent and new emerging risks, as well as to use CBMDC internal audit to deliver service improvements, increase efficiency and remove wastage. We delivered on our action plan to set a minimum number of audit reviews and increased the frequency of reviews for high profile areas of our operations. All internal audit recommendations in 2017/18 have been delivered within agreed timescales.
- 1.2 In addition to the five year plan we also produce a detailed resource plan for the financial year 2018/19 allowing CBMDC internal audit and WYPF service managers to deliver all internal audit reviews planned in the year. To conclude the audit each year we review internal audit recommendations, this provides key governance information on risk management and control.

Key information provided in this report are:

- a) WYPF Five year internal audit plan 2018/19 to 2022/23
- b) List of internal audits completed during 2017/18

2 BACKGROUND

WYPF Annual Internal audit plan 2018/19

- 2.1 Our joint plan with CBMDC internal audit for 2018/19 is to deliver a total of eight internal audit reviews. In addition, hold monthly risk management review meetings and engagements with Internal Audit managers to ensure emerging risks are captured within audit reviews and activities.
- 2.2 Our service target is to improve on internal audit opinions and recommendations, by working with CBMDC internal audit, to review, strengthen controls and anticipate key service operational and regulatory changes. In order to deliver the 2018/19 annual plans finance officers are working with managers to look at previous recommendations to ensure current improved controls are still effective and where any control is identified as not working managers and finance officers work with CBMDC internal audit to design and implement improved controls.

West Yorkshire Pension Fund Five Year Audit Plan 2018 - 2024		Last Audit	Recom mendati ons	Days	18/19	19/29	20/21	21/22	22/23	Tot
Annual Accounts Verification	Yearly	Jul18	1	10	✓	✓	✓	✓	✓	
Audits Per Year					1	1	1	1	1	5
Benefits										
Local Government Scheme Contributions	2 Yearly	Aug16	2	20	✓			✓		
New Pensions and Lump Sums - WYPF										
- Normal and Early Retirements	5 Yearly	Mar15	0	20		✓				
- Death in Service, Post Retirement Widdow and Dependent Benefits	5 Yearly	Mar17	0	20				✓		
- Ill Health Pensions	5 Yearly	Oct13	2	20	✓					
- Flexible Retirements	5 Yearly	Apr16	1	20			✓			
- Deferred Pensions	5 Yearly	Dec12	5	20					✓	
Transfers Out	3 Yearly	Nov17	0	15			✓			
Transfers In	3 Yearly	Sep16	2	15		✓		✓		
Reimbursement of Agency Payments	5 Yearly	Nov15	5	15					✓	
Life Certificates	5 Yearly	Oct15	0	15			✓			
AVC Arrangements	5 Yearly	Sep17	0	15					✓	
Admission of New Bodies	5 Yearly	Jan15	0	15		✓				
Pensioners Payroll	2.5 Yearly	Mar16	3	20	✓		✓			
Purchase of Additional Pension	5 Yearly	Mar17	1	15	□			✓		
Annual Benefits Statements	2.5 Yearly	Oct16	0	15		✓		✓		
New Pensions and Lump Sums - Fire Service	3 Yearly	Jul18	1	15	✓		✓			
					□		□			
Audits Per Year					4	4	4	5	4	21
Investments	Annual	Mar17	0	15	✓	✓	✓	✓	✓	
UK Fixed and Index Linked Public and Corporate Bonds	3 Yearly	Nov17	0	15		✓			✓	
UK Unit Trusts (Property and Other)	5 Yearly			15					✓	
Direct Property	2 Yearly	Dec16	1	15		✓		✓		
Foreign Unit Trusts (Property and Other)	5 Yearly			15		✓				
Fund of Hedge Funds	5 Yearly	Jun16	1	15			✓			
UK and Overseas Private Equities	3 Yearly	Jul16	4	15	✓		✓			
Global Bonds	5 Yearly	Sep13	0	15	✓					
Treasury Management (Short Term Cash Lending)	Annual	Jan17	0	15	✓	✓	✓	✓	✓	
Stock Lending	5 Yearly	Oct17	0	15					✓	
Compliance with IAP Investment Decisions and Policies	3 Yearly	Nov16	0	15				✓		
Verification of Assets	5 Yearly	Feb15	0	15					✓	
Audits Per Year					4	5	4	4	6	23

West Yorkshire Pension Fund Five Year Audit Plan 2018 - 2024	Last Audit	Recommendations	Days	18/19	19/20	20/21	21/22	22/23	Tot
One Off Audits									
Transfer of Data to Pensions System	Jul12	0							
Monthly Contribution Data Usage	Aug15	6							
General WYPF ICT			15			□		✓	1
			Total						
			Days	145	150	155	155	165	770

2.3 List of internal audits completed during 2017/18

Listed below is a summary of reviews that were carried out during the financial year 2017/18.

a) Transfers Out

This was an audit of the risks to the process where individuals cease to be employed by an admitted body of the West Yorkshire Pension Fund and transfer their pension benefits into a new scheme. The control environment was found to be of an effective standard with no recommendations arising from the work carried out.

b) Reimbursement of Agency Payments

This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for Lincolnshire Pension Fund and the payment of West Yorkshire, North Yorkshire, Humberside, South Yorkshire, Lincolnshire, Royal Berkshire and Buckinghamshire and Milton Keynes Fire Officers pensions and also for payment of Teachers Gratuities for Bradford MDC. The work identified that the services provided were not being supported by an appropriate agreement due to a delay in finalising the agreement and therefore a recommendation for improvement was made and accepted.

c) AVC Arrangements

Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with two providers, Scottish Widows or Prudential. The standard of control around these arrangements was found to be effective with no issues identified.

d) New Pensions and Lump Sums – Deferred Pensions

This audit examined the calculation of the deferred pension benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be fully effective with no issues identified.

e) Review of the West Yorkshire Pension Fund 2016/17 Accounts

This is an annual account review process, that ensures the final account is consistent with internal control reviews carried out by our Internal Audit Team during the year.

- f) Verification of Assets
This audit ensures that the assets held by the West Yorkshire Pension Fund are as expected. The standard of control in place to achieve this was found to be excellent.
- g) UK Fixed and Index Linked Public and Corporate Bonds
Control of this investment asset class was found to be effective with no issues identified.
- h) Stock Lending
Stock lending of UK and Foreign equities is undertaken by HSBC Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be mostly effective with one recommendation for improvement made.
- i) Equities
These investments are held under the custody of the HSBC, and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the audit review found the process to be well controlled.
- j) Treasury Management
This audit reviewed the arrangements in place for treasury management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be mostly effective with one recommendation for improvement.
- k) UK Property Unit Trusts
Approximately 4.2% of the West Yorkshire Pension Fund investment portfolio is held in property unit trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be effective with no issues identified in the process.

3 OTHER CONSIDERATIONS

- 3.1 Internal audit is an integral part of our risk management and financial control systems.

4 FINANCIAL & RESOURCE APPRAISAL

- 4.1 There are no other financial implications from this report. Operations reported in this report are key to our financial controls, asset safeguards and value for money.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 Internal audit is a key element of financial risk management and governance tools and

provides evidence of key controls in operation during the financial year.

6 LEGAL APPRAISAL

6.1 There are legal implications for this report.

7 OTHER IMPLICATIONS

None

8 RECOMMENDATION

- That this report is noted.

9 APPENDICES

None



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

D

Subject: Register of Breaches of Law

Summary statement:

In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to The Pensions Regulator as soon as is reasonably practicable where that person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A Register of Breaches of Law is therefore maintained in accordance with the Pensions Regulators requirements and WYPF Breaches procedure.

Recommendation

It is recommended that the Local Pension Board note the entries on the Register of Breaches of Law.

