



**Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Tuesday, 8 October 2019 at 10.00 am in Aldermanbury House, Godwin Street, Bradford**

**Members of the Committee**

<b>Employer Representatives</b>	<b>Member Representatives</b>
<b>Councillor S Lal (Chair) – Bradford</b>	<b>Mr G Nesbitt – GMB</b>
<b>Councillor D Jenkins– Leeds</b>	<b>Mr M Binks – Unison</b>
<b>Councillor M Johnson – Wakefield</b>	<b>Mr C Sykes – Unison</b>
<b>Ms R Manning - Employer</b>	<b>Mr M Morris - Unite</b>

**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: Jane Lythgow  
Phone: 01274 432270  
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**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 13 August 2019 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 WEST YORKSHIRE PENSION FUND JOINT ADVISORY GROUP (JAG) 25 JULY 2019 1 - 14

The report of the Director, West Yorkshire Pension Fund, (**Document “F”**) 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 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 25 July 2019.**

(Rodney Barton - 1274 434523)

### 5. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019 15 - 268

The report of the Director, West Yorkshire Pension Fund, (**Document “G”**) presents the WYPF audited Report and Accounts for the year

ending 31 March 2019.

The audited Report and Accounts provide a summary of West Yorkshire Pension Fund's financial position. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
- 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.

**Recommended –**

**That the audited report and accounts for 2018/19 be considered and noted.**

(Ola Ajala – 01274 434534)

**6. FIVE YEAR INTERNAL AUDIT PLAN FOR 2019/20 TO 2023/24** 269 -  
274

The report of the Director, West Yorkshire Pension Fund (**Document “H”**) 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.

**Recommended –**

**That the report be noted.**

(Ola Ajala – 01274 434534)

**7. WEST YORKSHIRE PENSION FUND PENSIONS ADMINISTRATION REPORT** 275 -  
306

The report of the Director, West Yorkshire Pension Fund, (**Document “I”**) provides an update on West Yorkshire Pension Fund's pensions administration activities.

**Recommended –**

**That the report be noted.**

(Yunus Gajra – 01274 432343)

8. **FEEDBACK FROM 2019 ANNUAL BENEFIT STATEMENT EXERCISE** 307 - 310

The report of the Director, West Yorkshire Pension Fund (**Document “J”**) indicated that since a change in the pension regulations resulted in an increase in requests for pension estimates from age 55, WYPF changed the information provided on its Annual Benefit Statement (ABS) to include figures for retirement from age 55, 60, 65 and state pension age. This feedback demonstrates the effects which the change brought about for WYPF administration in its working practices, and the benefits for members of the pension scheme.

**Recommended –**

**That the Pension Board**

- **notes the work undertaken to implement improvements to the ABS’s for scheme members in order to provide more details of retirement figures**
- **notes that the range of benefit calculations provided in one statement enables members to be better financially informed about retirement options**
- **notes the improvements and increases in work production following the application of functionalised working methods in the Service Centre**

(Grace Kitchen – 01274 434266)

9. **LOCAL GOVERNMENT PENSION SCHEME REGULATION UPDATES** 311 - 314

The report of the Director, West Yorkshire Pension Fund (**Document “K”**) updates the Local Pension Board on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

**Recommended –**

**That the report be noted.**

(Tracy Weaver – 01274 433571)

10. **REGISTER OF BREACHES OF LAW** 315 - 322

The Director, West Yorkshire Pension Fund, will present a report (**Document “L”**) which informs Members that, 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) impose a requirement to report a matter to the Pensions Regulator as soon as it is reasonably practicable where that person has 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 is maintained in accordance with the Pensions Regulators requirements and WYPF Breaches Procedure.

**Recommended –**

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

(Caroline Blackburn – 01274 434523)

**11. 2019 ACTUARIAL VALUATION** 323 -  
326

The report of the Director, West Yorkshire Pension Fund (**Document “M”**) explains that the next triennial actuarial valuation of the Fund will be prepared based on the situation at 31 March 2019, and will determine the level of employers’ contributions from April 2020 onwards.

**Recommended –**

**That the report be noted.**

(Caroline Blackburn – 01274 434523)

**12. UPDATE ON THE GUARANTEED MINIMUM PENSION (GMP) RECONCILIATION EXERCISE** 327 -  
332

The report of the Director, West Yorkshire Pension Fund, (**Document “N”**) provides an update on the current position regarding the Guaranteed Minimum Pension (GMP) reconciliation exercise.

**Recommended –**

**That the update contained in Document “N” be noted and the potential additional workloads anticipated from the Guaranteed Minimum Pension (GMP) exercise be acknowledged.**

(Yunus Gajra – 01274 434266)

**13. WYPF DATA IMPROVEMENT** 333 -  
360

The report of the Director, West Yorkshire Pension Fund (WYPF), **Document “O”**, informs members that The Pension Regulator’s

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

**Recommended –**

**That the report be noted.**

(Caroline Blackburn – 01274 434523)

**14. WEST YORKSHIRE PENSION FUND RISK REGISTER**

361 -  
398

The report of the Director, West Yorkshire Pension Fund (**Document “P”**) advises members that West Yorkshire Pension Fund maintains a Risk Register which contains 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 “S” 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 “P” be noted.**

(Yunus Gajra – 01274 432343)

**15. TRAINING, CONFERENCES, SEMINARS AND EVENTS**

399 -  
400

Members are reminded that training to understand their responsibilities and the issues they will be dealing with is a very high priority.

The report of the Director, West Yorkshire Pension Fund, (**Document “Q”**) informs Members of training courses, conferences and seminars which may be of assistance.

**Recommended -**

**That consideration is given by Board Members at the events in Section 1 and Members note the requirement to complete the Pension Regulators toolkit training.**

(Caroline Blackburn – 01274 434523)

**16. EXCLUSION OF THE PUBLIC**

Members are asked to consider if the item relating to the West Yorkshire Pension Fund Investment Advisory Panel (**Document “R”**) 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 meeting held on 25 July 2019 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.**

**17. MINUTES OF THE WEST YORKSHIRE PENSION FUND INVESTMENT ADVISORY PANEL 25 JULY 2019**

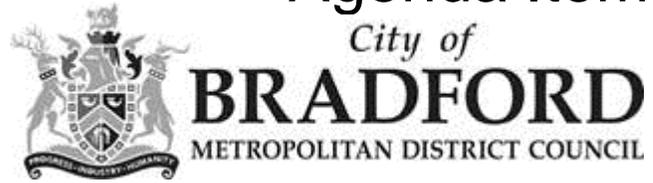
401 -  
406

The report of the Director, West Yorkshire Pension Fund, (**NOT FOR PUBLICATION Document “R”**) 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 25 July 2019 appended to Document “R”.**

(Rodney Barton – 01274 432317)



## **Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 8 October 2019.**

**F**

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**Subject: Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 25 July 2019.**

### **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 Board review the minutes/notes from the meeting.

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Rodney Barton  
Director

Portfolio:

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Overview & Scrutiny Area:

## **1. Appendix**

Appendix A – Minutes of Joint Advisory Group held on 25 July 2019.

## Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 25 July 2019 in the Ernest Saville Room - City Hall, Bradford

Commenced 1.30 pm  
Concluded 3.20 pm

### Members of the Committee

<p><b><u>Bradford Members</u></b> Councillors: Thornton Winnard</p>	<p><b><u>Calderdale Members</u></b> Councillors: Baines Lynn Metcalf</p>
<p><b><u>Kirklees Members</u></b> Councillors: Ahmed Murgatroyd</p>	<p><b><u>Leeds Members</u></b> Councillors: Scopes</p>
<p><b><u>Wakefield Members</u></b> Councillors: Graham Shaw Speight</p>	<p><b><u>Trades Union Members</u></b> A Goring (UNISON)</p>

Apologies: Councillor Peter Harrand, Councillor Gulfam Asif, Liz Bailey, Mr Tristan Chard, Wendy Robinson and Councillor Taj Salam

#### 1. APPOINTMENT OF CHAIR (Standing Order 35)

Resolved –

That Councillor Thornton be appointed Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2019/2020.

Action: City Solicitor

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

Resolved –

That Councillor Winnard be appointed Deputy Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2019/2020.

Action: City Solicitor

#### 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 31 January 2019 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. WEST YORKSHIRE PENSION FUND'S RISK MANAGEMENT REPORT**

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

The background to Document “A” revealed that 45 risks were associated with the operation of the WYPF under the headings of Economic, Political, Technological, Legislative/Regulatory, Managerial/Professional, Finance, Physical, Competitive, Customer/Citizen, Social and Partnership/Contractual.

The WYPF Departmental Risk Management and Opportunities report, appended to Document “A”, outlined the categorisation of those risks; the 23 most important risks requiring scrutiny; the future review and revision of risks and the full list of identified active risks. Included in the report were details of the required management action/control needed to address each of the 23 most important risks identified. Members were assured that risk, in overall terms, were regularly monitored to ensure the report was up to date and relevant in identifying risks in respect of both the current and future operational practices of the WYPF.

Members recognised the impact that the level of dedication and expertise of staff had on the excellent performance of the fund and acknowledged the importance of staff satisfaction.

Assurances were provided that staff turnover was under 5% last year with a high percentage of officers having over 20 years service with the fund.

It was explained that a summary of staffing issues could be included in future reports and it was suggested that the Pensions Administration report would be the most appropriate method to communicate that information.

A Member returning to the Joint Advisory Group welcomed seeing familiar officers and faces but requested that succession planning also be included in future

reports on the workforce.

**Resolved –**

- 1. That the report be noted.**
- 2. That the Director, West Yorkshire Pension Fund, be requested to include details of staff recruitment, retention, absence figures and succession planning in future Pension Administration reports.**

**ACTION:** *Director, West Yorkshire Pension Fund*

**7. PENSIONS ADMINISTRATION**

The report of the Director, West Yorkshire Pension Fund, (**Document “B”**) provided an update on West Yorkshire Pension Fund’s pensions administration activities over the last six months.

The report revealed the variety of work undertaken. Performance against key areas of work for the period 1 January to 30 June 2019 was provided. It was explained that there were only two key performance indicators (KPIs) which had not been met or exceeded. The rationale for those KPIs not being met was that monthly postings could be delayed because of the level of information which had to be queried and that delays did occur as the death of deferred members were not communicated to the fund.

A graph of current work in progress showed the volume of work in progress and a breakdown of the different funds and schemes. The results of customer feedback and employer feedback were appended to the report.

Amendments to the Annual Benefit Statements were explained and included additional options available for members. The changes had been made to provide as much information as possible to members before they retired. It was confirmed that member enquiries had subsequently reduced.

The procedure for issuing Deferred Benefit Statements was discussed and it was explained that it was expected that a surge of requests for early payment would be received as deferred members could now have benefits paid from age 55, with reductions.

The recently attained accreditation to IS027001 Information Security Management System was reported together with details of two awards, Best Administration Award, presented by Pensions Age magazine and Pension Administration Award received at the European Pension Awards.

**Resolved –**

- 1. That the report be noted.**
- 2. That officers be congratulated for their excellent performance and the attainment of awards from the Pensions Age Magazine and the**

## European Pension Awards.

**ACTION:** *Director, West Yorkshire Pension Fund*

### 8. **AUDIT COMPLETION REPORT**

The Director, West Yorkshire Pension Fund (WYPF), submitted the Audit Completion Report (ACR) which set out the findings from the audit of the West Yorkshire Pension Fund for the year ended 31 March 2019 (**Document “E”**).

The ACR set out the findings from the audit of the WYPF for the year ended 31 March 2019 and would form the basis for discussion at the Governance & Audit Committee on 31 July 2019. Document “E” confirmed that the audit had been completed in accordance with the International Standards of Auditing (UK and Ireland) issued by the Audit Practices Board.

A representative from the external auditors, Mazars, summarised the report and concluded that it had been a good audit and closing procedures were being completed. It was reported that two risks had been identified:-

- Management Override of Controls
- Valuation of unquoted investments for which a market price was not readily available.

It was explained that the risks of managers overriding controls would be found on all audits. Work on those two risk factors had been conducted; assurances had been gained and no material issues had been highlighted.

An information technology (IT) issue which had arisen had now been addressed through internal controls.

The summary of misstatements revealed that there were two misstatements which management had assessed not to be material and not adjusted for in the accounts. The rationales for these were reported and it was confirmed there was nothing significant to be disclosed.

**Resolved –**

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

**ACTION:** *Director, West Yorkshire Pension Fund*

### 9. **WEST YORKSHIRE PENSION FUND (WYPF) ADMINISTRATION OUTTURN REPORT 31 MARCH 2019**

The report of the Director, West Yorkshire Pension Fund, (**Document “C”**) summarised the total costs of administering pensions and investments in 2018/2019.

The report revealed that the cost of Local Government Pension Scheme (LGPS) pension administration and investment management was disclosed in the

accounts over three main headings:-

- Pensions Administration – the cost of managing members and pensioners.
- Investment Management – costs directly related to managing each investment asset and internal investment management costs.
- Oversight and Governance- cost of statutory compliance, legal, auditors, actuary, investment advisers, investment accounting systems, pension committees (Local Board, Investment Panel and Joint Advisory Group).

The total WYPF cost for 2018/19 was £10.0m as opposed to £10.4m in 2017/18.

The report included total management costs for 2018/19 and it was reported that an underspend of £1.6m was mainly due to the delayed conclusion of WYPF restructure and staffing vacancies. Other issues reported included an overspend on accommodation due to mechanical repairs to the cooling system at Aldermanbury House and an overspend on actuarial services due to increased covenant work and general technical work to improve actuarial services for WYPF and fund employers.

A Member questioned the outturn against the revised budget for actuarial costs and it was explained that there was ordinarily a budget of £300k for those costs. Earlier in the year it was known that work was not required and the budget was reduced. Later on in the year regulations had required additional work to be undertaken on the information provided to employers. Rather than wait until the year end, and to ensure that stringent deadlines could be met, additional work had been commissioned. The ability to conduct that work internally was queried and it was explained that the verification and independence required meant that this could not be carried out “in house”. It was confirmed that had the work been delayed until the end of the year the cost would have been greater.

**Resolved –**

- 1. That the report be noted.**
- 2. That officers be congratulated for their excellent value for money performance and the success of the shared service partnerships.**

***ACTION: Director, West Yorkshire Pension Fund***

**10. WEST YORKSHIRE PENSION FUND UNAUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019**

The report of the Director, West Yorkshire Pension Fund, (**Document “D”**) presents the WYPF unaudited Report and Accounts for the year ending 31 March 2019.

The unaudited Report and Accounts provided a summary of West Yorkshire Pension Fund’s financial position. The accounts had been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19`.

- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs.
- Pensions Statement of Recommended Practice 2007.
- International Financial Reporting Standards (FRS) as amended for the UK public sector.

It was explained that the report still required some slight formatting but that the technical work had been completed.

The report revealed that during the 2018/19 financial year a large scale bulk transfer of asset for the First Bus West Yorkshire of £492.1m against an estimate of £450m in the 2017/18 had been undertaken. The increase was due to favourable investment performance.

Members were advised that the actuarial valuation at 31 March 2016 had determined that the funding level was 94% one of the highest funds with in the LGPS. The latest update provided by Aon gave a funding level of 108%. The improvement was due to 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. As 2019 was a valuation year work is on going with Aon to provide the latest funding result for WYPF.

The report would be considered by the Governance and Audit Committee at the meeting on 31 July 2019 and the final version would be considered at the next Joint Advisory Group meeting in January 2020.

#### **Resolved –**

**That the unaudited report and accounts for 2018/19 noted.**

***ACTION: Director, West Yorkshire Pension Fund***

#### **11. NORTHERN (LGPS)**

The report of the Director, West Yorkshire Pension Fund, (**Document “F”**), advised members that, in accordance with the guidance from Government, West Yorkshire Pension Fund (WYPF) together with Greater Manchester and Merseyside were working towards the creation of an investment Pool, Northern LGPS (NLGPS).

The report set out the progress in establishing the Northern LGPS (formerly the Northern Pool), covering:-

- Drafting the Northern LGPS Operating Agreement, including the Terms of Reference for the Joint Committee
- Procuring a joint custodian for all the assets of NLGPS
- 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.

Members were advised that between the January and March meetings the

decision had been taken to change the name to Northern LGPS which identified the pool more clearly with the LGPS and avoided confusion which may have arisen from use of pool in the name.

It was also explained that, at the Shadow Joint Committee meeting on 28 March, Councillor Doughty (Merseyside Pension Fund) had resigned as Chair as he was not standing for office in the forthcoming election. Councillor Ged Cooney (Greater Manchester Pension Fund) had subsequently been elected Chair.

The latest report on performance and cost was provided and demonstrated that NLGPS was low cost compared to its peers.

The four criteria which asset pools were required to achieve were reported. Those were achieving benefits of scale; delivering strong governance and decision making; achieving reduced costs and providing excellent value for money and an improved capacity to invest in infrastructure. It was confirmed that the Northern LGPS had a clear plan to deliver on those criteria.

Document “F” reported that the Ministry of Housing, Communities and Local Government (MHCLG) had begun an informal consultation on statutory guidance on pooling. The guidance differed considerably from the current guidance and if implemented removed the criteria set in 2015 and in particular the requirement to deliver improved value for money and lower costs. The NLGPS had submitted a response to the consultation making it clear that while it fully supported the criteria set in 2015 many aspects of the revised guidance were at odds with elected Members duties to local council tax payers and would not achieve the policy objectives of asset pooling. The key concerns raised in the report were provided.

As the issues raised were so wide and far reaching the opinion of Jason Coppel QC had been sought. The response to the MHCLG; the covering letter to QC Opinion and QC Opinion were appended to the report.

In response to questions it was explained that there could be a situation where costs incurred to fix another fund’s portfolio would be charged to the NLGPS. All funds in a pool could be made to share the costs of others.

Members raised concerns that their fiduciary duty to members of the WYPF could be compromised if they were forced to subsidise other funds.

**Resolved –**

**That the progress to date, and the response to the Ministry of Housing, Communities and Local Government on the limited informal consultation in respect of revised statutory guidance on investment pooling , be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

**12. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE**

The report of the Director, West Yorkshire Pension Fund (**Document “G”**) provided an update on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

The response to the consultation on Fair Deal – Strengthening pension protection was appended to Document “G” and it was explained that there had been no subsequent changes to regulations.

In response to consultation on Revised Late Retirement Factors members were advised that the changes went ahead despite objections. Revised guidance had been issued by MHCLG on 1 July 2019 and would come into force in September 2019. The WYPF response to that consultation was appended to Document “G”.

A response to consultation on the valuation cycle and the management of employer risk was discussed. Members were advised that a response was being prepared and would be reported at the next meeting.

McCloud and valuation guidance was discussed and it was explained that on 21 December 2018 the Court of Appeal held that transitional protections that protected older judges and fire fighters from the public sector pension scheme changes in 2015 were unlawfully discriminatory. The case was known as the ‘McCloud case’. The Government intended to appeal that judgement as unlawful but had not been given leave to appeal. Members questioned the impact that the McCloud case would have and were advised that it was not known, at the current time, what effect the judgement would have on the LGPS. Guidance from the National Scheme Advisory Board was expected.

**Resolved –**

**That the report be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

### **13. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS**

Members were advised that West Yorkshire Pension Fund had three Additional Voluntary Contribution Providers namely:

- Equitable Life Assurance Society
- Scottish Widows
- Prudential

Annually the West Yorkshire Pension Fund asked Aon’s AVC 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 “H”**) outlined the findings of that review.

In addition the actuary had been asked to provide advice on designating a default arrangement and had advised that the Prudential passive lifestyle option would be

the most appropriate default AVC.