Rodney Barton
Director

Portfolio

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Overview & Scrutiny Area

1. **Background**

1.1 Section 70 of the Pensions Act 2004 (the Act) imposes a requirement to report a matter to the Pensions Regulator as soon as reasonably practicable where a person has reasonable cause to believe that:

- (a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and
- (b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

1.1 This requirement applies to:

- a trustee or manager of an occupational or personal pension scheme;
- a member of the pension board of a public service pension scheme;
- a person who is otherwise involved in the administration of an occupational or personal pension scheme;
- the employer in relation to an occupational pension scheme;
- a professional adviser in relation to such a scheme; and
- a person who is otherwise involved in advising the trustees or managers of an occupational or personal pension scheme in relation to the scheme.

1.2 The Act states that a person can be subject to a civil penalty if he or she fails to comply with this requirement without a reasonable excuse. The duty to report breaches under the Act overrides any other duties the individuals listed above may have. However the duty to report does not override 'legal privilege'. This means that, generally, communications between a professional legal adviser and their client, or a person representing their client, in connection with legal advice being given to the client, do not have to be disclosed.

2. **Reporting Breaches Procedure**

2.1 A record of past breaches may be relevant in deciding whether to report a breach (for example it may reveal a systemic issue). WYPF maintains a record of all reported or unreported breaches.

2.2 The Register of Breaches of Law (reported or otherwise) is provided to each Joint Advisory Group meeting, and this will also be shared with the Pension Board.

3. **Register of Breaches of Law**

3.1 The Register of Breaches of Law can be found at Appendix A.

3.2 The entries on the Register relate to either:

- late payment of employer contributions which were due to be paid to WYPF by the 19th day of the following month.
- The number of Annual Benefit Statements not issued by the 31 August.

4. **Breach of Law reported to The Pensions Regulator**

4.1 During September 2018 the Fund reported one employer to the Pensions Regulator.

Alchemy Facilities Limited, trading as Enviroserve is an admission body in WYPF in relation to three contracts awarded to it by other scheme employers participating in the Fund. Two of Enviroserve's admissions started on the 1 November 2017 and the third commenced on 1 January 2018.

4.2 For the admissions that started on the 1 November 2017 contributions for the period 1 November 30 April 2018 were received on 2 July 2018 (Contributions were received late) and no further contributions have been received since.

4.3 For the third admission contributions for the period 1 January to 31 March 2018 were received on 18 June 2018 (contributions were received late) and no further contributions have been received.

4.4 After the failure of Enviroserve to pay any further monies despite receiving regular contact from WYPF a decision was taken to report this employer to the Pension Regulator on the 13 September 2018. Appendix B is a copy of the report to the Pensions Regulator.

4.5 Next steps:

- The admission agreement entered into by Enviroserve states that if it fails to pay contributions the relevant Scheme employer can withhold a sum equivalent to the outstanding contributions plus interest and pay that amount to the Fund.
- The relevant scheme employers have therefore been informed of Enviroserve's failure to pay contributions and been given until 7 October to ensure the outstanding contributions are paid.
- In addition Enviroserve have also been charged for the costs involved in receiving the contributions late and these costs amount to £652.80. This amount also remains unpaid.

5. **Recommendations**

- It is recommended that the entries on the Register of Breaches of Law are noted.

6. **Appendix**

- Appendix A - Register of Breaches of Law 2018/2019
- Appendix B – Report to the Pensions Regulator

WYPF Breaches of the Law 2018 -2019

Date	Category (eg administration, contributions, funding , investments)	Pensions Regulator code of practice	Description and cause of breach	Possible effect of breach and wider implications	Reaction of relevant parties to breach	Reported/Not reported	Outcome of report and or investigations	Outstanding Actions
April 2018	Administration - Maintaining contributions	147	<p>Employee contributions deducted from a members pay must be paid to the manager of the scheme, at the latest by the 19th day of the month following deduction or by 22nd day if paid electronically.</p> <p>Please see schedule below for details of employers who failed to make payment by the appropriate date.</p>	Contributions not received by the scheme within the prescribed timescales	<p>Immediate action: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee charged and notified if there are any further late payments they may be reported to the Pensions Regulator.</p> <p>Continuing Action: Employers are closely monitored. Records of each employer who fail to make payment each month are maintained along with details of the number of late payment occasions.</p>	<ul style="list-style-type: none"> • Enviroserve were reported to the Pensions Regulator on the 13th September 2018. • All other late payments have not been report 	All outstanding payments are chased up and all payments received.	None

WYPF Breaches of the Law 2018 -2019

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2018 onwards

Month	Employer	Date contributions due	Date Paid	Value of late contributions	No of times late in last 6 months	No of times late in last 12 months
April	Leeds College of Music	18/05/18	06/06/18	82566.48	0	0
	Ackworth Parish Council	18/05/18	14/06/18	1466.76	1	1
	Sodexo Ltd	18/05/18	20/06/18	1784.61	0	0
	Caterlink Ltd (Grove Lea Primary School)	18/05/18	10/07/18	80.48	0	0
	Enviroserve (Calder High School)	18/05/18	No payment received yet	No payment received yet	3	3
	Enviroserve (Victoria Primary Academy)	18/05/18	02/07/18	353.76	5	5
	Enviroserve (Ebor Gardens Primary Academy)	18/05/18	02/07/18	591.35	5	5

May	Carerlink (Grove Lea Primary School)	19/06/18	10/07/18	100.05	1	1
	Leeds Appropriate Adult Service	19/06/18	10/07/18	452.05	0	0
	Enviroserve (Calder High School)	19/06/18	No payment received yet	No payment received yet	4	4
	Enviroserve (Victoria Primary Academy)	19/06/18	No payment received yet	No payment received yet	6	6
	Enviroserve (Ebor Gardens Primary Academy)	19/06/18	No payment received yet	No payment received yet	6	6

June	Groundwork Wakefield	19/07/18	25/07/18	3679.74	0	0
	Groundwork Leeds	19/07/18	25/07/18	1541.91	0	4
	Baildon Town Council	19/07/18	24/07/18	1510.14	0	0
	Calderdale College	19/07/18	26/07/18	86679.03	0	0
	Enviroserve (Calder High School)	19/07/18	No payment received yet	No payment received yet	5	5
	Enviroserve (Victoria Primary Academy)	19/07/18	No payment received yet	No payment received yet	7	7
	Enviroserve (Ebor Gardens Primary Academy)	19/07/18	No payment received yet	No payment received yet	7	7

WYPF Breaches of the Law 2018 -2019

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2018 onwards

Month	Employer	Date contributions due	Date paid	Value of late contributions	No of times late in last 6 months	No of times late in last 12 months
July	Pool Parish Council	17/08/18	30/08/18	275.45	0	0
	Compass Contract Services (UK) Ltd (SPTA)	17/08/18	23/08/18	244.52	0	0
	Woodhouse Grove School	17/08/18	22/08/18	676.18	0	1
	Leeds College of Music	17/08/18	22/08/18	81786.93	1	1
	Compass Contract Services (St John Fisher)	17/08/18	23/08/18	911.91	0	0
	Enviroserve (Calder High School)	17/08/18	No payment received yet	No payment received yet	6	6
	Enviroserve (Victoria Primary Academy)	17/08/18	No payment received yet	No payment received yet	8	8
	Enviroserve (Ebor Gardens Primary Academy)	17/08/18	No payment received yet	No payment received yet	8	8

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The Pensions Regulator

Breaches of Law

(Late / non payment of contributions)

Your scheme details:

LGPS - West Yorkshire Pension Fund

1. Introduction

The details on the following pages are taken from the Breach of Law: Late / non payment of contributions submitted on 13 September 2018 at 10:15 AM.

These details were submitted by Miss Tracy Weaver.

2. Scheme details

Scheme details	
Scheme name	LGPS - West Yorkshire Pension Fund
PSR number	10041078
Benefit type	Defined benefit
Address	The Director West Yorkshire Pension Fund Po Box 67 Bradford BD1 1UP United Kingdom

3. Breach of law details

Breach of law details	
Breach details	
Breach date	19/08/2018
Details of the breach	Alchemy Facilities Limited trading as Enviroserve is an admission body in the WYPF in relation to 3 contracts awarded to it by other Scheme employers participating in WYPF. 2 of Enviroserve's admissions commenced on 1 November 2017 and the other commenced on 1 January 2018. For the admissions that commenced on 1 November 2017 contributions for the period from 1 November 2017 to 30 April 2018 were received on 2 July 2018 and no further contributions have been received. For the other admission contributions for the period from 1 January 2018 to 31 March 2018 were received on 18 June 2018 and no further contributions have been received.
Is this a breach of the scheduled contributions in relation to a recovery plan?	No
Payment Details	
Total amount outstanding	£7,319.94
Employee amount	£1,510.91
Employer amount	£5,809.03
Months Outstanding	4
Number of members affected	19
Have the members been notified?	No
Additional breaches or any other information	
Breach details or additional information	<p>The admission agreements entered into by Enviroserve provide for if it fails to pay contributions the relevant Scheme employer can withhold from any payment due to the admission body under the contract a sum equivalent to the outstanding contributions and pay that amount and any interest due to the Fund. The relevant Scheme employers have been informed of Enviroserve's failure to pay contributions and given until 7 October 2018 for the outstanding contributions to be paid.</p> <p>Also in accordance with WYPF's Pensions Administration Strategy Statement Enviroserve has been charged for the costs involved in receiving the contributions late. The invoices in relation to these costs amount to £652.80 and these remain unpaid.</p>

4. Trustee/Scheme Manager details

Trustee/Scheme Manager details	
Company name	West Yorkshire Pension Fund
Title	Miss
First name	Tracy
Surname	Weaver
Type of trustee	Other
Direct telephone number	01274 433571
Email address	tracy.weaver@wypf.org.uk
Address	W Y P F PO Box 67 BRADFORD West Yorkshire BD1 1UP United Kingdom

5. Employer details

Employer details	
Employer name	Alchemy Facilities Limited
Employer trading status	Active
Companies house number	08120960
Registered charity number	None
Title	Mr
First name	Marcel
Surname	Leader
Direct telephone number	07463 737930
Email address	marcel@enviroserveuk.com
Address	Alchemy Facilities Ltd The Tannery 91 Kirkstall Road LEEDS LS3 1HS United Kingdom

6. Reporter(s) details

Reporter's details	
Title	Miss
First name	Tracy
Surname	Weaver
Role in scheme	Scheme administrator
Role in scheme - further details	None
Direct telephone number	01274 433571
Email address	tracy.weaver@wypf.org.uk
Address	W Y P F PO Box 67 BRADFORD West Yorkshire BD1 1UP United Kingdom



Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

E

Subject: Local Government Pension Scheme

Summary statement:

This report updates the Local Pension Board on changes affecting the Local Government Pension Scheme.

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director

Portfolio

Report Contact: Tracy Weaver
Phone: (01274) 433571
Email: tracy.weaver@wypf.org.uk

Overview & Scrutiny Area

1 Background

- 1.1 The Local Government Pension Scheme (LGPS) continues to develop and undergo changes and is also affected by changes to overriding legislation.

2 The Local Government Pension Scheme (Amendment) Regulations 2018

- 1.2 The career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014.

- 1.3 On 27 May 2016 Ministry for Housing, Communities and Local Government (“MHCLG”) (then Department for Communities and Local Government) issued a consultation, which provided for:

- The implementation of the reformed Fair Deal for Staff Pensions Provisions into the LGPS Regulations;
- The Introduction of additional ways in which a scheme member can access their Additional Voluntary Contribution ‘pots’, as part of the Government’s ‘Freedom and Choice in Pensions’ policy; and
- Technical amendments to provide clarifications that have been requested by Practitioners and to improve the operation of the regulations.

- 2.1 On 19 April 2018 the Local Government Pension Scheme (Amendment) Regulations 2018 (“the Amendment Regulations) were laid before Parliament and came into force on 14 May 2018. The Regulations can be found at:

<http://lgpslibrary.org/assets/si/ew/SI2018-493.pdf>

- 2.2 In addition to making the technical amendments previously consulted on the main changes made by the Amendment Regulations were:

- For members who left the Local Government Pension Scheme before 1 April 2014 to elect to receive payment of their deferred benefits from age 55, with reductions, without having to obtain the consent of their former employer.
- Changes to options available to member with a pre-2014 Additional Voluntary Contribution “pot”.
- The requirement to refund any surplus on a Scheme employer ceasing its participation in the Local Government Pension Scheme.

- 2.3 The proposed changes included in the consultation that were not taken forward in the Amendment Regulations were:

- Fair Deal – in its response to the consultation MHCLG confirmed that they will not be introducing Fair Deal into the LGPS at this time. However, they state they still remain committed to introducing Fair Deal into the LGPS and intend to commence a consultation on new proposals for achieving this by the end of the year.

- Additional Voluntary Contributions – the Uncrystallised Funds Pension Lump Sum (UFPLS) option will not be introduced directly into the LGPS Regulations due to the substantial administrative complexities that would be created.
- Aggregation – the proposal to end the automatic aggregation of pension accounts where a member with a deferred benefit becomes active again is not being taken forward. MHCLG concluded that introducing these changes would not be consistent with Schedule 7 of the Public Service Pensions Act 2013.

3. 2017 LGPS annual report

- 3.1 At the 2018 PLSA local authority conference, Cllr Roger Phillips, the chair of the scheme advisory board for the LGPS in England and Wales (SABEW), launched the 2017 annual report for the English and Welsh scheme. The aim of this Annual Report is to provide a single source of information about the status of the LGPS for its members, employers, and other stakeholders. Continually improving key information about the Scheme as a whole is one of the top priorities of the Board. This report aggregates information supplied in the 90 fund annual reports, as at 31 March 2017.

Some of the key highlights of the report are listed below:

- The total membership of the LGPS grew by 394,000 (6.9%) to 5.6m members in 2017 from 5.3m.
- The total assets of the LGPS increased to £263bn (a change of 21.2%). These assets were invested in pooled investment vehicles (52%), public equities (32%), bonds (7%), direct property (3%), as well as other asset classes (6%).
- The Local Authority return on investment over 2016/17 was 19.5%. This was reflective of the better market conditions during the year.
- The scheme maintained a positive cash-flow position overall. Scheme income was lower than total scheme outgoings by £484m. However, this was excluding investment income of £4,000m.
- The funds all received unqualified external financial audit certificates from the scheme's external statutory auditors.
- Over 1.6m pensioners were paid over the year. Fewer than 39 formal complaints about scheme benefit administration were determined and less than 13% were upheld by the Pensions Ombudsman.

4. Governance and administration survey findings published

- 4.1 The Pensions Regulator (TPR) have published their 2018 report on the findings of the governance and administration survey (undertaken in November and December 2017) of public service pension schemes. In total 191 of the 207 public service pension schemes completed the survey. This equates to a 92% response rate, covering 98% of all membership.

- 4.2 The report sets out how TPR have interpreted the findings including, their expectations of those involved in running the schemes and what they will be doing over the next year to address the issues identified in the report. It accompanies the

full research report, which shows the responses to all survey questions.