**Resolved –**

- 1. That the removal of the Invesco High Income Fund and Standard Life Investments Global Absolute Return Strategies from the Scottish Widows approved funds be approved.**
- 2. That the Prudential passive lifestyle option be approved as the default AVC arrangement.**

**ACTION:** *Director, West Yorkshire Pension Fund*

**14. ACTUARIAL VALUATION**

The report of the Director, West Yorkshire Pension Fund (WYPF), (**Document “I”**) advised Members that the next triennial Actuarial valuation of the West Yorkshire Pension Fund would be prepared based on the situation at 31 March 2019 and would determine the level of employers’ contributions from April 2020 onwards.

Progress on the valuation was described in Document “I”. Members were advised that everything was going as planned and a further report would be presented to the next meeting.

A Member questioned the mortality figures used in the valuation and it was explained that scheme data, as opposed to national data, was utilised. A Member reported his personal experience of the calculations under discussion and explained that the fund data would be categorised by postcodes to take account for the socio economic groups of fund members.

**Resolved –**

**That the report be noted.**

**ACTION:** *Director, West Yorkshire Pension Fund*

**15. FUNDING STRATEGY STATEMENT (FSS)**

The report of the Director, West Yorkshire Pension Fund, presented a report, (**Document “J”**) which advised Members that the current Funding Strategy Statement required updating for two reasons.

The first effected how the funding target (liabilities) would be calculated for employers subject to what was referred to as the scheduled and subsumption body funding target. The funding target applied to all long-term employers such as the councils; police and fire; academies and any admission bodies whose liabilities would fall back to one of those bodies should the admission body cease to participate in the Fund.

The second effected how the liabilities would be calculated for employers exiting

the West Yorkshire Pension Fund.

A Member queried the proposed changes to 5.5.1 regarding solvency targets in the Draft Funding Strategy Statement appended to Document “J”. In response it was explained that clarification on that point would be obtained from the Fund’s Actuary and further details would be provided to members. Members were advised that a further consultation on the Funding Strategy would be undertaken later in the year once the Actuary had carried out the initial results of the actuarial valuation as at 31 March 2019 and the Joint Advisory Group had agreed its approach to setting employer contributions. If, at that point, members required a change to 5.5.1 amendments could be made.

**Resolved –**

- 1. That the proposed increase of the probability of funding success to 75%; the proposed 1% increase to be added to liabilities on exit to take into account the potential increase in liabilities for both McCloud and GMP equalisation and the resulting changes to the Funding Strategy Statement be approved.**
- 2. That the postponement of the employer consultation exercise, agreed in January 2019 in relation to updates to LGPS Regulation 64 pending the outcome of the national consultation and potential changes to the regulations, be noted.**

**ACTION:** *Director, West Yorkshire Pension Fund*

**16. REGISTER OF BREACHES OF LAW**

The Director, West Yorkshire Pension Fund, presented a report (**Document “K”**) 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 had not been or was not being complied with, and
- (b) The failure to comply was 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 2018/19 and 2019/20 were appended to Document “K”. Those documents revealed that that since April 2019 there had been only one late payment. In September 2018 one employer had been reported to the Pensions Regulator for late payments. That employer had now ceased all contracts where employees were entitled to be in the fund and outstanding payments had been received.

**Resolved –**

**That the entries and actions taken on the Register of Breaches be noted.**

***ACTION: Director, West Yorkshire Pension Fund***

**17. TRAINING, CONFERENCE 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 “L”**) informed Members of training courses, conferences and seminars which may be of assistance. Full details about each event were available at the meeting.

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

Attention was particularly drawn to the LGPS Fundamentals Training taking place in Leeds over three separate days in October, November and December 2019.

**No resolution was passed on this item.**

**18. ANNUAL MEETINGS**

The Director, West Yorkshire Pension Fund, (WYPF) presented a report (**Document “M”**) which advised Members that West Yorkshire Pension Fund would be holding two Annual Meetings in 2019. One meeting would be for Employers and the other would be for Scheme Members.

The Director, WYPF, looked forward to welcoming Members to those meetings.

**Resolved –**

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

***ACTION: Director, West Yorkshire Pension Fund***

**19. PENSIONS ADMINISTRATION STRATEGY 2019/20**

The Director, West Yorkshire Pension Fund, presented a report, (**Document “N”**) which advised Members that, to comply with the Local Government Pension Fund Scheme (LGPS) Regulations 2013, West Yorkshire Pension Fund (WYPF) prepared a written statement of the authority’s policies in relation to such matters as it considered appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF were expected to achieve.

It was explained that the Pensions Administration Strategy was brought before

JAG each year to review and approve, particularly if there were any new regulations and revisions to working practices.

Members were advised that the Pensions Administration Strategy had been updated to reflect the current Fund performance levels and remove the charge made to members requesting more than one estimate of their retirement benefits in any one year.

It was believed that improvements to the member portal and additional information contained in Member Benefit Statements would reduce the request for pension estimates currently being received.

**Resolved –**

**That the Pension Administration Strategy, contained in Document “N”, be approved.**

***ACTION: Director, West Yorkshire Pension Fund***

Chair

**Note: These minutes are subject to approval as a correct record at the next meeting of the West Yorkshire Pension Fund Joint Advisory Group.**

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



## **Report of the Director, West Yorkshire Pension Fund, to the meeting of the WYPF Local Pension Board to be held on 8 October 2019.**

# G

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### **Subject:**

West Yorkshire Pension Fund audited Report and Accounts for 31 March 2019.

### **Summary statement:**

This is the audited report on West Yorkshire Pension Fund financial activities and financial performance for the year 2018/19 (attached as Appendix 1). The value of the Fund as at 31 March 2019 is £14,363.0m, a net increase of £796.4m, an increase of 5.9% on the asset value of £13,566.6m as at 31 March 2017. The increase in value the result of positive market movement for the year.

During the 2018/19 financial year we completed a large scale bulk transfer of assets for First Bus West Yorkshire of £492.1m (an estimate of £450m was used in the 2017/18 account). The increase was due to favourable investment performance.

The actuarial valuation at 31 March 2016 determined that WYPF funding level was 94% one of the highest funding levels within LGPS in the last valuation. The latest update provided by Aon gives a funding level of 108%. This improvement is 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. 2019 is a valuation year and work is in progress with Aon to provide the latest funding result for WYPF.

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Rodney Barton  
Director WYPF

**Portfolio:**

Report Contact: Ola Ajala  
Financial Controller WYPF  
Phone: (01274) 434 534  
E-mail: [ola.ajala@wypf.org.uk](mailto:ola.ajala@wypf.org.uk)

**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.
- 1.2 The Reports and Accounts provide a summary of West Yorkshire Pension Fund's financial position for the year ended 31 March 2019. The audited accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2018/19
  - 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 2018/19

- 1.3 We completed the large scale bulk transfer of asset for the First Bus West Yorkshire of £492.1m on the 22 March 2019. By the end of March 2019 favourable investment performance increased the value of assets certified by our actuary for transfer to £492.14.

	<u>Triennial Valuation</u>	<u>Estimates</u>	<u>Actual</u>
	31/03/2016	31/03/2017	31/03/2019
	<u>£m</u>	<u>£m</u>	<u>£m</u>
Assets	366.18	450.00	492.14
Liabilities	409.20	482.20	482.20
-Deficit / surplus	-43.02	-32.17	9.94
Funded %	89.49%	93.32%	102.06%

## 2 BACKGROUND

### Value of assets

- 2.1 The value of the Fund as at 31 March 2019 is £14,363.04m, a net increase of £796.41m, 5.87%, from 31 March 2018. The table below gives assets values for the last nine years including 2018/19:

<u>Year to 31 March</u>	<u>Net Asset</u>	<u>Increase (Decrease)</u>	<u>Increase (Decrease)</u>
	<u>£m</u>	<u>£m</u>	
2019	14,363.04	796.41	5.87%
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%

### Increase in net assets during the year

- 2.2 The increase in net assets of £796.41m between 31 March 2018 and 31 March 2019 is mainly due to positive market values.

### Return on investment

- 2.3 Total return on investment in 2018/19 of £909.88m (2017/18 £462.09m) is made up of £476.25m (2017/18 £74.57m) increase in market value and net investment income of £433.64m (2017/18 £387.59m) from dividends, interest, and stock lending commission, less taxes on income.

### Net cashflow

- 2.4 WYPF continues to have a positive net cashflow, in 2018/19 net cash was £320.16m (2017/18 was £309.80m).

### Investment performance

- 2.5 In 2018/19 our investment activities delivered a return of 7%. This is 0.8% above our benchmark. Investment returns against benchmark are as follows:

<u>31-Mar-19</u>	<u>Annualised Return</u> %	<u>Fund Specific Benchmark</u> %	<u>Over</u> %
One Year	7.0	6.2	0.8
Three Years	10.9	9.7	1.2
Five Years	8.7	7.9	0.8
Ten Years	10.4	10.0	0.4

### Membership numbers

- 2.6 Our membership increased from 286,471 in March 2018 to 291,514 by March 2019, an increase of 2%. This is a modest increase compared to previous years, further confirming that the impact of auto enrolment is now minimal.

### Number of employers

- 2.7 The number of employers as at 31 March 2018 is 473, a reduction of 2 as a result of academy mergers.

### Key performance indicators

- 2.8 The table below shows our 2018/19 performance in 20 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 2018/19	Actual KPI 2017/18
				%	%	%
1. Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,096,524	Due days	1,096,524	100.00	100.00	100.00
2. Transfer-in quote	684	35	680	85.00	99.42	99.29
3. Transfer-in payment received	427	35	368	85.00	86.18	93.77
4. Divorce quote	613	20	582	85.00	94.94	96.71
5. Refund quote	4,813	35	4,665	85.00	96.92	98.53
6. Refund payment	2,718	10	2,677	95.00	98.49	98.19
7. Transfer-out quote	1701	20	1519	85.00	89.30	94.03
8. Transfer out payment	222	35	196	85.00	88.29	94.69
9. Pension estimate	6,414	10	5,940	75.00	92.61	76.24
10. Retirement actual	2,778	3	2,641	90.00	95.07	91.69

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI 2018/19	Actual KPI 2017/18
11. Deferred benefits into payment actual	3,345	5	2,990	90.00	89.39	88.89
12. Death grant payments	2679	5	2476	85.00	92.42	90.47
13. Change of address	3,164	5	3,017	85.00	95.35	96.73
14. Life certificate received	5,378	10	5,212	85.00	96.91	96.63
15. Payroll changes	1,893	5	1,814	85.00	95.83	96.14
16. Change to bank details	1,697	5	1,487	85.00	87.63	88.00
17. Death in retirement	2,459	5	2,279	85.00	92.68	91.32
18. Death Grant Nomination Form Received	10,158	20	8,910	85.00	87.71	99.63
19. Deferred Benefits Set Up on Leaving	11,810	20	11,054	85.00	93.60	96.68
20. Monthly Posting	6,015	10	5,465	95.00	90.86	82.10

### 2017/18 Administration cost per member

- 2.9 Our pension administration cost is the 7th lowest amongst LGPS fund in England & Wales for 2017/18, cost of £14.05 per member, the lowest cost is £ 8.83 and the highest is £60.98.

### 2017/18 Investment management cost per member

- 2.10 We have the lowest cost per member for investment management at £20.48, the highest cost is £566.69. The reason for this is our low cost operations using directly employed staff to manage our investments, and using the same back office to support both investment and pension administration.

### 2017/18 Oversight and governance cost per member

- 2.11 On oversight and governance we have the 5th lowest cost at £1.92. The lowest is £0 (this is impossible) and the highest is £96.00.

### 2017/18 Total cost per member

- 2.12 We have the lowest total cost per member (administration, investment and oversight & governance) at £36.45, the national average for LGPS in 2016/17 is £205.24 and the highest is £634.93.

Cost per member 2017/18	Position	West Yorkshire Pension Fund	LGPS Lowest	LGPS Highest
Admin cost per member	7th	£14.05	£8.83	£60.98
Investment cost per member	1st	£20.48	£20.48	£566.69
Oversight & Governance	5th	£1.92	£0.00	£96.00
Total cost per member	1st	£36.45	£36.45	£634.93

### **2018/19 Cost per member**

- 2.13 The 2018/19 annual cost of administering the West Yorkshire Pension Fund per member is £15.01, investment management £16.47, oversight and governance £2.68, giving a total management cost per member of £34.16. These figures compare favourably with the average cost for authorities in the MHCLG – SF3 results for the previous year shown in the table above.

### **3 OTHER CONSIDERATIONS**

None

### **4 FINANCIAL & RESOURCE APPRAISAL**

The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statements. The audited accounts for the Council must be completed by the specified statutory deadline of 31 July 2019. In addition WYPF must publish a separate audited report and accounts by 1 December 2019, the report and account must be prepared in accordance with accounting standards and comply with statutory requirements.

### **5 RISK MANAGEMENT AND GOVERNANCE ISSUES**

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

### **6 LEGAL APPRAISAL**

Statutory deadlines were met, the report and accounts were approved and signed by the Chair of Governance and Audit Committee by 31 July 2019. There are no other legal issues.

### **7 OTHER IMPLICATIONS**

None

### **8 NOT FOR PUBLICATION DOCUMENTS**

The Council accounts will be published on the its website, and WYPF reports and accounts will be published on the WYPF website.

## **9 OPTIONS**

- 9.1 The Local Pension Board must consider and note the report and may make recommendations to management on any part of the report and account.

## **10 RECOMMENDATION**

- That the audited report and accounts for 2018/19 be noted.

## **11 APPENDICES**

Appendix A – WYPF Reports and Accounts 2018/19

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**WEST YORKSHIRE PENSION FUND**  
**ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL**  
**PENSION SCHEMES REGISTRY NUMBER 10041078**



**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 MARCH 2019**



**West Yorkshire Pension Fund**

## SECTION 1- FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. At the end of March 2019 we had 291,514 members and 430 employers across the UK. Our largest employers are the five West Yorkshire councils; Bradford, Calderdale, Kirklees, Leeds and Wakefield. The value of the fund rose during the year by 5.87% to £14.3 billion, a satisfactory result, driven by favourable markets. The rise is after total payments of £464.4m (2017-18, £450.0m 2018-19, £14.4m) to Greater Manchester Pension Fund in respect of the transfer of FirstGroup West Yorkshire's liabilities.

With the continuing uncertainty in equity markets over the first six months of the year the Investment Advisory Panel continued to reduce exposure to equities, which had reached over 70% of fund assets at the beginning of 2018. Following the falls in markets in the last quarter the decision was made to begin reinvestment of the liquid assets, as valuations were looking attractive. The planned increases to investment in infrastructure, a much less volatile asset class, continued throughout the year. The Investment Advisory Panel will continue to review the asset allocation quarterly, and make adjustments against the benchmark based on future expected returns.

The government requires LGPS funds to pool assets in order to achieve cost efficiencies on investments. Having the lowest cost of investments of all the LGPS funds, we concur with the objectives, although we will benefit less than the average fund from the process. We continue to work with our pooling partners, two other large, efficient metropolitan funds, Greater Manchester and Merseyside, to develop the Northern LGPS (NLGPS), and together have already achieved lower costs in some areas without compromising anticipated returns. The Northern LGPS (NLGPS) continues to meet all the deadlines set by the government. The NLGPS has appointed Northern Trust Global Services PLC (NT) to be the joint custodian, and all the assets of the NLGPS will be transferred to NT in 2019. The infrastructure partnership, GLIL, now has commitments of £1.825 billion from NLGPS and one other pool, and has already invested over £1bn into greenfield and existing assets, which will generate a good return as well as providing a good yield to facilitate the payment of pensions. These assets include renewable energy projects, modern rail rolling stock, and other assets which reduce reliance on fossil fuels.

Our pension's administration teams take great pride in delivering a high quality service at a very low cost. This has been achieved by system efficiencies, mostly developed in house by our dedicated staff. Other schemes have recognised our quality and low cost and as a result our shared service administration provision has grown. At the beginning of the year, we provided administration for Lincolnshire Pension Fund and eleven Fire and Rescue Authorities. This has now increased to 14 Fire and Rescue Authorities, and the London Borough of Hounslow joined our shared service arrangements in August, demonstrating our continuing ability to deliver a low-cost high quality service. The Fund has been recognised for its achievements nationally by winning a number of prestigious awards.

It is my sad duty to pay tribute to Councillor Ian Greenwood, who died during the year. Ian served the Fund as Chair and more recently as Deputy Chair of the Investment Advisory Panel, and as Chair of the NLGPS. His contribution extended beyond the Fund itself, as he was also Chair of the Local Authority

## **SECTION 1- FOREWORD**

Pension Fund Forum and a member of the National Scheme Advisory Board. He will be missed by his many friends and colleagues.

I would like to thank members of the Joint Advisory Group, the Investment Advisory Panel, and our External Advisors, as well as the administration and investment staff, for all their efforts and commitment, which is evident in the continuing success of the Fund.

I am sure you will find the Report and Accounts interesting and informative, and can confirm that the fund remains well funded and financially sound, and will provide financial security in retirement for its members.

Councillor Andrew Thornton  
Chairman  
Joint Advisory Group and  
Investment Advisory Panel



## SECTION 2- MANAGEMENT STRUCTURE

### Section 2 – Management Structure

<b>Members of the WYPF Joint Advisory Group</b>		
<b>Bradford Council</b>		
Councillor A Thornton Chairman	Councillor M Ellis Deputy Chairman	I Greenwood OBE – UNISON Deputy Chairman (April 2018 to November 2018)
Councillor S Lal		
<b>Calderdale Council</b>		
Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn
<b>Kirklees Council</b>		
Councillor E Firth	Councillor F Loonat	Councillor H Richards
<b>Leeds Council</b>		
Councillor A Scopes	Councillor P Harrand	Councillor N Dawson
<b>Wakefield Council</b>		
Councillor L Shaw	Councillor J Speight	Councillor G Stokes
<b>Trades Union Representatives</b>		
Tristan Chard – GMB	Liz Bailey – UNISON	
<b>Scheme Member Representatives</b>		
Kenneth Sutcliffe	Wendy Robinson	
<b>Representative from the Councils of West Yorkshire</b>		
Andrew Crookham (left March 2019) Assistant Director, Finance and Procurement – BMDC		

## SECTION 2- MANAGEMENT STRUCTURE

<b>Members of the WYPF Investment Advisory Panel</b>		
<b>Bradford Council</b>		
Councillor A Thornton Chairman	Councillor M Ellis Deputy Chairman January 2019	I Greenwood OBE – UNISON Deputy Chairman (April 2018 to November 2018)
<b>Calderdale Council</b>		
Councillor B Metcalfe	Councillor S Baines MBE	
<b>Kirklees Council</b>		
Councillor E Firth	Councillor H Richards	
<b>Leeds Council</b>		
Councillor A Scopes	Councillor P Harrand	
<b>Wakefield Council</b>		
Councillor Ms J Speight	Councillor L Shaw	
<b>Trade Union Representatives</b>		
Tristan Chard – GMB Liz Bailey – UNISON		
<b>West Yorkshire Pension Fund</b>		
Rodney Barton – Director		
External Advisers	Noel Mills	Mark Stevens
<b>Representative from the Councils of West Yorkshire</b>		
Nigel Broadbent Head of Finance – Calderdale Council		
<b>Scheme Member Representatives</b>		
Chris Greaves	Gerald Hey	

## SECTION 2- MANAGEMENT STRUCTURE

<b>Members of the WYPF Local Pension Board</b>		
<b>Employer Representatives</b>		
Councillor M Slater Bradford MDC Chairman	Councillor G Burton Wakefield MDC	Ruth Manning Northern School of Contemporary Dance
	Councillor J Lewis Leeds City Council	
<b>Member Representatives</b>		
Gary Nesbitt – GMB	Colin Sykes – Unison	Mark Morris – Unite
Mick Binks – Unison		

<b>Internal Dispute Resolution Adjudicators</b>	
Appointed Persons for Stage 1 Internal Dispute Resolution Procedure (IDRP)	Rodney Barton – Director, WYPF City of Bradford Metropolitan District Council WYPF Ground Floor Aldermanbury House 4 Godwin Street Bradford BD1 2ST
Appointed Persons for Stage 2 Internal Dispute Resolution Procedure (IDRP)	Kersten England Chief Executive City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
IDRP Medical Adviser	Santia Occupational Health Santia House Parc Nantgarw Cardiff CF15 7QX

## SECTION 2- MANAGEMENT STRUCTURE

Appointed service providers and advisers		
<b>Actuarial services</b>	Aon Hewitt 25 Marsh Street Bristol BS1 4AQ	
<b>AVC providers</b>	Prudential Lancing BN15 8GB	Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Equitable Life Assurance Society PO Box 177 Walton Street Aylesbury Buckinghamshire HP21 7YH	
<b>Section 151 officer</b>	Andrew Crookham Assistant Director-Finance and Procurement City of Bradford Metropolitan District Council Britannia House Bradford BD1 1HX	
<b>Auditors</b>	Mazars LLP Gelder Road Gildersome Leeds LS27 7JN	
<b>Banking and Custodial Services</b>	HSBC 8 Canada Square Canary Wharf London E14 5HQ	
<b>Legal Adviser</b>	Michael Bowness Interim City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY	

# SECTION 2- MANAGEMENT STRUCTURE

<b>Pensions Computer Services</b>	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD
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## **SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT**

# West Yorkshire Pension Fund Pension Board Annual Report

## **Pension Boards**

### **Introduction**

I am pleased to present the report of the local pension board of West Yorkshire Pension Fund (WYPF) for the year 2018/2019.

The WYPF Pension Board was established as a result of the Public Sector Pensions Act 2013, which required all public sector pension schemes to set up a representative local pension board by 1 April 2015. The board operates independently to both the Joint Advisory Group and Investment Advisory Panel.

The role of the pension board is to assist the administering authority in securing compliance with all regulations and legislation and to help ensure the effective, efficient, governance and administration of the scheme.

Local pension boards have no executive powers. The board can scrutinise compliance with regulations and call WYPF officers or the WYPF Joint Advisory Group and Investment Advisory Panel to account, but we are not a decision making body.

The aim of the board is to focus our discussions on providing scrutiny to WYPF's decision-making process and provide input from the perspective of scheme members and employers.

### **Constitution and membership**

Local pension boards must contain an equal number of employer and scheme member representatives. WYPF's pension board has been established with four employer and four member representatives. The membership of the board during the period was as follows.

#### **Employer representatives**

- Councillor Malcom Slater (Chair) – City of Bradford MDC
- Councillor James Lewis – Leeds CC
- Councillor Glenn Burton – Wakefield MDC
- Ruth Manning – Northern School of Contemporary Dance

#### **Member representatives**

- Mark Morris – Unite
- Mick Binks – Unison
- Colin Sykes – Unison
- Gary Nesbitt – GMB

## SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

### Meetings

Two meetings were held within the financial year - on 17 October 2018 and 25 March 2019. Information about the board, including minutes of board meetings, is available on the WYPF website via the following link:

[www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx)

### Local pension board member training

Maintaining a good level of understanding amongst members of the Pension Board is important in maintaining strong levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events.

The agenda of every Board meeting contains information on upcoming industry events and training opportunities. Officers also arrange specific in house training events for Investment Panel, Pensions Board and Joint Advisory Group members to attend during the year.

The training undertaken by Pension Board members during the past year include:

#### External training events

- LGA – Fundamentals (3 day training activity)
- PLSA – Local Authority Conference

#### WYPF internal events

- Understanding of the role of PIRC
- Valuation 2019 training – Provided by Aon

In addition, all pension board members are encouraged to undertake the Pensions Regulator Toolkit training.

### WYPF Local Pension Board work programme

As you would expect, the topic of pooling of assets continues to be high on the board's agenda.

At the meeting in October 2018, the board considered a range of items including:

- the minutes of the Joint Advisory Group and Investment Advisory Panel meetings
- Report and Accounts
- Internal Audit plan for the next 5 years
- Register of Breaches of Law
- LGPS updates
- the Pensions Regulator's record keeping requirements and Data quality
- Risk Management

## SECTION 3 – LOCAL PENSION BOARD ANNUAL REPORT

At the March 2019 meeting the board considered a range of items in including:

- The minutes of the Joint Advisory Group and Investment Advisory Panel meetings,
- Register of Breaches of Law
- Review of the Pension Board policy documents
- LGPS updates
- Valuation 2019
- New member estimate process and plans
- Cyber risks and security
- an update on the GMP reconciliation exercise
- Risk Management
- Record keeping and data quality.

### **Northern LGPS Stewardship Conference**

On the 23 January the Northern LGPS held a stewardship conference for the three Funds Joint Advisory Group, Investment Advisory Panel and Pension Board.

### **Conclusion**

This is the fourth report of WYPF Pension Board. I consider the governance and administration of the scheme to be sound.

I would like to thank all members of the board, our officers and advisers for their continued support and assistance.

Councillor Malcolm Slater  
Chairman  
WYPF Pension Board



# SECTION 4 – PENSIONS ADMINISTRATION REVIEW

Pensions Administration Review

## Overview and legal status of West Yorkshire Pension Fund

West Yorkshire Pension Fund (WYPF) is part of the Local Government Pension Scheme (LGPS). The LGPS is a statutory scheme and benefits are paid under the provisions of the Local Government Pension Scheme Regulations 2013, the Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 and other applicable legislation. The government issues local government pension scheme guidance and regulations through the Department for Communities and Local Government, as such these have the force of law.

## Administering Authority

City of Bradford Metropolitan District Council is the administering authority for WYPF. Bradford Council's administering authority responsibilities are met by WYPF's in-house pension's administration and investment teams. WYPF's Pension Scheme's Registration number with HMRC is 10041078. Contributing members of the Scheme were contracted out of the State Second Pension until 5 April 2016 when the State Second Pension was abolished replaced by a single-tier state pension. The result is that employers and members now pay the full Class 1 National Insurance Contributions (NICs) and members will benefit from the single-tier state pension.

## HMRC Registration

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

## Key activities during the year

### Annual meetings

WYPF held its seventeenth annual meeting for scheme members at City Hall, Bradford on 31<sup>st</sup> October.

The meeting was chaired by Councillor Andrew Thornton, The Chairman of WYPF's Investment Panel and Joint Advisory Group. As usual, there were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers Noel Mills and Mark Stevens. Our employers' annual meeting was held at the same venue on 1<sup>st</sup> November. Topics covered were pension fund valuation, and updates on the Fund including its investments, administration and the general economic and financial market climate. Employers were treated to guest slots by the Pension Regulator, Affinity Connect and AON.

### Employer workshops

The free one-day and half-day workshop sessions for employers are a regular part of the training and support we offer to our Employers. Four different types of workshops were provided for employers:

## SECTION 4 – PENSIONS ADMINISTRATION REVIEW

- Complete guide to administration (half day)
- Secure administration (half day)
- Employer Responsibilities (half day)
- Ill Health Retirement
- Pensionable Pay

The workshops were delivered by WYPF staff and were designed to give employers a good understanding of the pension scheme. Feedback from participants on these events has been very positive again.

### **Workshop on ‘Planning for a positive retirement’**

The workshops run by Affinity connect, to support and guide members who are considering what retirement might mean to them continue to be well attended by members.

The workshops raise awareness of key issues to consider and the decisions that members need to make as they approach this new stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they’re not yet sure when they want to retire.

### **Pension Increase**

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI). Deferred members benefits are also increased by CPI. For the 2018/19 year an increase of 3.0% was applied on 9 April 2018.

### **Pension administration and cost**

As in previous years, the workload of the pension administration section continued to increase, member numbers continue to rise, particularly with the addition of new clients.

WYPF’s service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensures that we are committed to providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £14.35, this is the 7<sup>th</sup> lowest cost amongst 88 LGPS funds and well below national average of £27.81

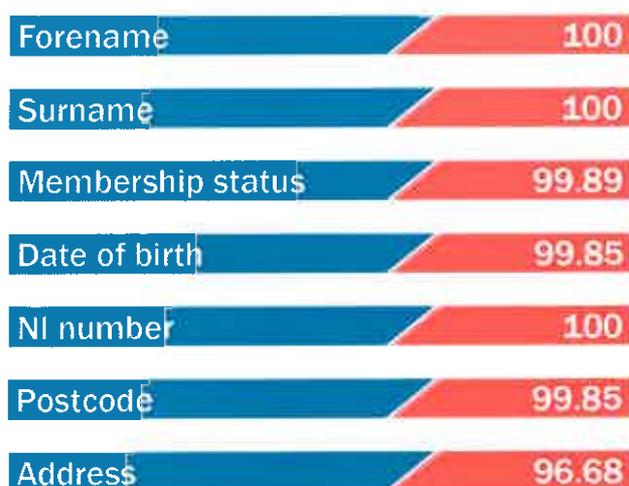
### **Shared Service**

Our shared service partnership continues to flourish with the addition of the London Borough of Hounslow joining our existing partnership with Lincolnshire Pension Fund. Seven new Fire Authorities also joined our partnership bringing the total number of Fire Authorities we provide administration for to fourteen.

### **Quality**

This year Fund’s were required to report on their data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

## SECTION 4 – PENSIONS ADMINISTRATION REVIEW



Work continues to be undertaken to improve address data and this work will continue over the next twelve months and beyond.

### Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions.

100% of annual pension benefit statements for active and deferred members were produced on time giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information.

Regular newsletters continue to be issued to our members to keep them informed of important pension's news.

### MyPension

With WYPF's 'MyPension' service members can view their pension record and statements, update personal details, tell us they've moved house and more. Members are being encouraged to sign up as we move to more online communications. Enhancements to be introduced shortly include the facility for members to run their own estimate of retirement benefits calculations.

### Awards

It has proved to be another successful year for WYPF, gaining national recognition from:

#### Local Authority Pensions Forum (LAPF) Investment Awards

WYPF were winners of the LGPS Fund of the Year (over £2.5 billion) and the Scheme Administration Award hosted by the LAPF on 20<sup>th</sup> September at the Savoy in London.

#### Pension Age Awards

WYPF won the 'Pensions Administration Award' hosted by Pensions Age held on 28<sup>th</sup> February in London. We were also shortlisted for DB Pension Scheme of the Year and Pension Scheme Innovation Award.

## SECTION 4 – PENSIONS ADMINISTRATION REVIEW

### European Pension Awards

WYPF were shortlisted by European Pensions which were held in June, under the following categories:

- Pension Scheme Administrator of the Year
- European Pensions Innovation Award (Pension Fund)
- European Pension Fund of the Year

The European Pensions Awards honour the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds in these increasingly challenging times.

### Disaster recovery and risk management monitoring

WYPF uses Bradford Council's pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power, UPS, a backup generator and cooling. The data centres are connected by point-to-point council-owned fibre runs. Datacentres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit. Both sites are permanently live and accessible our internal end users who are networked to the sites via diverse fibre cable routes. Where possible, servers are virtualised, using Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts at both sites to ensure a short recovery time. Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape Libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week. WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution. Critical data stores are also replicated at disk level between sites. In the event of serious system failures WYPF would re-provision testing hardware and infrastructure environment for live running.

In the event of WYPF office accommodation becoming unavailable, staff will be relocated to other council offices or work remotely. WYPF is covered by the council's comprehensive disaster recovery plan for the email, web, phone, network and SAP services they deliver for us.

### Social Media

WYPF's Facebook and Twitter accounts were launched in November 2014 to encourage members of all ages to engage more with the Fund.

[www.facebook.com/westyorkshirepensionfund](http://www.facebook.com/westyorkshirepensionfund)

### General Data Protection Regulation (GDPR)

The General Data Protection Regulations came into effect on 25 May 2018. This is an EU legislation intended to strengthen and unify data protection for all individuals within the EU. These impose new requirements for organisations relating to the protection and management of personal data. It is no longer just about organisations storing and securing data, it is about capturing the context of data and being able to prove everything is being done to protect the member's data and the rights of the member. The new regulations will impact almost every area of our business – hardcopy, electronic, website data, images, recordings and written records.

Organisations who failed to prepare for these changes leave themselves open to heavy penalties in the form of fines for up to €20 million or 4% of revenue/turnover for any breaches. Work has started to ensure compliance with this regulation.

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

### Financial Performance – analytical review

The following table identifies movements in the Fund Account based on expenditure between 31 March 2018 and 31 March 2019 and provides reasons for variances. The full financial statements are within the Accounts section of this document.

### Statutory Accounts Financial Performance Variance 2019 vs 2018

**Table A – Dealing with members and employers**

Dealings with members, employers and others directly involved in the Fund	31 <sup>st</sup> March 2019	31st March 2018	Variance	Notes on significant variances
		£000	£000	
Contributions receivable	416,949	407,345	9,604	Due to increase in active members pay values.
Transfers In	26,491	41,770	-15,279	Reduction in number of members transferring their pension savings.
Non-statutory pensions and pensions increases recharged	21,938	22,129	-191	No significant change.
Benefits Payable	-506,461	-485,808	-20,653	Increased number of pensioners.
Non-statutory pensions and pensions increase	-21,938	-22,129	191	No significant change.
Payments to and on account of leavers	-40,445	-480,737	-440,292	The large variation was the result of an exceptionally large transfer for First West Yorkshire Group (Firstbus).
Management expenses	-10,006	-10,359	353	Efficiencies and cost reductions

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

### Statutory Accounts Financial Performance Variance 2019 vs 2018

**Table B – Fund assets performance**

Returns on Investments	31 <sup>st</sup> March 2019 £000	31 <sup>st</sup> March 2018 £000	Variance £000	Notes on significant variances
Investment Income	438,585	392,115	46,470	Increased income is mainly attributable to dividends from equities.
Taxes on income	-8,236	-8,072	-164	Increase in taxes on income is reflective of withholding tax suffered in the country of origin.
Profit and losses on disposal and changes in value of investments	476,252	74,507	401,745	Positive market impact on asset values during reporting year
Stock Lending	3,279	3,503	-224	Stock lending was temporarily suspended to facilitate custodian change.
Underwriting Commission	0	39	-39	No market opportunities during 2018/19
<b>Net return on investments</b>	<b>909,880</b>	<b>462,092</b>	<b>447,788</b>	Positive market impact on investment asset values
<b>Net Increase/(decrease) in the net assets available for benefits during the year</b>	<b>796,408</b>	<b>-65,697</b>	<b>862,105</b>	Positive market impact on investment asset values
<b>Opening net assets of the Fund</b>	<b>13,566,633</b>	<b>13,632,330</b>	<b>-65,697</b>	Moderate increase, however the large bulk transfer of £464.4m for First West Yorkshire Group (Firstbus) to Greater Manchester Pension Fund depressed the asset values for 2017/18 and 2018/19.
<b>Closing net assets of the Fund</b>	<b>14,363,041</b>	<b>13,566,633</b>	<b>796,408</b>	5.87% increase in value of Fund as at 31 March 2019

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

### Fund account three year forecast and two year outturn

The table below shows a three-year budget estimate 2018/19 to 2021/22 and outturn figures for 2017/18 and 2018/19.

Fund Account - Estimates & Actuals	2021/22 ESTIMATE	2020/21 ESTIMATE	2019/20 ESTIMATE	2018/19 REVISED ESTIMATE	2018/19 OUTTURN	2017/18 OUTTURN
	£000	£000	£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the Fund</b>						
Contributions receivable	435,700	430,900	426,200	421,500	416,949	407,345
Transfers in	0	27,400	27,100	26,800	26,491	41,770
Other income	27,700	0	0	0	0	0
Non-statutory pensions and pensions increases recharged	0	20,500	21,000	22,200	21,938	22,129
<b>Total income from members and employers</b>	<b>463,400</b>	<b>478,800</b>	<b>474,300</b>	<b>470,500</b>	<b>465,378</b>	<b>471,244</b>
Benefits payable	-529,000	-523,300	-517,700	-512,100	-506,461	-485,808
Non-statutory pensions and pensions increase	-20,700	-20,500	-21,000	-22,200	-21,938	-22,129
Payments to and on account of leavers	-40,500	-40,100	-39,700	-39,300	-40,445	-480,737
<b>Total payments to members</b>	<b>-590,200</b>	<b>-583,900</b>	<b>-578,400</b>	<b>-573,600</b>	<b>-568,844</b>	<b>-988,674</b>
<b>Management expenses</b>	<b>-12,970</b>	<b>-12,765</b>	<b>-12,564</b>	<b>-11,526</b>	<b>-10,006</b>	<b>-10,359</b>
<b>Returns on investments</b>						
Investment income	409,800	405,400	401,000	396,600	438,585	392,115
Taxes on income	-8,500	-8,400	-8,300	-8,200	-8,236	-8,072
Profit and losses on disposal of and changes in value of investments	361,800	357,900	354,000	350,200	476,252	74,507
Stock lending	3,500	3,500	3,500	3,500	3,279	3,503
Underwriting commission	0	0	0	0	0	39
<b>Net return on investments</b>	<b>766,600</b>	<b>758,400</b>	<b>750,200</b>	<b>742,100</b>	<b>909,880</b>	<b>462,092</b>
<b>Net increase in the net assets available for benefits during the year</b>	<b>645,930</b>	<b>638,935</b>	<b>631,936</b>	<b>625,874</b>	<b>796,408</b>	<b>-65,697</b>
<b>Opening net assets of the Fund</b>	<b>15,940,427</b>	<b>15,301,491</b>	<b>14,669,555</b>	<b>14,043,681</b>	<b>13,566,633</b>	<b>13,632,330</b>
<b>Closing Net assets of the Fund</b>	<b>16,586,356</b>	<b>15,940,427</b>	<b>15,301,491</b>	<b>14,669,555</b>	<b>14,363,041</b>	<b>13,566,633</b>
<b>% INCREASE IN NET ASSETS</b>	<b>4.05%</b>	<b>4.18%</b>	<b>4.31%</b>	<b>4.46%</b>	<b>5.87%</b>	<b>-0.48%</b>

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

Estimates are based on straight line projection of outturn figures in previous years, adjusted for the Fund operational activities, with the exception of management expenses which are based on current costs of operational activities and our business plans.

### Management expenses forecast and outturn report

The table below gives the management cost forecast 2018/19 to 2021/22 and outturn figures for 2018/19.

	2021/22 Estimate	2020/2021 Estimate	2019/20 Estimate	2018/19 Revised Estimate	2018/19 Full Year Outturn	2018/19 Variance outturn
	£	£	£	£	£	£
<b>Expenditure</b>						
Accommodation	302,819	296,881	291,060	293,200	337,061	-43,861
Actuarial Costs	208,080	204,000	200,000	100,000	249,096	-149,096
Computer Costs	793,794	778,229	762,970	754,000	755,103	-1,103
Employee Costs	9,877,859	9,684,176	9,494,290	8233,200	7,061,802	1,171,398
Internal Recharges from Bradford Council	428,301	419,903	411,670	410,100	451,749	-41,649
Printing and Postage	624,563	612,316	600,310	449,400	552,377	-102,977
Other Running Costs	387,258	379,664	372,220	1,396,200	1,863,089	-466,889
Transaction costs	2,500,000	2,500,000	2,500,000	2,000,000	724,389	1,275,611
Shared Service Income	-2,021,444	-1,981,808	-1,942,949	-1,985,000	-1,825,398	-159,602
Other income	-131,120	-128,549	-126,028	-125,000	-163,369	38,369
	<b>12,970,110</b>	<b>12,764,812</b>	<b>12,563,543</b>	<b>11,526,100</b>	<b>10,005,899</b>	<b>1,520,201</b>

Estimates shown above are based on current costs of operational activities and our current and future business plans.