The commentary in the report highlights a number of points that LGPS administering authorities should be aware:

- The survey supports TPR's existing assessment that the top risks are scheme governance, record-keeping and internal controls.
- The survey shows that 34% of LGPS administering authorities hold fewer than four pension board meetings a year. In TPR's view, this provides inadequate opportunity for pension boards to carry out their role effectively and raises concern about the quality of governance.
- Only 45% of active members in the LGPS received their annual benefit statements by the statutory deadline.
- The summary report states 'The survey shows signs that process improvements have stalled in some Local Government schemes. This group was also the one that was least likely to respond to the survey and we are concerned about the risks of disengagement. Because of the specific challenges faced by Local Government schemes, we expect to focus casework activities on the LGPS in the coming year.
- The report concludes by saying, Scheme managers should be aware that we are more likely to use our enforcement powers this year. Where we open cases, we will work with the schemes involved to resolve gaps in their risk and breach of law processes. When considering action or setting fines, we will take into account a party's co-operation with us, and their efforts to put things right. For example, those who fail to report breaches to us quickly could receive a higher penalty for a breach, and an additional penalty for a failure to report.

5. TPO and TPR establish information sharing agreement

- 5.1 The Pensions Ombudsman (TPO) and The Pensions Regulator (TPR) have agreed to share information with a view to mutually enhancing their knowledge and understanding of developing pension issues.

This information sharing agreement aims to protect pension scheme members, endorse and support the achievement of higher standards across the industry and ensure a safe pensions saving environment.

The Agreement came into effect in March and gives details of the principles both organisations will follow when sharing information about complaints and concerns. It acknowledges that both organisations have shared goals and an overlap in responsibilities. The Agreement between the two bodies means that information concerning pension complaints handled by TPO may be shared with TPR, helping to inform its investigation processes. Similarly, following an investigation of a pensions scheme, TPR may advise TPO of any concerns it has regarding that scheme's failure to implement policy and procedural changes as recommended by TPR.

6. Lifetime Allowance 2018-19

The Standard Lifetime Allowance for 2018-19 has been confirmed as £1,030,000 by The Finance Act 2004 (Standard Lifetime Allowance) Regulations 2018 [SI 2018/206].

7. Scheme Valuations and Cost Management Process for Public Service Schemes.

- 7.1 In a Written Ministerial Statement on the 6th September 2018, the Chief Secretary to the Treasury, Elizabeth Truss, announced details of the quadrennial valuation of the public service pension schemes, including the Local Government Pension Scheme (LGPS) in England and Wales. A link to the statement is here:

<https://www.parliament.uk/business/publications/written-questions-answers-statements/written-statement/Commons/2018-09-06/HCWS945/>

- 7.2 For unfunded schemes, initial results show that their members will get improved pension benefits over the period April 2019 to March 2023. Early indications are also that the amount employers pay into the unfunded schemes will need to increase.
- 7.3 In the case of the funded LGPS, the scheme advisory board (SAB) operates an additional cost cap process. In accordance with agreed policy, this will be allowed to complete before the HM Treasury cost control mechanism is tested. It is not therefore possible at this stage to give any indication of what the outcome might be.

If the SAB's cost control process results in a recommendation that changes to the scheme should be made, and the government accepts the SAB's recommendations, the Treasury's cost cap process will be adjusted to take the new scheme design into account.

- 7.4 The Chief Secretary also announced in the technical annex to a letter to Frances O'Grady at the TUC that the scheme valuation under Treasury's cost cap process should be moved from the current triennial to a quadrennial cycle in line with other public service scheme valuations. It is important to note that these amendments relate to the scheme valuations being undertaken by GAD for cost management purposes and not to local valuations undertaken by the fund actuaries. Discussions with Ministry of Housing, Communities and Local Government and actuarial advisers will take place shortly to consider the implications of this change for local fund valuations.

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

F

Subject: Data Quality

Summary statement:

The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.

Work has started to assess the quality of data held by the Fund.

Recommendation

It is recommended that the Local Pension Board note this report.

Rodney Barton
Director

Portfolio:

Report Contact: Caroline Blackburn
Phone: (01274) 434523
E-mail:
caroline.blackburn@bradford.gov.uk

Overview & Scrutiny Area:

1. Summary

- 1.1 The Pension Regulator's (TPR) Code of Practice 14 and The Public Service Pensions (Record Keeping & Miscellaneous Amendments) Regulations 2014 set out the requirements for public sector pension funds to maintain comprehensive and accurate data on their members and their member's pension contributions.

2. Background

- 2.1 This year, for the first time, LGPS funds are required to report on the quality of common and scheme-specific data in their scheme returns. Funds must have plans in place to review their data annually and, where necessary, put in place a data improvement plan which sets out the steps taken to address any issues.
- 2.2 There are two types of data that should be measured: common data and key scheme specific (conditional) data.
- Common data are basic data items which are used to identify scheme members and would include names, addresses, national insurance numbers, date of birth etc. All schemes should hold these for all members.
 - Conditional Data is other data in respect of members and their participation in the scheme and is data that is essential to calculate benefit entitlements such as, member contributions, pensionable pay etc.
- 2.3 Schemes are required to measure their data and should consider if the required data is present and whether it is accurate. Checking the data will include:
- Checking there is data in all the required fields,
 - Consistency checks – data items must be consistent with each other,
 - Validation checks - data must be in a valid format and,
 - Specific processes, for example life certificate exercises, checking members date of birth against birth certificates

3. Scheme Specific and Conditional Data

- 3.1 The Local Government Association (LGA) have been working over the summer on the details of what should be included in the list of conditional data for LGPS Funds. They undertook a consultation exercise which raised a number of questions and as a results they felt they didn't have the time or resources to formulate an agreed approach that was acceptable to all stakeholder before the scheme returns were to be submitted.
- 3.2 LGA has been in discussion the Pensions Regulator (tPR), and it has been accepted that in this the first year, data scoring on conditional data will be regarded as work-in progress and as a means to identify any issues and obstacles to scoring conditional data. Administering Authorities have therefore been advised to adopt their own approach to the details of conditional data to be measure this year in order to meet the Pension Regulators survey requirements.
- 3.3 LGA will recommence work in the next 12 months to re-open discussions about formulating a standardised basis for scoring conditional data for 2018/19 and beyond.

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

G

Subject: Risk Register

Summary statement:

WYPF maintain a Risk register which contain 45 risks that have been identified and framed into scenarios. The risks have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line.

Information on 5 risks from the 22 above their tolerance levels is included in this report so that the Pensions Board can ensure adequate Management Action Plans are in place to monitor those risks.

Recommendation

It is recommended that the 5 risks and action plans to manage and mitigate them are noted.

Rodney Barton
Director

Portfolio

Report Contact Yunus Gajra
Phone: (01274) 432343
Email:Yunus.gajra@wypf.org.uk

Overview & Scrutiny Area

1. **Background**

- 1.1 WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.
- 1.2 WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.
- 1.3 As part of a regular review by the Senior Management Team, 45 risks have been identified and framed into scenarios. The risks identified have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line.
- 1.4 Management Action Plans (MAPs) are agreed for the risks above the tolerance levels which include target and critical success factors to allow the risks to be monitored.

2. **Top Risks**

- 2.1 The Pensions Board will receive information on 5 risks from the 22 above their tolerance levels at each of their meetings so that they can ensure that adequate management Action Plans are in place to monitor those risks.

Risk 55 - Impact of Central Government Budget cuts

Risk 2 - Valuation continues to register a deficit in the pension fund

Risk 4 - Reduction in proportion of active members

Risk 12 - Lack of information sharing with employers

Risk 13 - Disaster recovery

3. **Risk register**

- 3.1 The full Risk Register can be found at Appendix A.

4. **Recommendations**

- It is recommended that the 5 risks and action plans to manage and mitigate them are noted.