Variances between the revised estimate 2018/19 and outturn for 2018/19 are mainly due to:

**Employee costs:** The underspend is mainly due to staffing vacancies .

**Actuarial fees:** The costs charged by our Actuary are reflective of the additional work requested by the Fund during the year. This included data cleansing exercises and unitisation work which is a new method of measuring the assets attributable to each of our employers, improving our covenant management processes, actuarial activities and processes.

**Internal recharges:** As a reassurance to ourselves and to our shared service partners, WYPF requested additional internal audit provision during the reporting period. This has increased costs slightly but has given us and our partners improved service assurance and operational controls.

**Printing and Postage:** The increased number of members during the financial period resulting in increased communication costs. We have also doubled our efforts to improve digital communication across all our services, to reduce cost and improve members' access to key pension documents.

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**Other running cost:** Broker research fees is one of the main reasons for this overspend, a budget realignment is needed from transaction cost for some of this overspend.

**Transaction Cost:** Underspend due to budget adjustment to be carried out for broker fees and recharges for cost of asset realisation for bulk transfer.

**Shared service income:** Overspend due to reduction in total planned cost for pension administration resulting in reduce charges to shared service partners.

**Other Income:** Underspend due to increased recharges to other services.

### Participating employers

#### Analysis of employers summarised by type

There were 430 active employers at the end of the financial year. A total of 41 employers ceased their membership of the fund during the year, converted to Academy status or joined Multi Academy Trusts.

Employers	2018/19 Active	2018/19 Ceased	2018/19 Total	2017/18 Total
Admitted body	144	26	170	180
Scheduled body	286	15	301	293
<b>Total</b>	<b>430</b>	<b>41</b>	<b>471</b>	<b>473</b>

#### Analysis of contributions received on time and late

The table below shows the value of pension contributions that have been received both on time and late. West Yorkshire Pension Fund receives contributions from over 400 employers every month with a total monthly value of almost £34m. Contributions are due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

Contribution Payment Performance	2018/19 Total	2018/19 Received on time	2018/19 Received on time	2018/19 Received late	2017/18 Received late
	£000	£000	%	£000	%
Employer contributions	300,693	300,159	99.8%	534	0.1
Employee contributions	116,256	116,006	99.8%	250	0.1
	<b>416,949</b>	<b>416,165</b>	<b>99.8%</b>	<b>784</b>	<b>0.1</b>

#### Data Governance and Monthly returns

Since April 2014 all employers who participate in the fund have been required to submit a detailed monthly return to WYPF for staff who are active members in the fund. The information collected each month includes

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members' data and contribution payments made to the fund. The data is used to update members' records on the pension administration system and as a means of reconciling contribution income received monthly.

The monthly data return process, is the cornerstone of our award winning data governance process. The process has improved data governance and operational efficiency; and also removed the need for a number of year-end reconciliation projects. Data posting and cash reconciliation from employers to members' record and cash accounts are daily business as usual processes. This is enabling us to manage very strong pension regulatory compliance performance management.

Monthly Returns Performance Data	2018/19	%	2017/18	%	2016/17	%	2015/16	%
Number of returns expected in the year from all employers.	6,015		5,468		5,549		5,002	
Number of returns received by 19 April	6,015	100	5,468	100	5,549	100	5,002	100
Number of returns not received by 31 May	0	0	0	0	0	0	0	
Returns processed within 10 working days.	5,465	90.86	4,490	82.1	4,773	86	4,121	82.39
Number of records on return.	1,205,499		1,275,273		1,194,762		1,132,356	
Number of new member records set up using monthly return.	20,493	1.70	23,172	1.82	17,852	1.49	17,375	1.53
Number of leaver notifications processed using monthly returns	11,492	0.95	12,091	0.95	11,036	0.92	8,514	0.75

### Employers who made contributions to the Fund during 2018-19

**BRADFORD M.D.C**

**LEEDS CITY COUNCIL**

**CALDERDALE M.B.C**

**KIRKLEES M.C**

**WAKEFIELD M.D.C**

ABBEY M A T (BISHOP YOUNG C OF E ACADEMY)

ABBEY M A T (MANSTON ST JAMES ACADEMY)

ABBEY MULTI ACADEMY TRUST

ABSOLUTELY CATERING LIMITED (BATLEY MAT)

ABSOLUTELY CATERING LTD (BGS)

ACCORD MULTI ACADEMY TRUST

ACKWORTH PARISH COUNCIL

ACTION FOR CHILDREN (BRADFORD COUNCIL)

ACTIVE CLEANING LTD (CROFTON ACADEMY)

ADDINGHAM PARISH COUNCIL

ADEL ST JOHN THE BAPTIST C E (V A) PRIMARY SCHOOL

AFFINITY TRUST

AIREBOROUGH LEARNING PARTNERSHIP TRUST

ALL SAINTS C E J & I SCHOOL

ALL SAINTS RICHMOND HILL CHURCH OF ENGLAND PRIMARY SCHOOL

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ALWOODLEY PARISH COUNCIL  
AMEY COMMUNITY LTD BRADFORD BSF PHASE 2 FM SERVICES  
AMEY COMMUNITY LTD FM SERVICES  
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)  
ARAMARK LIMITED  
ARCADIS (UK) LTD  
ARTS COUNCIL ENGLAND  
ASPENS SERVICES LTD  
ASPENS SERVICES LTD (APPLETON ACADEMY)  
ASPENS SERVICES LTD (LEEDS WEST ACADEMY)  
ASPENS SERVICES LTD (OASIS ACADEMY)  
ASPIRE COMMUNITY BENEFIT SOCIETY LTD  
ASPIRE-I  
ASPIRE-IGEN LTD  
B B G ACADEMY  
BAILDON TOWN COUNCIL  
BARDSEY PRIMARY FOUNDATION SCHOOL  
BARNARDOS (LEEDS PORTAGE)  
BARNARDOS ASKHAM GRANGE PRISON  
BASKETBALL ENGLAND  
BATLEY GRAMMAR FREE SCHOOL  
BATLEY MULTI ACADEMY TRUST  
BECKFOOT TRUST  
BEESTON HILL ST LUKES C E PRIMARY SCHOOL  
BEESTON PRIMARY TRUST  
BELLE ISLE TENANT MANAGEMENT ORG  
BID SERVICES  
BINGLEY GRAMMAR SCHOOL  
BIRSTALL PRIMARY ACADEMY  
BLESSED CHRISTOPHER WHARTON ACADEMY TRUST  
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (CALDERDALE)  
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (KIRKLEES)  
BOLTON BROW PRIMARY ACADEMY  
BOOTHROYD PRIMARY ACADEMY  
BOSTON SPA SCHOOL  
BRADFORD ACADEMY  
BRADFORD COLLEGE  
BRADFORD DIOCESAN ACADEMIES TRUST  
BRADFORD DISTRICT CREDIT UNION  
BRADSHAW PRIMARY SCHOOL  
BRAMLEY PARK ACADEMY  
BRAMLEY ST PETERS C OF E SCHOOL  
BRIGHOUSE ACADEMY

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BRIGHTER FUTURES ACADEMY TRUST  
BRIGSHAW LEARNING PARTNERSHIP  
BRITISH GAS SOCIAL HOUSING LTD  
BRODETSKY JEWISH (V A) PRIMARY SCHOOL  
BRONTE ACADEMY TRUST  
BROOKSBANK SCHOOL SPORTS COLLEGE  
BULLOUGH CONTRACT SERVICES (BINGLEY GRAMMAR SCHOOL)  
BULLOUGH CONTRACT SERVICES (LEEDS CITY COLLEGE)  
BULLOUGH CONTRACT SERVICES LTD (BRIGHOUSE ACADEMY)  
BURLEY PARISH COUNCIL  
BURNLEY ROAD ACADEMY  
C AND K CAREERS LTD  
CAFCASS  
CALDERDALE COLLEGE  
CALVERLEY C OF E PRIMARY SCHOOL  
CARDINAL HEENAN CATHOLIC HIGH SCHOOL  
CARE QUALITY COMMISSION  
CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)  
CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)  
CARROLL CLEANING COMPANY (NESSFIELD PRIMARY SCHOOL)  
CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)  
CARROLL CLEANING COMPANY LIMITED (MOORSIDE PRIMARY SCHOOL)  
CARROLL CLEANING COMPANY LIMITED (THORNBURY)  
CARROLL CLEANING COMPANY LTD (BIRKENSHAW PRIMARY SCHOOL)  
CARROLL CLEANING COMPANY LTD (EAST GARFORTH PRIMARY ACADEMY)  
CARROLL CLEANING COMPANY LTD (HOLY TRINITY PRIMARY)  
CARROLL CLEANING COMPANY LTD (PEEL PARK PRIMARY SCHOOL)  
CARROLL CLEANING COMPANY LTD (WAKEFIELD)  
CARROLL CLEANING COMPANY LTD (WHETLEY)  
CASTLE HALL ACADEMY  
CASTLEFORD ACADEMY  
CATERLINK (GROVE LEA PRIMARY SCHOOL)  
CATERLINK LIMITED (BROADGATE PRIMARY SCHOOL)  
CATERLINK LIMITED (IRELAND WOOD PRIMARY SCHOOL)  
CATERLINK LTD (CRIGGLESTONE ST JAMES PRIMARY ACADEMY)  
CATHOLIC CARE  
CBRE MANAGED SERVICES LIMITED  
CHIEF CONSTABLE FOR WEST YORKSHIRE  
CHURCHILL CONTRACT SERVICES (B B G ACADEMY)  
CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE SECURITY)  
CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE)  
CHURCHILL CONTRACT SERVICES (SHARE MAT)

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CLAPGATE PRIMARY SCHOOL  
CLAYTON PARISH COUNCIL  
COALFIELDS REGENERATION TRUST  
COCKBURN MULTI ACADEMY TRUST  
COLLABORATIVE LEARNING TRUST  
COLLINGHAM LADY ELIZABETH HASTINGS  
COMMUNITY ACCORD  
COMPASS (LEEDS PFI SCHOOLS)  
COMPASS CONTRACT SERVICES (GREEN LANE)  
COMPASS CONTRACT SERVICES (LAISTERDYKE)  
COMPASS CONTRACT SERVICES (NORTHERN EDUCATION TRUST)  
COMPASS CONTRACT SERVICES (PARK VIEW & EAST GARFORTH)  
COMPASS CONTRACT SERVICES (ST JOHN FISHERS)  
COMPASS CONTRACT SERVICES (UK) (PONTEFRACT ACADEMIES TRUST)  
COMPASS CONTRACT SERVICES (UK) LTD  
COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELL)  
COMPASS CONTRACT SERVICES (UK) LTD (SHARE MAT)  
COMPASS CONTRACT SERVICES (UK) LTD (SPTA)  
COMPASS CONTRACT SERVICES (WESTBOROUGH HIGH SCHOOL)  
COMPASS CONTRACT SERVICES (WHETLEY ACADEMY)  
COMPASS CONTRACT SERVICES LTD (MANOR CROFT)  
CONSULTANT CLEANERS LIMITED (W Y FIRE)  
CONSULTANT CLEANERS LIMITED (WESTBOROUGH HIGH SCHOOL)  
COOKRIDGE HOLY TRINITY C E PRIMARY SCHOOL  
CORPUS CHRISTI CATHOLIC COLLEGE  
CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL  
COTTINGLEY PRIMARY ACADEMY  
CRAFT CENTRE & DESIGN GAL. LTD  
CREATIVE SUPPORT LIMITED  
CRESCENT PURCHASING LTD  
CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY  
CROFTON ACADEMY  
CROSSLEY HALL PRIMARY SCHOOL  
CROW LANE PRIMARY AND FOUNDATION STAGE SCHOOL  
DARRINGTON C OF E PRIMARY SCHOOL  
DEIGHTON GATES PRIMARY FOUNDATION SCHOOL  
DELTA ACADEMIES TRUST  
DENBY DALE PARISH COUNCIL  
DIXONS ACADEMIES CHARITABLE TRUST LTD  
DIXONS COTTINGLEY ACADEMY  
EBOR GARDENS PRIMARY ACADEMY  
ELEMENTS PRIMARY SCHOOL

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

ELEVATE MULTI ACADEMY TRUST  
ELITE CLEANING AND ENVIRONMENTAL SERVICES LTD  
ENGIE SERVICES LTD  
ENHANCE ACADEMY TRUST  
ENVIROSERVE (CALDER HIGH SCHOOL)  
ENVIROSERVE (EBOR GARDENS PRIMARY ACADEMY)  
ENVIROSERVE (JOSEPH NORTON ACADEMY)  
ENVIROSERVE (VICTORIA PRIMARY ACADEMY)  
ETHOS ACADEMY TRUST  
EXCEED ACADEMIES TRUST  
EXCEED ACADEMIES TRUST (APPLETON ACADEMY)  
FEATHERSTONE ACADEMY  
FEVERSHAM EDUCATION TRUST  
FEVERSHAM PRIMARY ACADEMY  
FIELDHEAD JUNIOR INFANT AND NURSERY ACADEMY  
FLEET FACTORS LTD  
FOXHILL PRIMARY SCHOOL  
GOLCAR JUNIOR INFANTS AND NURSERY SCHOOL  
GREENHEAD SIXTH FORM COLLEGE  
GROUNDWORK LEEDS  
GROUNDWORK WAKEFIELD  
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)  
HANSON SCHOOL  
HARDEN PRIMARY SCHOOL  
HAWKSWORTH C E (VA) PRIMARY SCHOOL  
HEBDEN ROYD TOWN COUNCIL  
HECKMONDWIKE GS ACADEMY TRUST  
HEMSWORTH TOWN COUNCIL  
HEPWORTH GALLERY TRUST  
HF TRUST LIMITED  
HILL TOP FIRST SCHOOL  
HOLLINGWOOD FIRST SCHOOL  
HOLLY BANK TRUST  
HOLME VALLEY PARISH COUNCIL  
HOLY FAMILY CATHOLIC (VA) PRIMARY SCHOOL  
HOLY ROSARY AND ST ANNES CATHOLIC PRIMARY SCHOOL  
HOLY TRINITY PRIMARY C OF E ACADEMY  
HONLEY HIGH SCHOOL  
HORBURY BRIDGE CE J AND I SCHOOL  
HORSFORTH SCHOOL ACADEMY  
HORSFORTH TOWN COUNCIL  
HORTON HOUSING ASSOCIATION (BRADFORD)

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

HUDDERSFIELD NEW COLLEGE  
HUGH GAITSKELL PRIMARY SCHOOL TRUST  
HUMANKIND CHARITY (LEEDS)  
HUNSLET ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL  
HUNSLET ST MARYS C E (VA) PRIMARY SCHOOL  
HUTCHISON CATERING LTD (GUISELEY SCHOOL)  
I S S MEDICLEAN LTD  
ILKLEY PARISH COUNCIL  
IMMACULATE HEART OF MARY CATHOLIC PRIMARY SCHOOL  
IMPACT EDUCATION MULTI ACADEMY TRUST  
INCOMMUNITIES  
INNOVATE SERVICES LTD (CROSSFLATTS)  
INSPIRE PARTNERSHIP MULTI ACADEMY TRUST  
INTERACTION AND COMMUNICATION ACADEMY TRUST  
INTERACTION AND COMMUNICATION ACADEMY TRUST (HIGH PARK)  
INTERSERVE (FACILITIES MANAGEMENT) LTD  
INTERSERVE (FACILITIES MANAGEMENT) LTD (P.C.C FOR WEST YORKSHIRE)  
INTERSERVE (FACILITIES MANAGEMENT) LTD (W Y POLICE CLEANING CONTRACT)  
INTERSERVE CATERING SERVICES LIMITED  
INTERSERVE INTEGRATED SERVICES LTD  
IQRA ACADEMY  
JERRY CLAY ACADEMY  
JOHN SMEATON ACADEMY  
JOSEPH NORTON ACADEMY  
KEELHAM PRIMARY SCHOOL  
KEEPMOAT PROPERTY SERVICES LIMITED  
KEIGHLEY TOWN COUNCIL  
KHALSA SCIENCE ACADEMY  
KILLINGHALL PRIMARY SCHOOL  
KING JAMES'S SCHOOL  
KIRKBURTON PARISH COUNCIL  
KIRKLEES ACTIVE LEISURE  
KIRKLEES CITIZENS ADVICE AND LAW CENTRE  
KIRKLEES COLLEGE  
KIRKLEES M.C. COUNCILLORS  
KIRKLEES NEIGHBOURHOOD HSE LTD  
KIRKSTALL ST STEPHENS C E (VA) PRIMARY SCHOOL  
LADY ELIZABETH HASTINGS SCHOOL  
LAISTERDYKE LEADERSHIP ACADEMY  
LANE END PRIMARY TRUST  
LEARNING ACCORD MULTI ACADEMY TRUST  
LEEDS APPROPRIATE ADULT SERVICE

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

LEEDS ARTS UNIVERSITY  
LEEDS BECKETT UNIVERSITY  
LEEDS C.A.B.  
LEEDS CITY ACADEMY  
LEEDS CITY COLLEGE  
LEEDS COLLEGE OF BUILDING  
LEEDS COLLEGE OF MUSIC  
LEEDS EAST PRIMARY PARTNERSHIP TRUST  
LEEDS GRAND THEATRE & OPERA HSE  
LEEDS JEWISH FREE SCHOOL  
LEEDS NORTH WEST EDUCATION PARTNERSHIP  
LEEDS SOCIETY FOR THE DEAF & BLIND  
LEEDS TRINITY UNIVERSITY  
LEODIS ACADEMIES TRUST  
LIBERTY GAS OUTER WEST  
LIBERTY GAS WEST  
LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST  
LIGHTHOUSE SCHOOL  
LINDLEY C E INFANT ACADEMY  
LINDLEY JUNIOR SCHOOL ACADEMY TRUST  
LOCALA  
LOCALA (CALDERDALE)  
LONGROYDE JUNIOR SCHOOL  
LPM CLEANING LIMITED  
MAKING SPACE  
MAST ACADEMY TRUST  
MEANWOOD C E (VA) PRIMARY SCHOOL  
MEARS LTD (SOUTH)  
MEARS LTD (WEST)  
MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)  
MELTHAM TOWN COUNCIL  
MENSTON PARISH COUNCIL  
MICKLEFIELD PARISH COUNCIL  
MIDDLETON PRIMARY SCHOOL TRUST  
MINSTHORPE ACADEMY TRUST  
MITIE LIMITED (LEEDS SCHOOLS PFI)  
MITIE PEST CONTROL  
MITIE PFI LIMITED  
MOORLANDS LEARNING TRUST  
MORLEY TOWN COUNCIL  
MOUNT ST MARYS CATHOLIC HIGH SCHOOL  
MOUNTAIN HEALTHCARE LTD (W Y POLICE)

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

MYRTLE PARK PRIMARY SCHOOL  
N.I.C. SERVICES GROUP LIMITED (MIDDLETON ST MARYS LEEDS)  
NATIONAL COAL MINING MUSEUM FOR ENGLAND  
NEW COLLABORATIVE LEARNING TRUST  
NINELANDS PRIMARY SCHOOL  
NORMANTON TOWN COUNCIL  
NORTH HALIFAX GRAMMAR ACADEMY  
NORTH HALIFAX PARTNERSHIP LTD  
NORTH HUDDERSFIELD TRUST SCHOOL  
NORTHERN AMBITION ACADEMIES TRUST  
NORTHERN EDUCATION TRUST  
NORTHERN SCH.OF CONTEMP DANCE  
NORTHERN STAR ACADEMIES TRUST  
NORTHORPE HALL CHILD AND FAMILY TRUST  
NOTRE DAME SIXTH FORM COLLEGE  
NPS LEEDS LIMITED  
NURTURE ACADEMIES TRUST  
OASIS ACADEMY LISTER PARK  
OFSTED  
OLD EARTH ACADEMY  
ONE IN A MILLION FREE SCHOOL  
OPEN COLLEGE NETWORK YORKS & HUMBER (TRADING AS CERTA)  
OSSETT TRUST  
OTLEY TOWN COUNCIL  
OUR LADY OF GOOD COUNSEL CATHOLIC PRIMARY SCHOOL  
OUTWOOD ACADEMY FREESTON  
OUTWOOD ACADEMY HEMSWORTH  
OUTWOOD ACADEMY WAKEFIELD CITY  
OUTWOOD GRANGE ACADEMY  
OUTWOOD PRIMARY ACADEMY BELL LANE  
OUTWOOD PRIMARY ACADEMY KIRKHAMGATE  
OUTWOOD PRIMARY ACADEMY LEDGER LANE  
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE  
OUTWOOD PRIMARY ACADEMY NEWSTEAD GREEN  
OUTWOOD PRIMARY ACADEMY PARK HILL  
OWLCOTES MULTI ACADEMY TRUST  
PADDOCK JUNIOR INFANT AND NURSERY SCHOOL  
PARK LANE LEARNING TRUST  
PENNINE ACADEMIES YORKSHIRE  
PINNACLE (W Y POLICE)  
PINNACLE FM LIMITED (KIRKLEES)  
PINNACLE FM LTD

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

PONTEFRACT ACADEMIES TRUST  
POOL PARISH COUNCIL  
POSSABILITIES CIC  
PRIESTLEY ACADEMY TRUST  
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL  
PROGRESS TO CHANGE (CARDIGAN HOUSE)  
PROGRESS TO CHANGE (RIPON HOUSE)  
PROSPECTS SERVICES (BRADFORD 3)  
PUDSEY GRANGEFIELD SCHOOL  
PUDSEY SOUTHROYD PRIMARY SCHOOL TRUST  
RAINBOW PRIMARY FREE SCHOOL  
RASTRICK HIGH SCHOOL ACADEMY TRUST  
RAWDON PARISH COUNCIL  
RED KITE LEARNING TRUST (HARROGATE HR HUB)  
RED KITE LEARNING TRUST (LEEDS EAST HR HUB)  
REEVY HILL PRIMARY SCHOOL  
RENEWI UK SERVICES LIMITED  
RIDGE CREST CLEANING (NORTH) LTD (RAWSON PRIMARY SCHOOL)  
RM EDUCATION PLC  
RODILLIAN ACADEMY  
ROOK'S NEST ACADEMY  
ROTHWELL ST MARYS CATHOLIC (VA) PRIMARY SCHOOL  
ROUNDHAY ST JOHNS C E (VA) PRIMARY SCHOOL  
ROYDS COMMUNITY ASSOCIATION  
ROYDS HALL TRUST SCHOOL  
ROYDS LEARNING TRUST  
RUSSELL HALL FIRST SCHOOL  
RYBURN VALLEY ACADEMY  
RYHILL PARISH COUNCIL  
SACRED HEART CATHOLIC (VA) PRIMARY SCHOOL  
SALENDINE NOOK ACADEMY TRUST  
SALTERLEE ACADEMY TRUST  
SAMUEL LISTER ACADEMY  
SCOUT ROAD ACADEMY  
SEA FISH INDUSTRY AUTHORITY  
SEACROFT GRANGE PRIMARY SCHOOL  
SERVEST (B B G ACADEMY)  
SHARE MULTI ACADEMY TRUST  
SHIBDEN HEAD PRIMARY ACADEMY  
SHIPLEY COLLEGE  
SHIRLEY MANOR PRIMARY ACADEMY  
SITLINGTON PARISH COUNCIL

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SKILLS FOR CARE LIMITED  
SODEXO LTD  
SOUTH ELMSALL TOWN COUNCIL  
SOUTH HIENDLEY PARISH COUNCIL  
SOUTH KIRKBY AND MOORTHORPE TOWN COUNCIL  
SOUTH OSSETT INFANTS ACADEMY  
SOUTH PENNINE ACADEMIES  
SOUTHFIELD GRANGE TRUST  
SOUTHWAY AT THE RODILLIAN ACADEMY LTD  
SPEN VALLEY FOUNDATION TRUST  
SPIE LTD  
SPRINGWELL ACADEMY LEEDS  
SSE CONTRACTING LTD  
ST ANNE'S (BRADFORD) COMMUNITY SERVICES  
ST ANNE'S COMMUNITY SERVICES  
ST ANTHONYS CATHOLIC (VA) PRIMARY SCHOOL  
ST AUGUSTINES CATHOLIC PRIMARY SCHOOL  
ST CHAD'S C OF E PRIMARY SCHOOL  
ST EDWARDS CATHOLIC (VA) PRIMARY SCHOOL  
ST FRANCIS CATHOLIC PRIMARY SCHOOL  
ST FRANCIS OF ASSISI CATHOLIC (VA) PRIMARY SCHOOL  
ST GILES CHURCH OF ENGLAND ACADEMY  
ST GREGORY THE GREAT CATHOLIC ACADEMY TRUST  
ST JOHN'S (CE) PRIMARY ACADEMY TRUST  
ST JOHN'S APPROVED PREMISES LIMITED  
ST JOHN'S PRIMARY ACADEMY RISHWORTH  
ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL WETHERBY  
ST MATTHEWS C E PRIMARY SCHOOL  
ST MICHAEL & ALL ANGELS J & I  
ST NICHOLAS CATHOLIC PRIMARY SCHOOL  
ST OSWALDS CHURCH OF ENGLAND PRIMARY SCHOOL  
ST PATRICKS CATHOLIC (VA) PRIMARY SCHOOL  
ST PAULS CATHOLIC (VA) PRIMARY SCHOOL  
ST PETERS C E PRIMARY SCHOOL  
ST PHILIPS CATHOLIC PRIMARY SCHOOL  
ST THERESAS CATHOLIC PRIMARY SCHOOL  
ST URBANS CATHOLIC (VA) PRIMARY SCHOOL  
ST VINCENT DE PAUL SOCIETY (ENGLAND & WALES)  
STAR ACADEMIES TRUST  
STRAWBERRY FIELDS PRIMARY SCHOOL  
SUEZ RECYCLING AND RECOVERY UK LIMITED  
SWALLOW HILL COMMUNITY COLLEGE ACADEMY

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

TAYLOR SHAW LIMITED (GORSE ACADEMIES TRUST)  
TAYLOR SHAW LIMITED (GORSE AT ELLIOTT HUDSON COLLEGE)  
TAYLORSHAW  
TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)  
TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITELAITH)  
TAYLORSHAW LTD (FIELDHEAD GRIMES MANSTON)  
TAYLORSHAW LTD (PARKLANDS PRIMARY)  
TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)  
TEMPLE LEARNING ACADEMY  
TEMPLE NEWSAM LEARNING PARTNERSHIP  
THE ANAH PROJECT  
THE BISHOP KONSTANT CATHOLIC TRUST  
THE BISHOP WHEELER CATHOLIC ACADEMY TRUST  
THE CO-OPERATIVE ACADEMIES TRUST  
THE CROSSLEY HEATH ACADEMY TRUST  
THE FAMILY OF LEARNING TRUST  
THE GORSE ACADEMIES TRUST  
THE GREETLAND ACADEMY TRUST  
THE JOHN CURWEN CO-OPERATIVE PRIMARY ACADEMY  
THE LANTERN LEARNING TRUST  
THE MFG ACADEMIES TRUST  
THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE  
THORNHILL COMMUNITY ACADEMY  
THORNHILL JUNIOR AND INFANT SCHOOL  
THORNTON PRIMARY SCHOOL  
THORP ARCH LADY ELIZABETH HASTINGS C E (VA) PRIMARY SCHOOL  
TNS CATERING (SPTA)  
TNS CATERING MAN LTD (ST BOTOLPHS)  
TODMORDEN TOWN COUNCIL  
TOGETHER HOUSING ASSOCIATION LTD (GREENVALE)  
TOGETHER HOUSING ASSOCIATION LTD (PENNINE)  
TONG LEADERSHIP ACADEMY  
TRINITY ACADEMY HALIFAX  
TURNING LIVES AROUND  
TURNING POINT  
TURNING POINT (WAKEFIELD)  
UNITED RESPONSE  
UNIVERSITY ACADEMY KEIGHLEY  
UNIVERSITY OF BRADFORD  
UNIVERSITY OF HUDDERSFIELD  
UNIVERSITY TECHNICAL COLLEGE LEEDS  
VICTORIA PRIMARY ACADEMY

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

W.Y. FIRE & RESCUE AUTHORITY  
WAKEFIELD & DISTRICT HOUSING LTD  
WAKEFIELD CITY ACADEMIES TRUST  
WAKEFIELD COLLEGE  
WAKEFIELD M.D.C. COUNCILLORS  
WATERTON ACADEMY TRUST  
WEST YORKSHIRE COMBINED AUTHORITY  
WESTBOROUGH HIGH SCHOOL  
WESTWOOD PRIMARY SCHOOL TRUST  
WETHERBY HIGH SCHOOL  
WETHERBY TOWN COUNCIL  
WHINMOOR ST PAULS C E PRIMARY SCHOOL  
WHITEHILL COMMUNITY ACADEMY  
WILLIAM HENRY SMITH SCHOOL  
WILSDEN PRIMARY SCHOOL  
WOLSELEY UK LTD  
WOODHOUSE GROVE SCHOOL  
WOODSIDE ACADEMY  
WORTH VALLEY PRIMARY SCHOOL  
WRAT - LEEDS EAST ACADEMY  
WRAT - LEEDS WEST ACADEMY  
YORKSHIRE COMMUNITY HOUSING LIMITED  
YORKSHIRE PURCHASING ORGANISATION

### Benefits paid

West Yorkshire Pension fund pays almost 132,000 pensioners and beneficiaries with a gross pension payroll in excess of £56m each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

### Shared service provision

In addition to the Local Government pensions paid each month, West Yorkshire Pension Fund also provide a Pensions Administration and payroll service for the following organisations:

- Lincolnshire Pension Fund
- Lincolnshire County Council Fire
- West Yorkshire Fire & Rescue Authority
- North Yorkshire Fire & Rescue Authority
- Humberside Fire & Rescue Authority

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

- South Yorkshire Fire & Rescue Authority (the fund provides the administration function only).
- Royal Berkshire Fire & Rescue Authority
- Buckinghamshire & Milton Keynes Fire & Rescue Authority
- Northumberland Fire
- Devon & Somerset Fire & Rescue Authority
- Dorset & Wiltshire Fire & Rescue Authority
- Tyne & Wear Fire & Rescue Authority
- Norfolk Fire & Rescue Authority
- Staffordshire Fire & Rescue Authority
- Hereford & Worcester Fire & Rescue Authority

The combined shared service membership for the 2018/19 financial year is shown in the following table:

Shared Service Partners	2018/19 Active	2018/19 Pensioners	2018/19 Beneficiaries	2018/19 Deferred	2018/19 Undecided	2018/19 Frozen	2018/19 Total	2017/18 Total
W Yorkshire PF	100,060	79,583	11,794	89,241	1,770	9,066	291,514	286,471
Lincolnshire PF	23,396	18,975	2,591	28,423	1,000	2,657	77,042	77,479
LB Hounslow PF	6,041	5,750	875	7,929	923	1,185	22,703	0
West Yorkshire Fire	1,012	2,070	323	274	2	3	3,684	3,626
South Yorkshire Fire	588	1,114	180	97	0	10	1,989	1,986
North Yorkshire Fire	630	499	86	315	22	0	1,552	1,457
Humberside Fire Authority	703	881	144	243	4	2	1,977	1,941
Lincolnshire Fire	649	295	60	473	64	25	1,566	1,482
Royal Berkshire Fire	427	434	57	182	6	1	1,107	1,079
Bucks and MK Fire	410	387	73	270	19	5	1,164	1,133
Devon and Somerset Fire	1,608	1,154	172	825	12	15	3,786	0
Dorset and Wiltshire Fire	1,059	776	104	481	82	6	2,508	0
Tyne and Wear Fire	549	1,190	192	98	0	0	2,029	0
Northumberland Fire	255	299	57	168	5	1	785	802
Norfolk Fire	560	464	80	214	46	0	1,364	0
Staffordshire Fire	632	649	100	591	2	0	1,974	0
Hereford and Worcester Fire	596	450	69	282	2	0	1,399	0
<b>Total</b>	<b>139,175</b>	<b>114,970</b>	<b>16,957</b>	<b>130,106</b>	<b>3,959</b>	<b>12,976</b>	<b>418,143</b>	<b>377,456</b>

### Pension overpayment

Occasionally pensions are paid in error. When this happens, we have processes in place to recover the overpayments. The table below shows a summary of the value of the overpayments involved. Every effort is made to recover these, whilst managing the financial impact on overpaid pensioners.

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Overpayments	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
	£000	£000	£000	£000	£000	£000
Annual payroll	394,445	380,862	370,147	357,890	342,087	327,405
Overpayments	626	76	315	320	237	67
Overpayments written off	7	7	17	4	17	11
Overpayments recovered	359	161	217	102	96	59

The table below shows a summary of transactions processed during the year:

Analysis of overpayments	2018/19	2017/18	2016/17	2015/16	2014/15	2013/14
	No. of payments					
Number of pensions paid during reporting period	1,096,524	1,042,404	1,036,008	995,592	985,776	949,128
Number of cases overpaid	365	54	479	355	333	198
Number of cases written off	6	29	18	7	27	18
Number of cases recovered	270	262	332	177	201	173

### Fraud Prevention – National Fraud Initiative

West Yorkshire Pension Fund takes part twice a year in the National Fraud Initiative (NFI). The data that is submitted by the Fund includes pensioners, beneficiaries and deferred member information for Local Government Pension Scheme and Fire Services Pension members managed by the Fund.

A summary of the latest results of these exercises is shown below:

Pensioners, beneficiaries and deferred members - deceased	No of record sent	No of mismatches		Overpayments		Possible Frauds	mismatches carried forward at 31st March
2018/19	260,387	3339	1.28%	3	0.00%	2	2
2017/18	229,994	518	0.23%	35	0.02%	2	10
2016/17	224,122	1425	0.64%	5	0.00%	4	5
2015/16	219,313	868	0.40%	61	0.03%	3	10
2014/15	159,928	656	0.41%	25	0.02%	0	5
2013/14	154,616	1456	0.94%	82	0.05%	3	8

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### Internal Audits completed during 2018/19

The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of reviews that were carried out during the financial year 2018/19.

- **Local Government Scheme Contributions** – This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was found to be of an excellent standard with no recommendations arising from the work carried out.
- **New Pensions and Lump Sums – Ill Health Pensions** – This audit examined the pension benefit calculations of members who have had to retire as a result of ill health and are entitled to immediate payment of their pension benefits. The control environment was deemed to be of a good standard with only one recommendation for improvement being made.
- **Pensioners Payroll** – The pensioner’s payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to almost 114,000 pensioners. The process was generally well controlled with a small number of low priority recommendations for improvement being made.
- **New Pensions and Lump Sums – Fire Service** – West Yorkshire Pension Fund provides an administration service for the payment of fourteen fire service’ pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member’s decision to retire. The control environment was largely as required.
- **Review of the West Yorkshire Pension Fund 2017/18 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.
- **Global Bonds** – This audit reviewed the arrangements in place for the investment in Global Bonds. Control of this asset class was found to be of an excellent standard with no recommendations arising from the work carried out.
- **Equities** – All quoted 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.
- **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 excellent.
- **Pooling Arrangements** – A piece of work was performed which was a high level review of the arrangements which surround the West Yorkshire Pension Fund’s involvement in the Northern LGPS

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partnership with Greater Manchester and Merseyside Pension Funds. The audit highlighted an area of governance which would improve the arrangements in place.

- **Information Governance and the General Data Protection Regulation** – This audit examined the risks associate with compliance with the General Data Protection Regulation (GDPR) which came into force in May 2018. Control in this area was found to be of a good standard, however, a number of recommendations were made which would ensure compliance with GDPR.

### ISO 9001:2015

WYPF is an ISO 9001:2015 accredited service provider. All our services are quality assured using rigorous quality management systems and assessed by external assessors. WYPF first achieved accreditation in 1994 and we have successfully maintained this accreditation since.

The purpose of the ISO 9001:2015 certification is to ensure that WYPF provides quality Local Government Pension Scheme administration to employers, members and beneficiaries within the scope of Local Government Pension Scheme Regulations and the Firefighters' Pension Scheme Order.

### WYPF quality policy

WYPF's quality policy is that :

- We will provide an efficient and effective service to all our scheme members by responding quickly to requests for information and advice.
- We will provide an efficient and effective service to all beneficiaries i.e. current pensioners, dependants and deferred members and receivers of early leavers' benefits by paying correct benefits on time.
- We will provide an efficient and effective service to all employers whose employees participate in a pension scheme administered by WYPF, responding quickly to requests for information, advice and training, provide detailed guidance on implications of any new legislation affecting the scheme.

### Quality management system

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

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

### Management and Customer Service Key Performance Indicators

WYPF monitors its performance against several Key Performance Indicators (KPIs). All aspects of our administrative structure, processes and systems are reviewed on a planned cycle.

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Our key performance indicators during the year measured against our targets are shown in the table below. Critical business areas impacting on pensioners and their family takes priority, these being, members requiring immediate payment for retirements, redundancies, dependents pensions and death grants.

Work type	Total cases	Target days	Target cases met	KPI target %	Actual KPI 2018/19 %	Actual KPI 2017/18 %	Actual KPI 2016/17 %
Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,096,524	Due days	1,096,524	100.00	100.00	100.00	100.00
Transfer-in quote	684	35	680	85.00	99.42	99.29	97.06
Transfer-in payment received	427	35	368	85.00	86.18	93.77	86.94
Divorce quote	613	20	582	85.00	94.94	96.71	94.07
Refund quote	4,813	35	4,665	85.00	96.92	98.53	89.63
Refund payment	2,718	10	2,677	95.00	98.49	98.19	99.06
Transfer-out quote	1701	20	1519	85.00	89.30	94.03	84.44
Transfer out payment	222	35	196	85.00	88.29	94.69	92.65
Pension estimate	6,414	10	5,940	75.00	92.61	76.24	83.37
Retirement actual	2,778	3	2,641	90.00	95.07	91.69	94.56
Deferred benefits into payment actual	3,345	5	2,990	90.00	89.39	88.89	93.52
Death grant payments	2679	5	2476	85.00	92.42	90.47	92.00
Change of address	3,164	5	3,017	85.00	95.35	96.73	97.64
Life certificate received	5,378	10	5,212	85.00	96.91	96.63	98.48
Payroll changes	1,893	5	1,814	85.00	95.83	96.14	97.77
Change to bank details	1,697	5	1,487	85.00	87.63	88.00	97.48
Death in retirement	2,459	5	2,279	85.00	92.68	91.32	92.91
Death Grant Nomination Form Received	10,158	20	8,910	85.00	87.71	99.63	90.89
Deferred Benefits Set Up on Leaving	11,810	20	11,054	85.00	93.60	96.68	65.93
Monthly Posting	6,015	10	5,465	95.00	90.86	82.10	87.85

### Cost per member

The latest published data (2017/18) for all LGPS funds administration costs shows that WYPF pensions administration cost per member is £14.05, the 7th lowest cost amongst 89 LGPS funds and well below the national average of £20.85

WYPF has the lowest total cost per members (administration, investment and oversight & governance) at £36.45, the national average for LGPS in 2016/17 is £205.24

The 2018/19 annual cost of administering the West Yorkshire Pension Fund per member is £15.01, investment management cost per member is £16.47, oversight and governance cost per member £2.68 and the total management cost per member is £34.16. These figures compare favourably with the average cost for authorities in the DCLG –SF3 results for 2017/18 as shown in the table below:

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

Cost per member 2017/18	Position	West Yorkshire Pension Fund	LGPS Lowest	LGPS Highest
Admin cost per member	7th	£14.05	£8.83	£60.98
Investment cost per member	1st	£20.48	£20.48	£566.69
Oversight & Governance	5th	£1.92	£0.00	£96.00
Total cost per member	1st	£36.45	£36.45	£634.93

LGPS figures are from DCLG SF3 2017/18 data set.