5. **Appendix**

- Appendix A – Risk Register

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WYPF Departmental Risk Management and Opportunities Report

Introduction

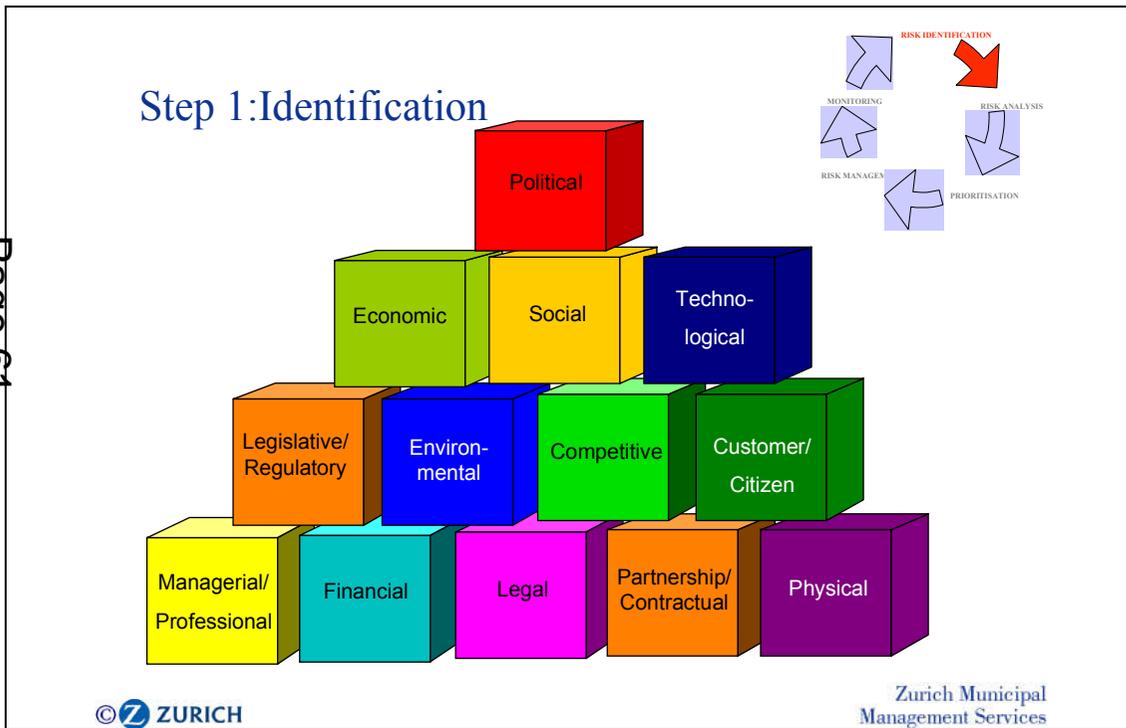
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts on achieving objectives. Risk management is a continuous, forward looking process that addresses issues that could endanger the achievement of critical objectives and includes the early risk identification through the collaboration and involvement of relevant stakeholders.

WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

The process

Risk identification

The first of five stages of the risk management cycle requires risk identification. This has been achieved through discussion with senior Managers and covers 13 categories of risk as shown below.



Identified risks

Economic

Scenario	Short name
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
61	Employers no longer able to meet its liabilities to the Fund

Political

Scenario	Short name
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel, JAG and Pension Board members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts

Technological

Scenario	Short name
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
62	Cyber Crime

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Legislative/Regulatory

Scenario	Short name
19	Legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, security and Custodial (GSC) + Banking Contract
63	Compliance with requirements of GDPR

Managerial/Professional

Scenario	Short name
----------	------------

21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence

Finance

Scenario	Short name
24	Finance aren't always involved in other sections' decision making processes
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension

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Physical

Scenario	Short name
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Competitive

Scenario	Short name
27	Lack of PI's and overall performance management framework

Customer / Citizen

Scenario	Short name
43	Customer Satisfaction

Social

Scenario	Short name
4	Reduction in proportion of active members

Partnership / Contractual

Scenario	Short name
53	Shared Service with South Yorkshire Fire, Humberside Fire, West Yorkshire Fire, North Yorkshire Fire, Lincolnshire Fire, Royal Berkshire Fire, Buckinghamshire & Milton Keynes Fire, Northumberland Fire, Devon and Somerset Fire, Dorset and Wiltshire Fire and Tyne and Wear Fire Authorities.
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service

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Risk analysis, profile and tolerance

The risks are assessed for impact and likelihood and plotted onto a matrix. The impact is measured as being negligible, marginal, critical or catastrophic. The likelihood is measured as being almost impossible, very low, low, significant, high or very high.

Appendix 1 shows all the risks that are rated on the profile.

The top risks facing WYPF are identified as:

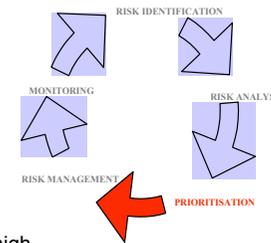
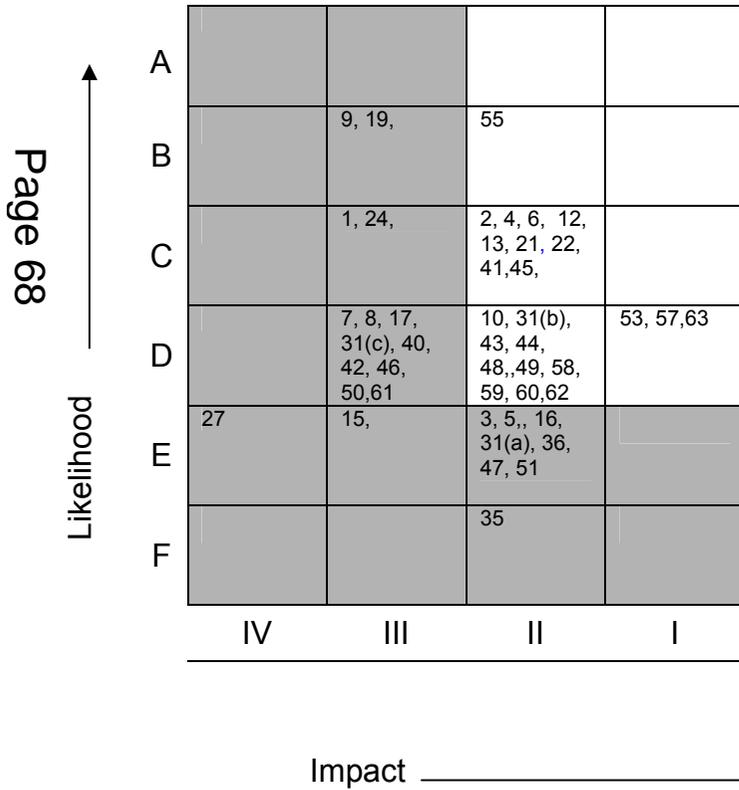
Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG and Pension Board members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by District Councils than other Employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
57	Lincolnshire Pension Fund and LB of Hounslow Shared Service
58	Investment Pooling

59	Northern Pool custodial contract
60	HSBC Global, Security and custodial (GSC) + banking Contract
62	Cyber Crime
63	Compliance with requirements of GDPR

To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below the line having sufficient control in place. The tolerance line is agreed at risks with a low or greater likelihood and a critical impact.

As part of a regular review, 45 risks have been identified and framed into scenarios. The risks identified have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – May 2017



Likelihood:

- A Very high
- B High
- C Significant
- D Low
- E Very low
- F Almost impossible

Impact:

- I Catastrophic
- II Critical
- III Marginal
- IV Negligible

Risk management and monitoring

Management Action Plans (MAPs) frame the risk management actions that are required. They map out the target for each risk i.e. to reduce the likelihood, impact or both. They also include targets and critical success factors to allow the risk management action to be monitored.