### Staff numbers

Staff full time equivalent (FTE)	2014/15	2015/16	2016/17	2017/18	2018/19
	FTE	FTE	FTE	FTE	FTE
Investments	21.4	19.6	19.6	21.6	22.1
Service centre staff	42.3	53.2	54.7	58.1	59.5
Payroll	16.6	17.6	16.6	19.0	17.6
ICT/UPM staff	11.5	12.6	12.6	13.7	14.4
Finance Staff	14.8	14.0	14.0	16.0	14.5
Business support staff	23.9	24.1	26.0	27.4	28.8
Technical	3.7	4.6	4.5	3.9	4.9
<b>Total</b>	<b>134.2</b>	<b>145.7</b>	<b>148.0</b>	<b>159.7</b>	<b>161.8</b>

### Membership trends over a five year period

Fund membership continues to grow, with a total membership including undecided leavers and frozen refunds of 291,514 as at 31 March 2019. Active members are employed by 430 separate organisations; with the number of active members continually increasing due to auto enrolment.

Membership category (at 31st March each year)

Membership category (at 31st March each year)									
	2014/15	% change	2015/16	% change	2016/17	% change	2017/18	% change	2018/19
Active Members	97,458	3.6%	100,927	0.9%	101,881	0.1%	102,017	-1.9%	100,060
Pensioners	68,742	4.3%	71,675	4.1%	74,630	1.0%	75,363	5.6%	79,583
Beneficiaries	10,958	3.0%	11,291	3.7%	11,704	-1.7%	11,504	2.5%	11,794
Deferred pensioners	77,494	6.0%	82,154	2.0%	83,763	4.2%	87,414	2.1%	89,241
Undecided leavers	5,987	13.9%	6,817	-15.4%	5,768	-119.9%	2,623	-32.5%	1,770
Frozen refunds	5,340	14.0%	6,087	16.2%	7,074	6.3%	7,550	20.1%	9,066
<b>Total</b>	<b>265,979</b>	<b>4.9%</b>	<b>278,951</b>	<b>2.1%</b>	<b>284,820</b>	<b>0.6%</b>	<b>286,471</b>	<b>1.8%</b>	<b>291,514</b>

## SECTION 5 – FINANCIAL MANAGEMENT AND PERFORMANCE

### Admissions to the Fund

Employees joining the Fund were as follows.

Members joining WYPF	2018/19	2017/18
Employees/councillors joining with no previous service	21,283	21,692
Employees with transfers from:		
: other LG fund	31	25
: other pension schemes	245	329
	<b>21,559</b>	<b>22,046</b>

### Withdrawals from the Fund

Benefits awarded to members leaving employment were as follows.

Members leaving WYPF	2018/19	2017/18
Members awarded immediate retirement benefits	2,754	2,865
Benefits awarded on death in service	106	88
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	9,875	9,192
<b>Totals</b>	<b>12,735</b>	<b>12,145</b>

## **SECTION 6 – INVESTMENT REPORT**

### **INVESTMENT ADVISORY PANEL – OPERATIONAL REVIEW**

This is a review of the activities of the WYPF Investment Advisory Panel (IAP) for the financial year 2018-2019. This report provide a summary of the investment market conditions that were the backdrop to IAP meetings and highlight some of the investment decisions made. This report cover other aspects of the panel's work, including the appraisal of new investment proposals, working with the Northern LGPS and asset pooling. The report also cover review meetings with private equity fund managers in which WYPF have invested and other governance related activities carried out during the period.

#### **Panel meeting April 2018**

The previous financial year markets concluded weakly, ending a period of extremely healthy investment returns particularly in equity markets.

#### **April 2018 market review**

The strength of Sterling over the final quarter and year as whole reduced returns for Sterling based investors from overseas assets. Over the financial year 2017/18 global equities had risen over 12% in local currency terms. However this was reduced to 3% when translated into Sterling. UK equities were also poor performers falling sharply in the final quarter and returning 1.2% for the financial year. UK Gilts and Index linked Gilts faired in a similar fashion returning only 0.5% over the financial year.

#### **April 2018 sterling**

When the IAP convened for the first panel meeting of the new financial year the post referendum decline in Sterling had all but been reversed which had the dual affect of directly reducing returns from overseas assets but also acting as a drag on returns for the FTSE100 index where a high proportion of the earnings originate in foreign currency.

#### **April 2018 economic outlook**

In terms of the economic outlook the key points considered by the panel in reports were the continuing strong momentum in the US economy enhanced with the added benefit of a tax cuts imminently boosting earnings, offset by the emerging danger that the rhetoric surrounding a US China trade war would move from the political arena into something more substantial. At the time of the meeting overall business indicators although still positive were beginning to show some slow down particularly in manufacturing and with Europe experiencing the biggest slowdown in activity. The panel received detailed reports on the major equity, bond and property markets - including specific developments in the WYPF direct property portfolio where significant progress was now being made.

## **SECTION 6 – INVESTMENT REPORT**

### **April 2018 strategic market allocation**

An update was given on details of the current positioning of the fund relative to its own strategic benchmark. This was in the context of the previous meetings decision to begin to reduce the overweight position of the fund in equities. It was noted at the January meeting that the fund had 70.4% in equities while the benchmark had 65%.

A decision was made to reduce equities over the next twelve months by 5% in four approximately equal instalments. The first tranche of sales were made during the first quarter of 2018 across all the major equity markets and as agreed proceeds were held in short dated bonds. After the panel had considered the progress made in the previous quarter and the current relative position to the benchmark the decision was taken to continue reducing overseas equity over the coming quarter but to pause selling UK equities as their weighting was already underweight the benchmark and close to the bottom of the control range. The panel were also provided with a cash flow model that detailed estimates of the net cash flow into the fund for the coming financial year, the model included estimates of investment income and all expenses including the payments to be made for bulk transfer of the Firstbus Group which the panel had been planning for a year.

### **April 2018 Northern LGPS update**

The panel also received an update on the latest developments within the Northern LGPS. As requested the pool had provided an update on progress to the Minister, which was due by the end of April. A meeting was scheduled between the Minister and the pool representatives for mid May. The panel were updated on the schedule of asset transfers to the newly appointed pool custodian Northern Trust. The WYPF assets were due to be transferred by August 2018. The panel were also given the opportunity to review the minutes of the Northern LGPS joint shadow committee.

### **April 2018 GLIL update**

The minutes included updates on GLIL the pools' direct infrastructure platform and developments on a joint approach to responsible investment. Sadly one of the other decisions the joint shadow committee had to make was the replacement as Chair of the Northern pool of Kieran Quinn following his untimely death. It was unanimously agreed to appoint Ian Greenwood the WYPF deputy chair as Chair of the Northern pool for the 2018/19 municipal year.

### **April 2018 governance and custodian review**

Every financial year the panel receive a report on the operational controls of HSBC Securities Services, who act as custodian for the schemes assets. The assurance report on controls provided by HSBC Securities Services had been reviewed by KPMG with the full report being made available to IAP members at the meeting. It was noted that controls in operation within HSBC are satisfactory. A separate governance report on the operations of the Investment Panel during the previous financial year, prepared by one of the scheme's independent investment advisors was also reviewed and noted.

### **April 2018 stock lending**

On an annual basis the IAP review the operation of the WYPF's stock lending programme and approve both lending limits and counterparties for the following financial year. All stock lending is conducted on behalf of

## **SECTION 6 – INVESTMENT REPORT**

WYPF by HSBC on an agency basis. The panel agreed to continue a policy permitting a maximum level of 35% of the total portfolio to be lent at any one time. Details of the income generated for the fund including the source of this income by asset type were provided in the report. The scheme's end of year position was also reviewed including details of the amount and type of collateral held against the current loaned stock. Attached to the report was a detailed explanation of the principles and mechanics of stock lending which helped panel members less familiar with the practise.

### **Panel meeting July 2018**

The first item on the July agenda was to elect a Chairman and Deputy Chairman. Cllr Andrew Thornton and Ian Greenwood were duly elected. The second panel meeting of the financial year saw strong gains in equity markets following the deep correction of the previous quarter. After a period of relative strength Sterling fell sharply against the US dollar over the quarter. Unexpected weakness in the UK economy prompted the Bank of England to defer the widely expected interest rate rise. This fall boosted returns in Sterling for both US equities, which rose 10% over the quarter but also for the large cap companies in the FTSE100 index with dollar earnings.

### **July 2018 economic outlook**

The UK market rose 9% over the three months. The continuing strength of the US economy led to a second rate rise of the year in June, with two further rises expected later in the year. These rises helped strengthen the dollar which in turn hit emerging markets and led to some central banks having to rise rates to defend their own currencies. The growing prospect of a serious trade war between the US and China is beginning to undermine confidence in general but in emerging Asia in particular. It was noted at the meeting that the Chinese equity market was now over 20% lower than at the January peak, damaged by a combination of tightening credit conditions aimed at reducing the high levels of domestic debt and the growing prospects of a serious trade war with the US. After reviewing reports from the various investment teams and noting the asset allocation of the fund relative to its own benchmark the panel agreed to continue with overseas equity sales although not to reduce UK equities any further as the continued underweight position was still towards the maximum allowed given the current benchmark.

### **July 2018 Northern LGPS**

The July meeting received a number of updates on the developments within the Northern LGPS. The IAP approved a commitment of £325m to the newly constituted Northern Private Equity Pool (NPEP). NPEP is a joint venture limited partnership (structured as a General Partner, GP akin to a typical GP/LP private equity structure) with the three administering authorities that make up the Northern LGPS the Limited partners (LPs). Northern Trust the pools' custodian will handle administration at the GP level. The IAP reviewed and approved the guide level of commitments to NPEP and assessed how these commitments would interact with the existing commitments to private equity outside NPEP.

### **July 2018 Northern LGPS Operating Agreement**

The IAP received an update on the draft operating agreement for the Northern pool and reviewed the entire document. The document was subsequently agreed, subject to review by the City Solicitor and the Governance and Audit committee.

## SECTION 6 – INVESTMENT REPORT

### July 2018 investment performance review, benchmark review

Portfolio Evaluation Service (PEL) now independently measures the investment performance of the fund. At the July meeting the panel were presented with basic fund level performance figures, as these were the first to be prepared. As has been noted in previous governance reports the investment approach adopted by the panel is genuinely long-term and consistent with the long-term nature of the liabilities of the fund. That said, it is still relevant and good governance to monitor investment performance over the short term as well.

The panel reviewed performance over the previous financial year to March 2018. The fund returned 3.6% this compares with 3.2% for the scheme's specific benchmark. This return results in the fund being ahead of the customised benchmark over one, three, five and ten-year periods. Data is available from 1986 and the fund is ahead of its benchmark by 0.4% per annum over that thirty-two year period. Subsequent to the meeting more detailed performance data has become available showing that for FY2017/18 both stock selection and asset allocation contributed to the outperformance of the benchmark, the panel congratulated the internal team for their performance.

### Panel meeting November 2018

The November meeting was set against a backdrop of equities performing extremely strongly during the previous quarter but with markets having fallen sharply after the quarter end. Up until the end of September all major markets had moved higher.

### November 2018 markets

The US equity market driven by a strong economy and tax cut boosted corporate earnings growth, raced higher up 8.5% in Sterling terms over the quarter. There were also more modest gains for European and Japanese equity markets. UK equities were flat over the period and both UK Gilts and Index linked Gilts fell. Despite ongoing concerns over 'Brexit' the Bank of England went ahead and raised rates by 0.25% in early August. Immediately following the quarter end and close to the ten year anniversary of the market crash concerns over US equity valuations and central bank rate rises caused a sharp sell off with highly rated technology stocks the worst hit. However small-cap stocks also fell sharply. By the time of the meeting other markets had reacted and following the falls there had been some recovery in the US although not to the previous highs.

Against this volatile background it was agreed to continue the process of reducing equity exposure and again due to benchmark considerations it was the overseas equity exposure where the reduction would take place. However given the volatile market conditions the internal teams were given full discretion on timing over the quarter.

### November 2018 cashflow

The panel were also given a full breakdown of the various cash flow movements expected over the quarter. Cash flow movements seen during 2018-19 have been more complex than in previous years. The planning at the November meeting anticipated commitments to direct property, infrastructure, listed alternative investments and regular withdrawals to pay the bulk transfer for the Firstbus assets. These cash calls were partially offset by proceeds arriving from investment income and the liquidation of the final hedge fund of funds, where the entire exposure had been liquidated over the previous two financial years. The internal team

## **SECTION 6 – INVESTMENT REPORT**

and external advisors presented reports and provide updates on the various cash flow movements to the panel to make informed decisions about future investment decisions. The IAP also considered and approved reports including the property strategy review and a paper detailing the future strategy for Infrastructure including the commitments to GLIL the joint venture infrastructure vehicle.

### **November 2018 Northern LGPS**

Updates on the development of the Northern LGPS are an agenda item at every IAP meeting. The November meeting had a significant amount of pool related updates and briefing notes. The update contained details of the most recent progress on the joint Northern pool operating agreement, the completion of using a single pool custodian. The establishment of a pool wide private equity vehicle (NPEP) introduced at the previous meeting was also further examined. The panel noted the progress being made and reviewed the latest exchange of correspondence between the pool and the Minister including the formal response to queries raised by the Minister in a letter received during July. The legal advice the pool had obtained dealing with areas of concern raised by the Minister was also shared with the panel. The IAP noted the progress and agreed that further developments would be discussed at the January meeting.

### **November 2018 environmental impact review**

It had been agreed at the previous panel meeting to review the UK Oil and Gas investment exposure and to review performance and changes to risk over the previous three years. It is expected that given the growing concerns over climate change that regular assessments will be made as to the relative risk and rewards available within the Oil and Gas sector. The UK index has a high relative exposure to this sector of the market compared to many other equity markets. Over the period reviewed the price of Oil has risen sharply and the performance of the companies in the sector has been strong. The fund value would have been approximately £200m lower if the holdings in Oil and Gas companies had been sold and reinvested in the remaining index companies. The panel agreed to regularly assess the risks and benefits of exposure to Oil and Gas companies in the future.

### **November 2018 members' and employers' annual meetings**

Communication with both employers and members is an important aspect of the panel's activities. Immediately following the November panel meeting the annual meeting for the employers took place in Bradford Town Hall with a similar meeting for members arranged for the following day. The meetings provide an opportunity for employers, members and pensioners to hear about administration aspects of the fund, any changes that have taken place for members or employers, as well as the customer service levels being achieved. It is the administration function of the scheme that is the main day-to-day point of contact for members and pensioners. Consequently the updates and information given at these annual meetings is always of interest to the attendees. For the employers meeting a presentation was given by the scheme actuary Aon Hewitt, this presentation focused on the more technical aspects of the funds liabilities and was of genuine interest for the employers looking for early insights into their future pension costs and budget planning.

In addition to the information on the functioning of the scheme provided by the Director, these annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations. The members meeting concluded with member questions

## **SECTION 6 – INVESTMENT REPORT**

submitted prior the event being answered by the relevant scheme representative for the benefit of the whole meeting

### **November 2018 Alternative Investment Working Group**

A meeting of the alternative investment-working group (AIWG) was convened in London during the first week of November. This event allows for face-to-face meetings with a selection of external managers running the private equity and Infrastructure investments for the scheme. The meetings which are held over two days reviewed the performance and strategy of the investments and allow for a detailed look at the investment environment the managers are operating in. This year the number of managers being reviewed was reduced to allow for longer presentations and more detailed questioning. Receiving a number of presentations in a short period of time allows the AIWG members a good overview of both market trends and how the various managers are responding to opportunities. The increased volatility seen in public equity markets had not yet translated into reduced exit opportunities for the private equity managers, however this is an area where the AIWG will continue to monitor changes.

### **Panel meeting January 2019**

The final full panel meeting of the financial year was held in January. This was the first meeting since the untimely and tragic death of WYPF Deputy Chairman and Northern Pool Chairman Ian Greenwood. The panel paid their respects and reflected on the enormous contribution Ian had made to the WYPF and the LGPS as a whole, having forged a national profile in the pensions industry via his Chairmanship of the LAPFF. A full tribute to the career and influence of Ian can be found in another section of this report and accounts.

### **January 2019 new Deputy Chair of IAP**

The panel unanimously appointed the very experienced panel member Liz Bailey as the new Deputy Chair.

### **January 2019 general business**

The meeting then turned to regular business and reviewed the minutes of the AIWG meeting with managers that had taken place in November, including comments on the various manager presentations and the market updates for private equity and infrastructure. The panel also received a report on the final phase of the project that transferred the assets and liabilities of First Bus Group to GMPF. The regular updates on the Northern Pool and the engagement work of LAPFF were also presented and noted.

### **January 2019 markets**

Market reports were presented from the investment teams including the details of the sales of overseas equities that had been agreed at the last panel meetings. The market background to the meeting was of sharp falls in all equity markets over the final quarter of 2018. The declines were significant with the global index falling over 10% the worst performance over a quarter since 2009. A number of pressures had been growing for investors but the most influential were growing concerns over the impact of raising interest rates in the US and some fears that the speed of tightening was risking damage to the economy. Trade tensions between the US and China appeared to be growing. In Europe economic indicators were showing some signs of weakness particularly in German manufacturing.

## **SECTION 6 – INVESTMENT REPORT**

### **January 2019 strategic asset allocation**

Given the sharp selloff in markets globally and the revised valuation metrics that were beginning to emerge in some markets the decision was made to halt the reduction in overseas equities for the next quarter. The UK equity market has been a poor performer for almost ten years compared with many developed markets but particularly the US market and in global terms the UK equity market now offered better value than had been seen for a significant period of time. Over the recent past some of the poor performance appears related to ongoing uncertainty over the UK's future relationship with the EU. Given the likely volatility and potential for asset mispricing the committee authorised selective investment into the UK market specifically where shares had heavily sold off in advance of any clarity on 'Brexit'. Future investment was authorised in both the UK and selective European markets to be tactically and speedily deployed in the event of a break through in the process leading to greater clarity for markets.

### **January 2019 investment strategy statement and business plan**

Regulations require each administering authority to prepare, publish and maintain an ISS, which sets out the approach to investment, risk, social, environmental and governance issues. The ISS is required to include policies on the exercise of voting rights that attach to investments. The ISS also covers the authorities approach to the pooling of assets including the use of collective investment vehicles and pooled services. The panel are not required to review this document until 2020 as they had approved the revised version of the ISS, which included new detail on the WYPF approach to pooling and climate change policy in the previous financial year. However, it was considered good practise to review the ISS and its contents as part of agreeing a business plan for financial year 2019/20. The business plan was presented by the director of the fund and agreed by the panel at the January panel meeting.

### **Special panel meeting February 2019**

The final meeting of the financial year was held during February. The Alternative Investments Working Group (AIWG) met in Bradford and received presentations from a number of private equity managers where the fund has commitments. Most of these funds are classified as UK lower mid market private equity in terms of geography and target investment size, the managers presenting on the day represented about 50% of the assets the fund has exposure to in this area of the market. As with the London meeting of the AIWG, face-to-face presentations provide members with the opportunity to ask questions of the managers and to gain a better understanding of the investment landscape in which these investments are being deployed. It was also the case that as in with the London managers each presenter was given longer to present than on previous occasions. A distinctive feature of this annual February meeting is that a number of the underlying investments and management companies have a northern regional focus. This results in a number of AIWG members being able to quiz management teams with very specific and well-informed local knowledge.

### **2018/19 training for panel members**

Maintaining a good level of understanding amongst members of the IAP is important in maintaining strong levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events. These investment and training seminars are for the benefit of new panel members and existing members alike. The agenda of every panel meeting contains information on upcoming industry events and training opportunities with panel members encouraged to take part. Over the financial year panel members attend many industry events these included; PSLA conference, LGC Investment summit, Northern

## SECTION 6 – INVESTMENT REPORT

Pool stewardship training day and the LAPFF conference. Officers also arrange specific training events. Following the January meeting the IAP, Pensions Board (BP) and Joint Advisory Group (JAG) attended a training session by the schemes' actuary Aon Hewitt, this training covered in detail the process of delivering the three year actuarial valuation which will be based on the 31<sup>st</sup> March 2019 valuation.

An update was given during the July panel meeting about the development of bespoke training sessions. Based on a paper by one of the independent advisors it was proposed that a number of sessions be held for IAP members and members of both the JAG and PB where appropriate. Topics will include; investment philosophy, asset classes, diversification and risk, responsible investment, the role and development of investment strategy and the monitoring and review of investment performance. Given the continuing high level of work load for the IAP and the ongoing developments within the Northern Pool the original expectations of delivering the training programme over a twelve month period will need to be re assessed, however in terms of scope the training is expected to be delivered as originally agreed.

### 2018/19 voting rights

In terms of responsible ownership the scheme continues to exercise its shareholder voting rights in full. The panel continues to adopt the PIRC shareholder voting guidelines for this purpose, making use of the full-extended service. As a consequence the fund is able to vote on every company represented in its investment portfolio anywhere in the world. Details of voting undertaken by WYPF at company AGMs and EGMs is available on the WYPF website. The Fund continues to engage directly with a number of company managements where there have been specific issues in terms of good governance and social responsibility. This engagement is conducted through the LAPFF. The full voting record of the fund at AGMs and EGMs is made available to all panel members on a quarterly basis and is published on the Fund's website.

### 2018/19 New Panel members

The experience of the investment panel is important to the fund and ensures that investment decisions and performance are reviewed and monitored with strong levels of governance. During any financial year it is usual for some members of the panel to leave and to be replaced with new faces. During the 2018/19 financial year we welcomed both Cllrs Ellis (Bradford) and Scopes (Leeds) who replaced Cllrs Miller and Davey. Experienced pensioner representative Stuart Imeson retired and was replaced by the equally experienced former Deputy Chair of the scheme Chris Greaves.

### Conclusion

The financial year 2018/19 delivered volatile investment returns but still leaves the funding level the scheme in a healthy position. The IAP continued to deal with a number of changing circumstances including the development of a direct property portfolio and the newly created joint Northern Pool private equity vehicle NPEP. The ongoing commitments to infrastructure both directly and indirect through the GLIL vehicle have resulted in significant cash draws and the need for careful planning particularly when combined with the regular cash withdrawals needed to fund the exit of the Firstbus Group assets, a process which has now been completed. Progress towards the completion and development of the Northern Pool continues to add the governance load of the IAP, as it did last year.

The substantial growth in the size of the scheme in recent years combined with the competing needs of the various investment opportunities, have led the IAP to conclude that the focus in terms of strategy and the

## SECTION 6 – INVESTMENT REPORT

quarterly operations of the panel will need to undergo an evolutionary process. It was agreed last financial year that IAP would continue to review its future focus and approach to strategy changes, in consultation with the external advisors and internal team, this will continue into the current year.

### 2019/2020

The coming year is expected to see more market volatility; many aspects of investment uncertainly remain in place both on the geopolitical and valuation fronts. The ending of quantitative easing around the globe, the still unresolved issues over China and US trade relations will remain of significance to all investors. Closer to home the as yet unresolved 'Brexit' outcome and future relationship combined with sighs of a sharp slowdown in the economies of Europe will need to be carefully monitored by the IAP. The journey towards pooling will be completed by the end of the period and many exciting opportunities for co-operation and increased resources will be available to the IAP. Given the experience of members, leadership and advice available to the panel, the investment governance of the WYPF remains strong and fit for purpose.

## SECTION 7 – INVESTMENT MANAGEMENT AND STRATEGY

### Investment management and strategy

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

In 2017/18, the fund's investment management costs were £20.48 (£20.58 2016/17) per scheme member, our cost per member is the lowest for all local authority pension funds, which compares exceptionally well with the average LGPS cost for 2017/18 is £175.44 (£191.51 2016/17).

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

The volatility in markets at the end of the financial year, which is covered in more detail in the following sections, came after the decision at the January 2019 meeting to take profits from equities. We continued to disinvest from hedge and currency funds during the year. The Fund holds 2.1% in cash, this facilitated the planned asset transfer of £508.92m paid to Greater Manchester Pension Fund (GMPF) for First Group West Yorkshire (Firstbus) in 2017/18 and 2018/19. The return on cash balances remains at a historic low.

### Investment performance

In 2018/19 our investments made a positive return of 7%, this is a fantastic result and remained above median over three years 10.9% (rank 19), five years 8.7% (rank 39), ten years 10.4% (rank 63), twenty years 6.6% (rank 25) and thirty years 8.7% (rank 14). These figures are all within top and median quartile LGPS performances and underpins our long term investment strategy. The Fund has a very different asset strategy to that of the average LGPS Funds. The key difference is our relatively high commitment to equities and the commensurate underweighting of other assets. During recent years this would have had a positive impact on the Funds' performance relative to its peers as equities returns were considerably ahead of bonds.

### Voting policy

The Fund vote on resolutions put to the Annual and Extraordinary General Meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Fund's Investment Strategy Statement. Full details of the voting policy is also available on the Fund's website, as are details of the Fund's voting activities at companies' Annual General and Extraordinary General Meetings. The Fund has appointed Pensions & Investment Research Consultants Ltd (PIRC) to manage voting rights, ensuring full engagement on governance and voting on all resolutions.

## **SECTION 7 – INVESTMENT MANAGEMENT AND STRATEGY**

### **Custody of financial assets and stock lending**

HSBC provides custodial services to the Fund and are responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaim, stock lending, general custodial services and other administrative actions in relation to all the Fund's listed fixed-interest and equity shareholdings, with the exception of private equity and properties. This service will be moving to Northern Trust during 2019/20 as part of northern LGPS pooling arrangements with Greater Manchester Pension Fund and Merseyside Pension Fund.

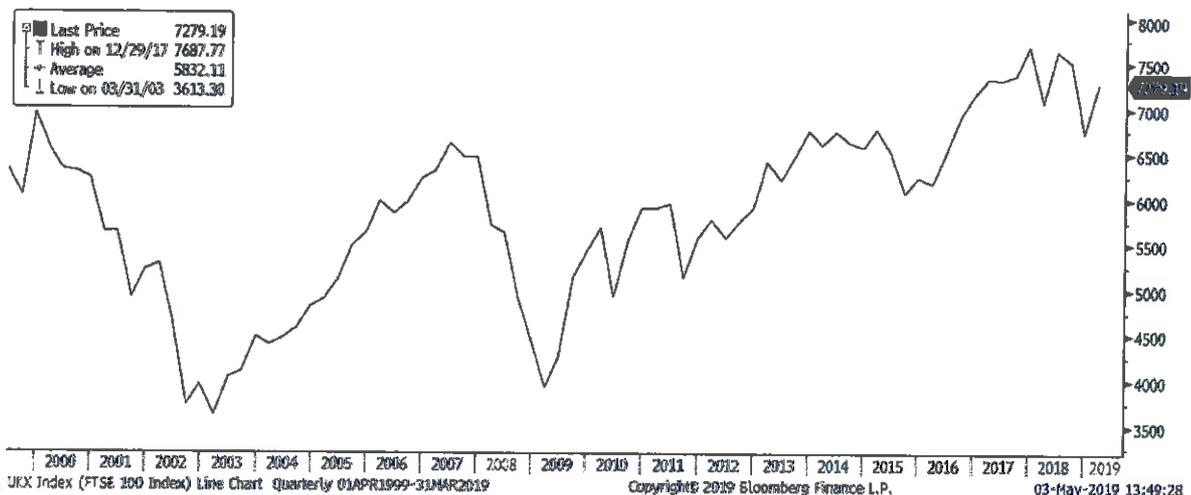
## SECTION 8 – INVESTMENT MARKETS

### UK EQUITIES

#### Recent volatile UK equity market acted on, to WYPF advantage.

The UK equity portfolio, valued at £4,450m, is the largest single equity portfolio representing 31.1% of the total fund. UK equities continue to be an important asset class over the long term offering the growth and income required to outpace inflation and meet the fund's rising liabilities. Although based in sterling, the majority of FTSE100 companies are international with underlying earnings based in foreign currencies. Since the referendum decision to leave the EU, the UK equity market has grown very strongly, returning 31.7% in total over the three years to the end of March 2019. Whilst, the economic uncertainty following this decision has had an impact on UK businesses the weakness in Sterling following the referendum has resulted in higher valuations for those overseas earners.

#### FTSE 100 Index April 1999 to March 2019



There has been significant volatility in the UK equity market over the last year despite the excellent overall performance, as illustrated by the 20 year chart of the FTSE 100 Index above. Following the high in December 2017 the internal investment team reduced exposure to UK equities by £100m, this proved to be a timely move as the market then fell 9.3% net of the 4.46% dividend yield over the course of 2018. Most of the negative sentiment in the UK market resulted from confidence around Brexit Day of 29<sup>th</sup> March 2019 without the terms of any departure deal being agreed by the UK Parliament.

By December 2018 the fall in the UK stock market looked considerably overdone given the estimated 7% growth in earnings per share and generous dividend yield. In fact the valuation of the UK equity market fell to just 11.1x earnings; the lowest for almost 8 years and pushed the dividend yield above 5%.

Overseas equity markets were also displaying lower valuations due to the slowdown in world economic growth, particularly in China plus other factors such as the ripple effect from trade difficulties between the US and China. However, comparative to overseas equity markets the UK appeared particularly good value. For this reason the internal investment team increased exposure to UK equities by £100m. Again the timing and

## SECTION 8 – INVESTMENT MARKETS

execution of this decision was highly advantageous to the fund as the UK market staged a considerable recovery in the first quarter of 2019, returning 9.4%.

### UK equity investment activity

It was a very busy trading year for the UK equity portfolio. The in house team carried out £423m in transactions, comprised of £257m purchases, £125m sales, £32m corporate actions and £9m of rights issues taken up. The profit realised on all disposals amounted to almost £34m and £173m of ordinary dividends were received and reinvested elsewhere in the Fund or used as part of the cash flow to pay for pensions. The value of the UK equity portfolio rose by almost £200m partly due to market movement and partly in reflection of the net investment of £108m.

There were a number of interesting corporate actions and takeovers during the year most notable were takeovers of Sky and GKN. Sky was finally taken over by Comcast following a bidding war with Fox resulting in cash proceeds of £9.6m for the Fund of which £5.2m was profit. GKN was the subject of a hostile takeover which finally resulted in a cash and shares offer from Melrose worth £14.2m.

### Market impact of UK not leaving the EU on BREXIT Day

March 29 2019 came and went without the UK leaving the EU, and BREXIT fatigue seems almost universal. The Prime Minister has negotiated with the EU for a further extension to Article 50, following exhaustive voting in the House of Commons among divergent groups of MPs which culminated in a failure to proceed with the departure deal that she had brokered with the EU. The UK must participate in EU elections in if it does not leave the EU by the 1<sup>st</sup> of June which now looks unlikely. The new extension to Article 50 offered by the EU is October 31 2019. However, parliament remains deeply divided on the issue with opinions ranging from a no deal clean break with the EU to a second referendum with hopes that the decision to leave the EU would be reversed.

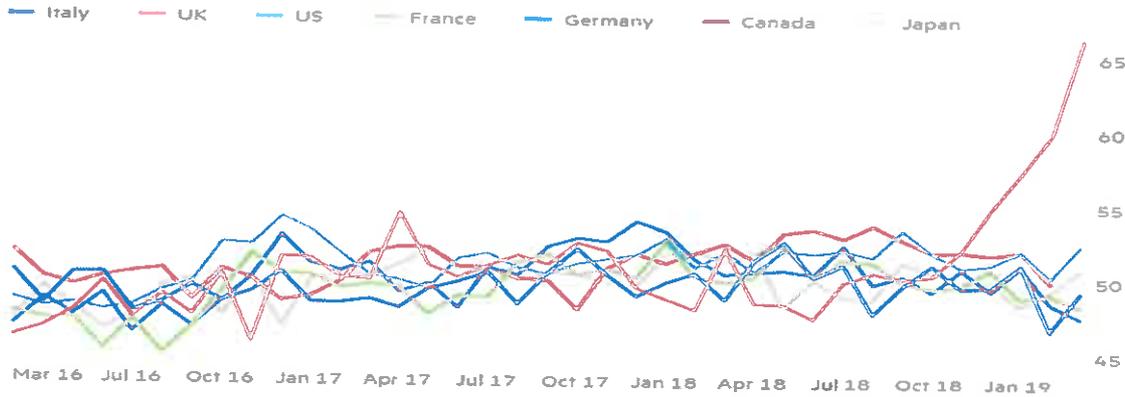
In the meantime the U.K. economy continued to grow in Q4 2018, although it has trended lower over the last year. Gross domestic product grew 0.2% quarter on quarter, and 1.4% year on year. There is evidence that manufacturers are stockpiling raw materials at the fastest pace in the 27 year history of this data, as illustrated dramatically below. There are signs that inventories of finished goods increased to meet contractual obligations. Warehouse businesses have benefitted, but UK supply chains are severely impacted. Conversely, there is little evidence of consumers stockpiling food to date despite the surprise jump in retail sales of 0.4% in February, following the 0.9% January increase, bringing the annual increase to 4%. Food is one of the few subcategories to see a fall in sales.

### UK manufacturing stockpiling

As the level of stockpiling stabilises and eventually unwinds this is expected to hit economic growth, the question is by how much, and if this will be sufficient to trigger an economic contraction. Forecasting the effect of leaving the EU on the UK economy is clearly a difficult task particularly as the manner in which the UK leaves is not yet decided. However, the following consensus prediction has been attempted and recently published in the Financial Times.

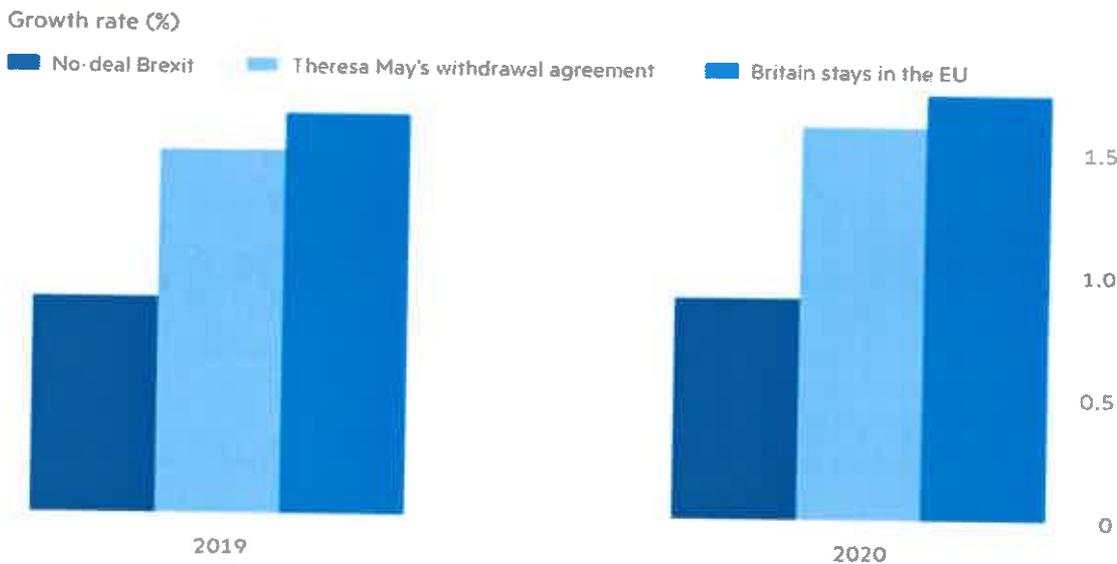
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Stock of purchases, purchasing manager index, above 50= expansion



Source: IHS Markit  
© FT

## Consensus predictions of UK economic growth under various Brexit scenarios.



Source: Consensus Economics  
© FT

## Difficult and challenging time for retailers

High street retailers continue to face considerable difficulties. House of Fraser collapsed into administration and was bought by Mike Ashley's Sports Direct. The renegotiation of debt and payments involved in the buyout meant that many luxury brands were not paid for their concessions in the stores. Mike Ashley also tried to buy Debenhams, but ownership of the struggling department store chain eventually passed to a number of banks and hedge funds. HMV was bought out of administration by Sunrise Records but 27 stores had to be closed. The number of retail CVAs increased seven-fold in the year, according to the Retail Gazette. This included Paperchase, Poundworld, New Look and LK Bennett. In addition to this, many companies are cutting costs and reducing high street presence in a bid to make their businesses more resilient. Marks and Spencer plan to close more than 100 stores by 2022, with 17 stores earmarked for

## SECTION 8 – INVESTMENT MARKETS

closure in 2019. However, specialist retailers and those with a strong online offer performed better than the overall general retail sector. Food retail was the best retail sector over the year, strongly outperforming the market, with traditional supermarket operators recovering ground previously lost to the discounters.

### Oil price

The oil price was less stable in 2018/19 following a prolonged recovery period the previous year. That recovery continued for the first six months of the financial year, with the Brent oil price reaching a high of \$86 in October, but falling back to a low of \$50 towards the end of December. The price then began to rise steadily over the first three months of 2019, ending the financial year at \$68. Oil company share prices followed a similar pattern. The oil sector continues to pay a high level of dividend, yielding 5.4% compared to the wider FTSE All Share yield of 4.2%.

### BRENT OIL PRICE 2018/19



### Climate Change, Responsible Investment and Company Engagement

The West Yorkshire Pension Fund became signatory to a group called Climate Action 100+ in December 2017, when the project was first launched. This group of global institutional investors, with \$33.6 trillion of assets under management, have come together on a collective basis to carry out engagement with the top greenhouse gas emitting companies (globally). The initial 'focus' list for engagement comprised 100 companies, but has since been extended to include an additional 61 companies. During the first year of operation, the project reported successful engagement with a number of large companies, notably Royal Dutch Shell, BP and Glencore, with companies announcing significant carbon emission reduction targets in order to align their business with the goals of the Paris Agreement.

The WYPF is also a longstanding member of the Local Authority Pension Fund Forum, which carries out engagement with companies regarding climate change, corporate governance and social issues. The Fund

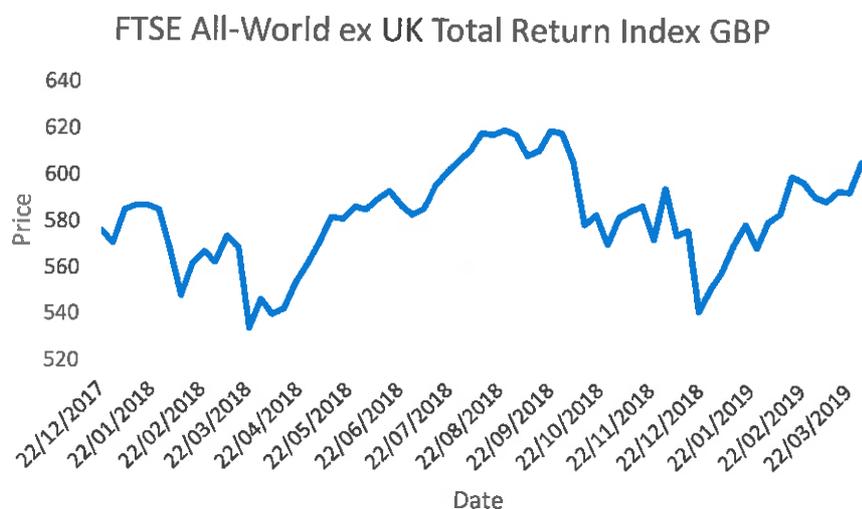
## SECTION 8 – INVESTMENT MARKETS

continues to exercise its vote at shareholder meetings, and will act as co-signatory to shareholder resolutions where required, in order to encourage companies to meet the expected standards of corporate governance, climate risk and social responsibility.