The risk assessment identified that significant levels of activity are required to manage the risks. Many of the key risks require immediate attention and it is important that having identified risks that could have critical impact, that the required action is undertaken.

MAP's were then agreed for those risks above the tolerance line and are specified below:

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C2	<p>Fund is in deficit therefore employer contributions to rise / employers default on their liabilities.</p> <p>Triennial Valuation undertaken on the Fund using a range of Financial assumption as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least :</p> <ul style="list-style-type: none"> • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could results in Increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years from 31 March 2016	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 200+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> • Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and Iss become out of date Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
6	C2	Council elections could bring about a change to Investment Panel, JAG and Pension Board members	Training plans for new members to be drawn up. Seek views from District Councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings		Establish a standard training plan for new members

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
10	D2	Civica Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: <ul style="list-style-type: none"> • Civica user group • LGPS group • Payroll user group 	Ensure regular attendance and report back from the User Groups/Meetings as necessary. Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra David Robertson	Improved systems , costs savings, better reporting, employer internet, member internet facilities available. Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market
12	C2	Too much information is supplied by employers on paper medium. This has been reduced as a result of monthly returns.	Enhancements to UPM2 are continuing.	Develop employers web site Introduction of Monthly returns.	Yunus Gajra/Ola Ajala	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication.
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required. Resilience of internal hardware is being improved.	David Robertson	Full disaster recovery plan in place	Annual	Ongoing	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	C2	Greater level of support required/expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training.
22	C2	Recruitment and retention of experienced staff in Pensions Administration, particularly in relation to single status not recognising market forces.	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades.
31(b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual		Carry out regular data cleansing exercises – (recently engaged Accurate Data to find addresses for 12.000 lost contact DB cases).

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D2	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance policy statement and Communications policy published.	Revise ISS each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRPs cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March nn	Attract new business to the Fund
44	D2	Payroll failure	Payroll contingency plan in place Disaster Recovery plan in place	Review plans	David Robertson/Grace Kitchen	No effect on service provision	As required	Ongoing review	Able to run payrolls for other Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
45	C2	Industrial Action	Contingency plans in place	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required		Flexible working available to a number of staff.
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required		Able to run payrolls for other Funds
49	D2	Key staff on long term absence	Document all procedures to ensure cover is available from other staff	Monitor absences and take action at key dates	Senior Managers	No effect on service provision	As required	As required	A register of casual staff is maintained to provide cover at short notice.
53	D1	Fire Authority Shared Service	Adequate	Regular meetings with the 11 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing	Provide service for other FA's/
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing	Increase staffing numbers – benefit for local economy.
57	D1	Lincolnshire and LB of Hounslow Pension Fund Shared Service	Governance arrangements in place (regular client meetings, Collaboration Board, attendance at Pensions Committee).	Regular senior management review meetings internally and Collaboration Board meetings with LPF and LB of Hounslow	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing	Provide service for other LA Funds

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
58	D2	Investment Pooling joint steering group of Officers and Members from the three Funds established	Governance arrangements in place	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1 April 2018	
59	D2	Northern Pool custodial contract. WYPF is leading on this joint procurement. Risk on timing and meeting delivery deadline.	Adequate	Regular review of progress against project plan	Ola Ajala	Pooling – custodial contract implemented 1 April 2018	Monthly	1 April 2018	Enhance WYPF reputation
60	D2	HSBC Global, Security and Custodial (GSC) + Banking contract – New contract will be split between Banking and GSC contract. GSC contract will be let by Northern Pool, banking will be retendered.	Adequate	Review in July 2017	Ola Ajala	Current contract ends in July 2018	Monthly	July 2018	Enhance WYPF reputation
62	D2	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal.,	Yunus Gajra	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
63	D1	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff.	Monitor progress against deadline	Yunus Gajra	All requirements met by deadline	Ongoing	25 May 2018	

The risks identified but below their acceptable tolerance level require no further action at this time.

Future review and revision of risks

It is important that this work is monitored and measured and that management action plans are reassessed regularly to ensure that progress is being made and the targets can be met. In addition each risk is owned where possible by one member of the management team to ensure that there is high level support, understanding and monitoring of the work that is required as part of the plans.

The management team have agreed that the timescale for re-visiting these risks in order to assess if they are still relevant and to identify new scenarios should be quarterly at Management Review.

Appendix 1

Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Economic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nationwide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	<ul style="list-style-type: none"> • Budget doesn't meet demand • Criticised for not providing a good service • Bad publicity
2	C2	Economic	Valuation continues to register a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	<ul style="list-style-type: none"> • Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Political/Economic	Governance (Strategic)	<p>Understanding of issues at high officer and Member level. Clear risk, return and contribution objectives Consistent FSS and ISS documents in place</p> <p>The purpose of the FSS is : to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabs are best met and must be consistent with the published Investment Strategy Statement and the Fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.</p>	Un-coordinated operation caused by lack of understanding	<ul style="list-style-type: none"> • The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level • Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice • panel composition not representative of all bodied in the Fund • Overall investment objectives do not represent what members of panels consider necessary to meet the Fund's liabilities given their understanding of contributions likely to be received from employers and employees and do not take account of their attitude to risk • Unstable contribution rates • Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	C2	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> • Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates
5	E2	Political	Service has a good, well respected status among members – this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses it's status/reputation	<ul style="list-style-type: none"> • Budget cut • Actively look at outsourcing/partnership • Look at alternatives • Project process unmanageable • Lack of trust in information provided • Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel ,JAG and Pension Board members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	<ul style="list-style-type: none"> • Loss of effective support • Learning curve

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
7	D3	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> • Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity
8	D3	Political	Central Government regionalisation agenda	<p>Possible regionalisation of pension funds</p> <p>Could be asked to compete against other LG Funds or the private sector</p>	Becomes Government policy	<ul style="list-style-type: none"> • Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	<ul style="list-style-type: none"> • Risk of non-compliance – bad publicity and fines • Dilutes development of systems • Increased admin costs • Increased communications costs
10	C2	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> • E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
12	C2	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met	<ul style="list-style-type: none"> • People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set • Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met
13	C2	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and	Minor incident occurs	<ul style="list-style-type: none"> • Can't back up the data

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc. Link with 35	Major incident occurs	<ul style="list-style-type: none"> • Loss of service • Permanent data loss • Loss of income • Inability to pay pensioners
15	E3	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> • other systems available but enforced change time consuming • pressure on staff
16	E2	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	<ul style="list-style-type: none"> • Loss of data • Corrupt data • Incorrect payments • Breach of DP Act

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
17	D3	Technological	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	<ul style="list-style-type: none"> • Learning curve • Pressure on remaining staff • Reduction in service delivery • Delays in development work
19	B3	Legislative/ Regulatory	Lots of legislative /regulatory change with no resource given to implement it	Lots of legislative/regulatory change resulting in additional work with no resource given to implement them. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/regulatory changes adequately	<ul style="list-style-type: none"> • Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non compliance • Key objective not met • studies not completed • general pensions knowledge declines • give ill advice • pressure on staff • staff don't have up to date, consistent knowledge and understanding
21	C2	Managerial/ Professional	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> • Staff frustrated • Reduced level of service to other employers

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
22	C2	Managerial/ Professional	Recruitment and retention of experienced staff in Pensions Administration	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> • Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies
24	C3	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> • Act 'ultra vires' • Promises made that can't be met
27	E4	Competitive	Lack of PIs and overall performance management framework	Local Best Value PI's in Pensions. There are LGPC PI's but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to define PIs. Link with 8	Don't develop PI's within an overall performance framework	<ul style="list-style-type: none"> • Can't manage performance effectively • Fail to meet explicit objective

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
31(a)(b) (c)	D2 E2 D3	Finance	External Fraud	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	<ul style="list-style-type: none"> • overpaid pensions • court cases • time commitment • key objective not met
35	F2	Legislative /Regulatory	Administration of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employers in accordance with statutory requirements Link with 13	Unable to provide service	<ul style="list-style-type: none"> • key objective not met
36	E2	Finance	Maximise Council surplus balances	Maximise the returns from external investment of any surplus cash balances of the Council		<ul style="list-style-type: none"> • loss of income • key objective not met
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisors – Fund Managers, Advisors, Custodian, and Actuary	Accounts now have coordinated statements for panel, advisors, performance expectations of dept and the long term funding strategy statement , strategic asset allocation etc. Targets / statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	<ul style="list-style-type: none"> • Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance • Individuals performance not gauged and remedied where necessary • Sub-optimal performance of investments • Poor long term investment performance • Missing assets • Disputes over title • Late reports • Changes to assumptions mid stream

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> • Targets not set • Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the Fund Maturity of the scheme influences the investment strategy adopted Employer contribution rate	Funding level falls to unacceptable level	<ul style="list-style-type: none"> • Low funding level will raise ER's contribution rate • ER's contribution rate unsustainable pressure on LGPS from Central Govt. • Employers cease admitting new members • Employers stop joining the Fund • Then becomes risk 4

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	<ul style="list-style-type: none"> • Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
43	D2	Customer/Citizen	Customer Satisfaction	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> • Fines • Bad publicity • Shrinking user base
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 53,287 pensions not paid on time
45	C2	Political	Industrial Action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no Government intervention	<ul style="list-style-type: none"> • Pensions not paid • Backlog of work on return • Delayed SAP implementation • Additional admin work to input strike breaks
46	D3	Economic	Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> • Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
47	E2	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	<ul style="list-style-type: none"> • Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
48	D2	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> • Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors
49	D2	Managerial/Professional	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	<ul style="list-style-type: none"> • Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
50	D3	Managerial/Professional	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> • Information could be passed on • Records updated inappropriately • Contravene DP Act
51	E2	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> • Funds might go bust resulting in losses for the Fund
53	E3	Partnership/Contractual	Fire Pension Scheme Administration	WYPF administers the Fireman's Pensions Scheme on behalf of 11 Fire Authorities	Lose contracts	<ul style="list-style-type: none"> • Will not be able to provide a pensions administration service to the FA's • Will not be able to pay pensions or process work • ICT systems not available • Damage to WYPF Reputation • Bad publicity • Loss of income

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
55	B2	Political	Impact of Government Budget cuts	Cuts in Local Authority budgets will lead to a reduction in workforce.	Increase in member contribution rate	<ul style="list-style-type: none"> • Increase in opt outs from the scheme • Reduction in public sector workforce leading to reduction in pension scheme membership • Possible strike action
56	D2	Financial	Monthly Contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	<ul style="list-style-type: none"> • Salary details will not be posted to members records • Benefits will not be able to be calculated accurately • IT systems will not be action the returns from Employers • Timescales not met
57	D1	Partnership/Contractual	Lincolnshire and LB of Hounslow Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15 (LPF) and 1 August 18 (LB of Hounslow)	Collaborative working with other Pension Funds	<ul style="list-style-type: none"> • Will not be able to provide a pensions administration service to LPF or LB of Hounslow • Will not be able to pay pensions or process work • ICT systems not available • Damage to WYPF Reputation • Bad publicity • Loss of income
58	D2	Legislative /Regulatory	Investment Pooling	Pooling of investments with GMPF and Merseyside Pension Fund.	Structure to be set up by 1 April 2018	<ul style="list-style-type: none"> • Does not meet government target • Bad publicity • Key objectives not met
59	D2	Legislative /Regulatory	Northern Pool custodial contract.	WYPF leading on custodial contract for Northern Pool	Custodial contract to be implemented by 1 April 2018	<ul style="list-style-type: none"> • No custodian in place to hold assets • No record of how much assets are worth • Adverse impact on investment performance
60	D2	Legislative /Regulatory	HSBC Global, Security and Custodial (GSC) + Banking contract –	Risk of managing a sub contract within the Northern Pool overriding contract	Not all existing services in use provided by Contractor	<ul style="list-style-type: none"> • Adverse impact on investment performance

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> • Inefficient banking processes
61	D3	Financial	Employers deficits	Managed through assumptions used at valuation. Employers monitored at regular intervals for membership changes.	Employer's deficits/ liabilities are an amount they are not able to meet upon exiting the Fund.	<ul style="list-style-type: none"> • The liabilities at exit which are not meet by the employer will be passed on to all the other employers in the fund through the next triennial valuation.
62	D2	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	<ul style="list-style-type: none"> • Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
63	D1	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	<ul style="list-style-type: none"> • Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 17 October 2018.

H

Subject: Training, Conferences, Seminars and Events

Summary statement:

The Training of Pension Board members to understand their responsibilities and the issues they are dealing with is a very high priority. Details of training courses, conferences, seminars and events are listed which may assist Board Members.

Recommendation

That all Pension Board members complete the Training Needs Analysis on an annual basis so gaps in pension knowledge can be identified.

The information in this report is noted and consideration is given by Pension Board Members to the events in Section 2 and the date of the next meeting in Section 3.

Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

1.1 Knowledge and Understanding requirements.

- 1.1 In accordance with the Pensions Act 2004, every individual who is member of the Pension Board must be conversant with:
- a) the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations); and
 - (b) the requirements of the Pensions Regulator; and
 - (c) any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund, and have knowledge and understanding of:
 - the law relating to pensions; and
 - such other matters as may be prescribed
- 1.2 Pension Board members are required to be able to demonstrate their knowledge and understanding and also refresh and keep their knowledge up to date. A written record of training and development that Pension Board members have undertaken in 2017/18 and 2018/19 to date is shown at Appendix A.
- 1.3 CIPFA has developed a technical knowledge and skills framework. In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions. These are
- Pensions legislative and governance context
 - Pensions accounting and auditing standards
 - Financial services procurement and relationship management
 - Investment performance and risk management
 - Financial markets and products knowledge
 - Actuarial methods, standards and practices.
- 1.4 Using the CIPFA technical and development framework a Training Needs Analysis has been developed to assist Board members to identify areas where training is required. Pension Board members should complete this document on an annual basis to help plot the progress of their knowledge and also identify emerging areas where further training and development may be required. A copy of the Training Needs Analysis can be found at Appendix B.
- 1.5 If Pension Board members would like any specific training through one to one meetings with the in-house team, then this can be arranged.

2. Training Events

2.1 Pension Board members should consider the following events :

- LGA Fundamentals (3 days)
3 locations – Leeds, London and Cardiff
Leeds Day 1 - 2 October, Day 2 - 6 November, Day 3 - 5 December
- Schroders Trustee Training 2018
Leeds, 16 November
- LAPFF Conference 2018
Bournemouth, 5 - 7 December 2018
New venue – The Hilton
- LGA Governance Conference (previously known as Trustees Conference)
Bristol, 17 – 18 January 2019
Double Tree by Hilton Hotel

2.2 The Funds Actuary will be providing training on the triennial actuarial valuation on 31 January 2019. Exact timing of the event will be provided closer to the time however the training will take place over lunchtime between the regular Investment Advisory Panel meeting and Joint Advisory Group meeting.

2.3 The Funds Annual meetings have been scheduled to take place:

- Members Annual Meeting,
10.00 am, 31 October 2018
City Hall, Bradford
- Employers Annual Meeting
13.30, 1 November 2018
City Hall Bradford

2.4 Pension Board members should also ensure they have completed the Pensions Regulator Public services toolkit training. A link can be found at:
www.thepensionsregulator.gov.uk/public-service-schemes.aspx

2.5 Pension Board members can also make use of the web based training provided by Standard Life Learning Gateway at <http://sliglobaluk.intuition.com/SignIn.aspx?action=s>

3. Next Meeting

The next Pension Board meeting is Tuesday 26 March 2019. 10.00, WYPF Offices, Aldermanbury House.

4. Appendices

- Appendix A – Summary of training undertaken by Pension Board members during 2017/18 and 2018/19.
- Appendix B – Training Needs Analysis

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Summary of training undertaken by Pension Board members during 2017/18 and 2018/19 to date

2017/18

Dates	Training	Attendees
May 17	Webinar – Enabling better quality data	Mark Morris
May 17	PLSA – LA Conference	Mark Morris Mick Binks
June 17	CIPFA and Barnett Waddingham – Local Pension Boards 2 years on	Colin Sykes Mark Morris
June 17	LGPS Trustees Conference	Mick Binks Mark Morris
Oct/Nov/Dec 17	LGA - Fundamentals	Ruth Manning
Oct 17	WYPF - Ill Health retirement Workshop	Mick Binks Colin Sykes Mark Morris
Feb 18	LGPS Unison Seminar	Mick Binks
Jan 18	TUC Conference	Mick Binks Mark Morris
March 18	WYPF - Pensions Regulator/report and Accounts	Cllr Slater Ruth Manning Mark Morris Gary Nesbitt Colin Sykes

2018/19

Dates	Training	Attendees
May 2017	PLSA Conference	Mark Morris Mick Binks
July 2018	WYPF - LAPFF	Ruth Manning Cllr Burton Colin Sykes Mark Morris
Oct/Nov/Dec 18	LGA - Fundamental	Cllr Burton Mick Binks

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Training Needs Analysis

Apr-16
Version 1

Name of Pension Board
Member:

Date form completed:

Core area	Sub Heading	Learning needs analysis	Rate my knowledge	Understanding required
		Do I possess?	1 = no knowledge 5 = highly knowledgeable	
Pensions legislation	General Pensions Framework	A general understanding of the pension's legislative framework in the UK.	1 2 3 4 5	Basic
	Scheme specific legislation	An overall understanding of the legislation and statutory guidance specific to the scheme and the main features relating to benefits, administration and investment.	1 2 3 4 5	Basic
		An appreciation of the LGPS discretions and how the formulation of the discretionary policies impacts on the pension fund, employers and local taxpayers.	1 2 3 4 5	Basic
		A regularly updated appreciation of the latest changes to scheme rules	1 2 3 4 5	detailed
		Knowledge of the role of the administering authority in relation to the LGPS.	1 2 3 4 5	detailed

Pensions Governance	Pension Regulator and others	An understanding of how the roles and power of DCLG, the Pensions Regulator, the Pensions Advisory Service and the Pensions Ombudsman relate to the workings of the scheme	1 2 3 4 5	basic
	Governance	Knowledge of the role of the Scheme Advisory Board and how it interacts with other bodies in the governance structure	1 2 3 4 5	basic
	WYPF specific	A broad understanding of the role of Joint Advisory Group and Investment Advisory Panel in relation to the fund, the administering authority, employing authorities, scheme members and taxpayers.	1 2 3 4 5	detailed
	Finance	An awareness of the roles and statutory responsibilities of the treasurer and monitoring officer.	1 2 3 4 5	basic
		Knowledge of the Myners principals and associated CIPFA and SOLACE guidance.	1 2 3 4 5	detailed
	Governance	A detailed knowledge of the duties and responsibilities of pension board members.	1 2 3 4 5	detailed
	Communications	Knowledge of consultation, communication and involvement options relevant to the stakeholder.	1 2 3 4 5	basic
	Risk	Knowledge of how pension fund management risk is monitored and managed.	1 2 3 4 5	basic
	Governance	An understanding of how conflicts of interest are identified and managed.	1 2 3 4 5	basic
An understanding of how breaches in law are reported.		1 2 3 4 5	basic	

Pensions Administration	Performance	An understanding of best practice in pensions administration e.g. performance and cost measures.	1 2 3 4 5	basic
	WYPF specific	Understanding of the required and adopted scheme policies and procedures relating to:		detailed
		member data maintenance and record keeping	1 2 3 4 5	detailed
		Internal Dispute resolution procedure	1 2 3 4 5	detailed
		contributions collection	1 2 3 4 5	detailed
		scheme communication and materials	1 2 3 4 5	detailed
	Scheme specific legislation	Knowledge of how discretionary powers operate.	1 2 3 4 5	detailed
	WYPF specific	Knowledge of the pensions administration strategy and delivery (including, where applicable the use of third party suppliers, their selection, performance management and assurance processes).	1 2 3 4 5	detailed
		An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation to benefits administration.	1 2 3 4 5	Basic
		An understanding of what AVC arrangements exist and the principles relating to the operation of those arrangements, the choice of investments to be offered to members, the provider's investment and fund performance report and the payment schedule for such arrangements.	1 2 3 4 5	Basic

Pension accounting and auditing standards	Finance	An understanding of the Accounts and Audit Regulations and legislative requirements relating to internal controls and proper accounting practice.	1 2 3 4 5	Basic
		An understanding of the role of both internal and external audit in the governance and assurance process.	1 2 3 4 5	Basic
		An understanding of the role played by third party assurance providers.	1 2 3 4 5	Basic
Pensions services procurement and relationship management	Procurement	An understanding of the background to current public procurement policy and procedures, and of the values and scope of public procurement and the roles of key decision makers and organisations	1 2 3 4 5	Basic
		A general understanding of the main public procurement requirements of UK and EU legislation.	1 2 3 4 5	Basic
		An understanding of the nature and scope of risk for the pension fund and of the importance of considering risk factors when selecting third parties.	1 2 3 4 5	detailed
		An understanding of how the pension fund monitors and managers the performance of their outsourced providers.	1 2 3 4 5	Basic

Investment performance and risk management	Investments	An understanding of the importance of monitoring asset returns relative to the liabilities and a broad understanding of ways of assessing long term risk.	1 2 3 4 5	detailed
		An awareness of the Myners principles of performance management and the approach adopted by the administering authority.	1 2 3 4 5	detailed
		Awareness of the range of support services, who supplies them and the nature of the performance monitoring regime.	1 2 3 4 5	Basic
Financial markets and products knowledge.	Investment Strategy	An understanding of the risks and return characteristics of the main asset classes (equities, bonds, property etc).	1 2 3 4 5	detailed
		An understanding of the roles of these asset classes in long term pension fund investing.	1 2 3 4 5	detailed
	Financial markets	An understanding of the primary importance of the funds statement of investment principals and the investment strategy decisions.	1 2 3 4 5	detailed
		A broad understanding of the workings of the financial markets and of the investments vehicles available to the pension fund and the nature of the associated risk.	1 2 3 4 5	detailed
		An understanding of the limits placed by regulation on the investment activities of local government pension funds.	1 2 3 4 5	detailed
		An understanding of how the pension fund interacts with the taxation system in the UK and overseas in relation investments	1 2 3 4 5	Basic

Actuarial methods, standards and practices	Valuations	A general understanding of the role of the fund actuary.	1 2 3 4 5	Basic
		Knowledge of the valuation process, including developing the funding strategy in conjunction with the fund actuary, and inter-valuation monitoring.	1 2 3 4 5	detailed
		An awareness of the importance of monitoring early and ill health retirement strain costs.	1 2 3 4 5	Basic
		A broad understanding of the implications of including new employers into the fund and of the cessation of existing employers.	1 2 3 4 5	Basic
		A general understanding of the relevant considerations in relation to outsourcing and bulk transfers.	1 2 3 4 5	Basic
		A general understanding of the importance of the employer covenant and the relative strengths of the covenant across the fund employers.	1 2 3 4 5	Basic