During the year the Fund published a statement of compliance with the UK Stewardship Code which demonstrates the commitment to and effectiveness of good stewardship in all areas of investment. The Fund is committed to making further progress in responsible investment, and continues to invest in renewable energy and 'green' technology, through infrastructure funds and directly, where those investments meet investment return requirements.

### INTERNATIONAL INVESTMENT MARKETS

Global equity markets were highly volatile over the year but rose strongly with the FTSE All World Ex UK index returning 11% in sterling terms, driven by strong gains in North America that delivered a return of 17.5%. Other markets meanwhile delivered more modest returns, with Europe rising 3%, developed Asia 4.9% and emerging markets 2%. Japan declined 0.2%. Currency movements also played a part with the dollar gaining significantly against the pound. In dollar terms, the index delivered a more modest return of 5.9%.



As can be seen in the above graph, the index rose 13.2% in the first six months to September, driven largely by positive financial market momentum in the US. By October however, trade tensions between China and USA, tighter financial conditions across many economies, including the US and China, led to concern that interest rates would rise to a level that would stifle global economic growth which was already slowing. Markets tumbled 10.6% delivering the worst quarterly correction since 2009. By early 2019 however, both the US Federal Reserve Bank and the Chinese Central Bank adopted a more accommodative monetary policy stance and markets became more optimistic that the US and China would agree a trade deal. The market consequently took heart and rallied 9.6%, almost recovering the ground lost in the previous quarter.

### Weakening global economic growth

After strong growth in 2017 and early 2018, global economic activity slowed in the second half of 2018 as the pace of GDP growth declined in China amid tightening credit conditions and trade tensions with the United States. In July the US introduced a tariff of 25% on \$50bn of Chinese imports, followed in September by a further 10% tariff on another \$200bn of Chinese imports, effectively halting the growth of imports to the US. The Chinese reciprocated by introducing their own tariffs of 5%-10% on \$60bn of US imports. The

## SECTION 8 – INVESTMENT MARKETS

values involved reflect the disparate balance of trade between the two countries. The euro area meanwhile, lost momentum as business confidence weakened and car production in Germany was disrupted by the introduction of new emission standards and weaker demand from Asia. Trade tensions dented business confidence, particularly in manufacturing, although the service sector has remained more positive. Tighter financial conditions in most regions also weighed on global demand.

In 2019 conditions improved when the US Federal Reserve signalled a more accommodative stance toward monetary policy and markets became more optimistic that a US-Chinese trade deal would be made. Looking ahead, the International Monetary Fund (IMF) wrote in April, that it believes global GDP growth peaked in 2018 at 3.6% and that 2019 will see this pace of growth weaken to 3.3% before recovering again to 3.6%. This outlook is predicated on the restoration of stimulus policies in China, improvements in financial market sentiment, the waning of what it sees as temporary drags in Europe and a stabilisation of conditions in stressed emerging economies. Meanwhile the US economy will continue to slow as the benefits of tax cuts fade and the pace of job creation eases in a country where there is technically full employment.

### Global monetary policies

Since the banking crisis of 2008, economic growth and the positive momentum of the stock markets has been largely driven by the monetary policies of central banks. The Bank of England, European Central Bank, Bank of Japan and most significantly the US Federal Reserve Bank, have introduced various policies designed to stimulate the economy. The key aim was to reduce borrowing costs and increase the money supply to encourage capital investment and high street spending. This was achieved by reducing central bank rates and purchasing government and corporate bonds. By doing so, money was injected in to the economy and bond prices rose causing yields to fall.

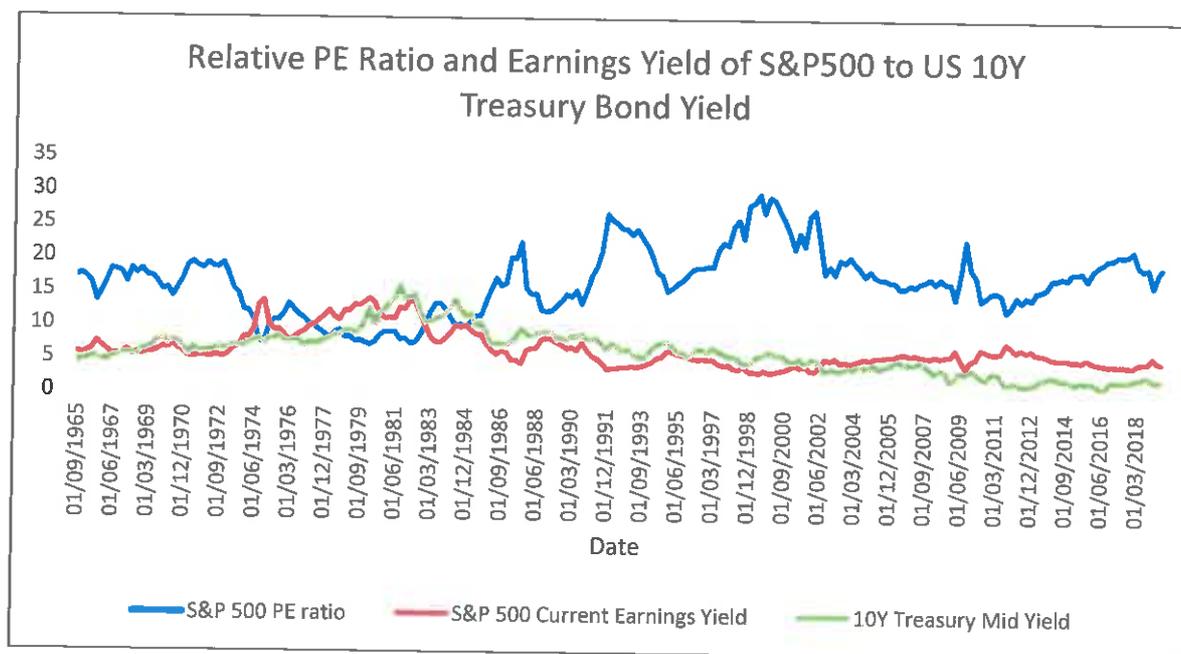
A decade on, many of these policies remain in place but significantly the US Federal Reserve (FED) has now ended this accommodative policy because it believed that the economy was healthy enough to grow without added stimulus. The fear of rising inflation also eventually warranted stronger measures to cool the pace of growth. It began raising interest rates in early 2016 and in October 2017 ceased buying US Treasury bills allowing them to run off from its balance sheet. Throughout 2018 the FED pursued its hawkish stance in spite of criticism from President Trump and steadily increased base rates over the year from 1.75% to their current level of 2.25-2.5%, having started from a low of 0.5% in 2015. US 10 Year Treasury bond yields moved in tandem with these rates rising from 2.73% in April 2018 to peak at 3.24% on November 11<sup>th</sup> before falling back to 2.41% by the year end following the equity market correction. With the pace of growth declining and even expectations of a recession appearing, the Fed eased its stance and stood back from making further interest rises for the foreseeable future.

Meanwhile both the European Central Bank (ECB) and Bank of Japan (BoJ) have maintained their accommodative policies. The ECB, that ended its policy of purchasing bonds in December 2018, announced in March 2019 that it would introduce a new round of targeted lending and further postponed a rise in interest rates to at least the end of 2019. Interest rates in both Germany and Japan are negative and the 10 Year Bond yields in both countries remain at or below zero, a historically low level. The People's Bank of China (PBOC) had also pursued a policy of initially tightening credit controls by introducing stricter regulations on its shadow banking sector. However, as economic growth moderated, the PBOC shifted to stimulating the economy by providing liquidity support and reducing the reserve requirements for its banking sector. Ultimately, this financial year has seen a significant switch away from one of progressive monetary tightening to a return to one of easier credit in order to reinvigorate growth and economic stability in an environment of declining GDP growth.

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### Low bond yields and the equity market

Since the financial crisis the US stock market has enjoyed a long 10-year bull run. As the years have passed earnings have grown but so too have relative valuations with the Price to Earnings Ratio (PE) rising from a modest 11 times at the time of the crisis in 2008, to a peak of 23 times in January 2018. Following that January 2018 peak, the market declined and recovered to end the year on a lower multiple of 19 times earnings. This is above the S&P500 Index long term average of 16 times. The inverse measure of the PE Ratio is the Earnings to Price Ratio or Earnings Yield which can be compared with the key measure of bond values; the Bond Yield. As monetary policies have succeeded in driving bond yields down their returns appear less attractive and investors have instead bought equities that promise better returns, thus driving equity values higher. The following chart illustrates this relationship. As can be seen, over time, bond and equity yields exhibit a strong correlation and as yields fall, the relative PE Ratio rises. Yields are at relative lows today and consequently equities are trading at relative highs. During 2018 bond yields began to rise causing equity valuations to fall. However, this trend was short lived and now that further rate rises appear unlikely for the time being, US equities have recovered.



Developed economies outside the US have typically traded on lower multiples than the US reflecting the lower growth exhibited in Europe and Japan, and their different industry mix from the US. The US stock market is dominated by high growth technology stocks such as Amazon and Google, that trade on generally higher multiples than the banking and industrial stocks that are more prevalent in European and Japanese markets. Consequently, the FTSE All World Index Excluding the US is currently trading at the lower PE Ratio of 13.4 times and the FTSE All World Index including the US has a PE Ratio of 16.8 times.

The story of this financial year has therefore been one of volatility and ultimately one of monetary easing amid a backdrop of trade tensions and a slowing global economy. With interest rates on hold, bond yields are likely to remain range bound and in turn equities will continue to trade at relatively elevated levels.

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### BONDS

Bonds Yields remain low with weaker growth and BREXIT uncertainty lowering yields. The expectation at the start of the year was for a gradual increase in the Bank of England base rate feeding through in to slightly higher yields. Up to mid-October gilt yields did increase slightly as the Bank of England moved interest rates in August from 0.50% to 0.75% . From mid-October though the expectation of further interest rates diminished as the path of BREXIT became uncertain. The effect of BREXIT intensified the as the original deadline for leaving the European Union approached, resulting in 10 year gilt yields falling from 1.70% to 1.00% by the end of March near to all-time lows.

### Alternative Investments

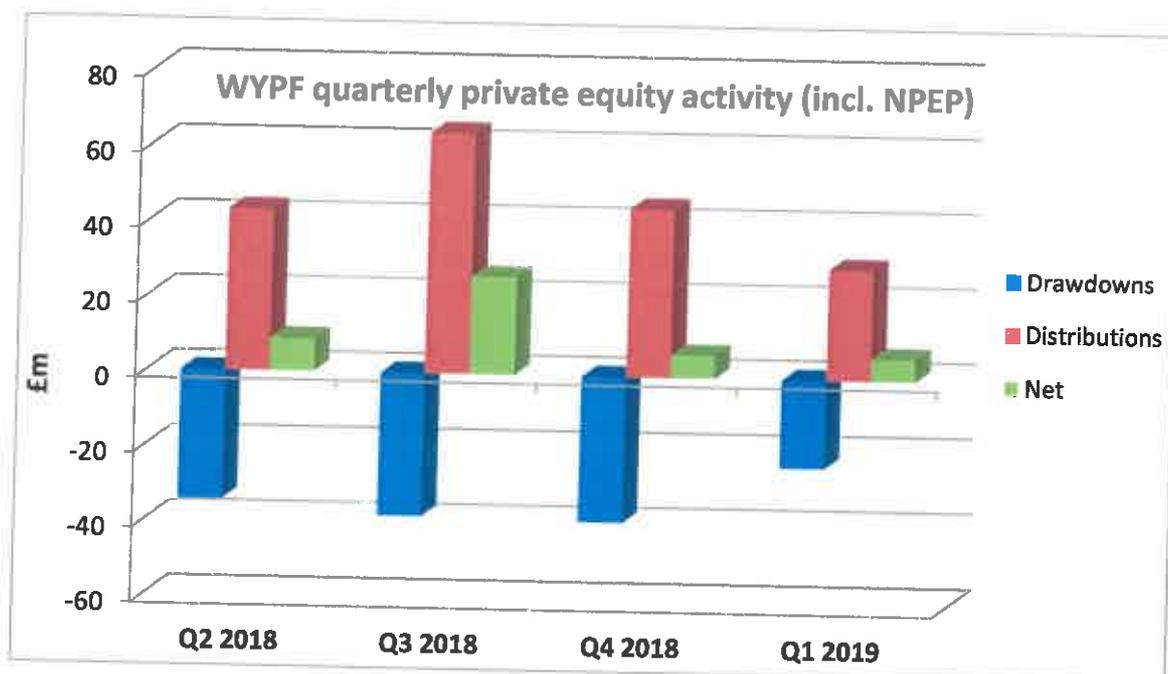
#### Private Equity

In the financial year to 31 March 2019, the value of private equity deals decreased by approximately 4% whilst the number of deals increased by 2% globally on the prior year. Average deal sizes fell by approximately 6% compared to the prior year. Included in these figures are deals announced but not necessarily completed (Preqin). The WYPF private equity portfolio, in contrast, saw an increase in drawdowns of 2%, compared with a 4% fall for the market overall.

The value of global private equity backed exits for 2018/19 was 6% lower than the previous year: 1H +22%; 2H -36%. WYPF, on the other hand, experienced a similar increase in 1H (+21%) distributions, but only a 10% fall in 2H distributions. Overall, the WYPF portfolio saw distributions that were 6% higher compared to the prior year. Similar to the last two years, WYPF has bucked the trend, partly due to heavy exposure to 2006–2007 vintage funds that are now exiting portfolio companies as fund terms near expiry. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow them in some cases. In turn, this has led to another robust year for GP fundraising. Similar to prior years, although the value of funds raised globally modestly declined (11%), the number of funds raised throughout the year declined dramatically (29%). As reported last year, the fundraising market is more competitive than ever, with investors favouring established managers with strong track records. This comes at a time when many investors want to streamline their manager relationships. Fund sizes are therefore increasing, whilst committed capital awaiting drawdown remains elevated. This continues to put pressure on GPs to find attractively priced assets, making it a seller's market. GPs continue to capitalise on the availability of leverage and strong exit markets.

In May 2018, the Northern Pool GP (No. 1) Limited was incorporated and now exists as the General Partner company managing the Northern Private Equity Pool (NPEP). NPEP will make commitments to underlying private equity funds on behalf of its founding partners: West Yorkshire Pension Fund, Merseyside Pension Fund and Greater Manchester Pension Fund. NPEP is a joint-venture limited partnership akin to a typical private equity structure. NPEP has received £1,020m in commitments from its founding members including £325m from WYPF. Further annual commitments are expected from all founding members.

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For the year to 31 March 2019, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £47.0m overall, compared to £39.9m in the prior year. Meanwhile, the portfolio increased by £90m from £686m to £776m. The private equity portfolio increased from its target weight of 5.0% at the start of the financial year to 5.4% of the overall West Yorkshire Pension Fund. This was due to strong performance relative to other asset classes.

The table below shows the currency exposure of the private equity portfolio's undrawn commitments and net asset value (NAV), excluding NPEP, at the start of the period and the cashflows that followed. European managers distributed more than their proportionate share of NAV, with one fund accounting for 25% of total distributions. US denominated managers called more capital than their proportionate share of undrawn commitments. Whereas Sterling denominated funds experienced reduced capital calls (-21%) and increased distributions (71%), compared to the prior financial year. These Sterling denominated funds are typically focussed on UK lower mid-market (companies with enterprise values of less than £100m) and were undoubtedly keen to take profits ahead of further Brexit uncertainty.

Currency denominated funds	% of total net undrawn commitments as at 31.03.18	% of NAV as at 31.03.18	£m called during 12m period	£m distributed during 12m period	Net £m invested (realised)
EUR	24.5	24.2	12.9 (9.6%)	49.9 (27.4%)	(37.0)
GBP	16.9	21.4	19.5 (14.5%)	33.6 (18.5%)	(14.1)
USD	58.6	54.4	102.4 (75.9%)	98.5 (54.1%)	3.9
<b>Total</b>	<b>100.0</b>	<b>100.0</b>	<b>134.8</b>	<b>182.1</b>	<b>(47.2)</b>

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WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio, split between Euro, Sterling and Dollar denominated funds, produced internal rates of return (IRRs) of 15.0%, 14.8% and 17.8% in their local currency. Given USD-denominated fund returns were boosted from 17.8% to 26.8% when translated into Sterling, the overall IRR (in Sterling) was 21.0% for the year to 31 March 2019.

Commitments during the year were made to the following private equity funds:

Private equity fund	WYPF Commitment
	£m
CCMP IV	24.9
Westbridge Capital Fund II	10.0
Northern Private Equity Pool	325.0
<b>Total</b>	<b>359.9</b>

At 31 March 2019, un-drawn commitments, excluding NPEP, amounted to £358.6m.

The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity.

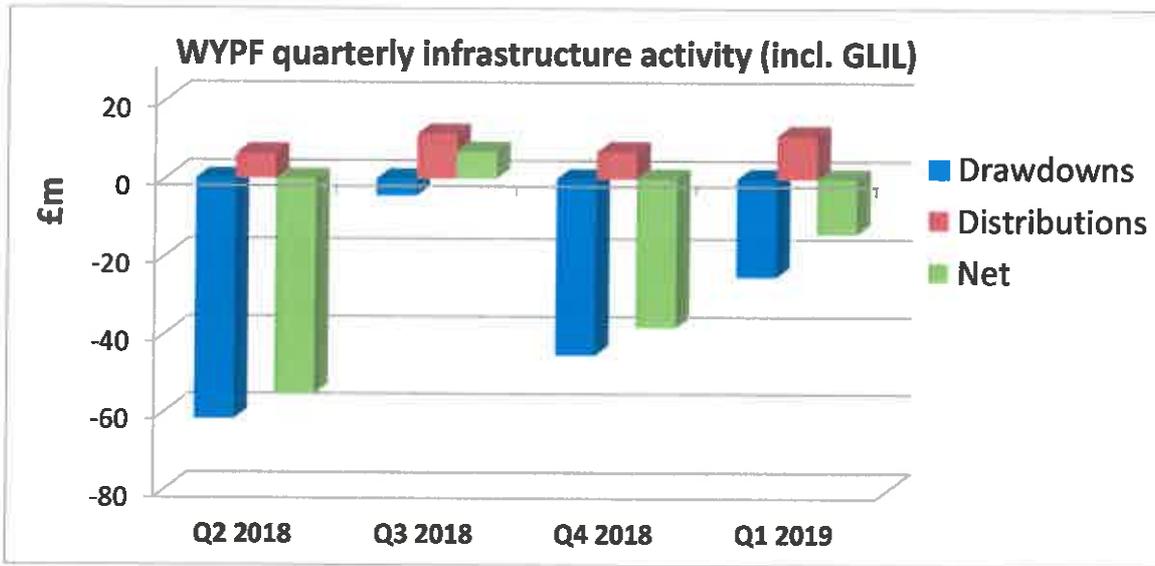
### Infrastructure

In the financial year to 31 March 2019, both the value and number of reported infrastructure deals globally declined by approximately 27% (Preqin). However, the WYPF infrastructure portfolio (excluding GLIL) experienced an increase in drawdown levels compared to the prior year (22%). Distributions, however, decreased 18%, resulting in a net investment of £26.0m compared to £8.0m the prior year.

In addition to the above, net investment was bolstered by a further £75.0m due to WYPF's additional £125m commitment to GLIL during the year. GLIL is a limited liability partnership focussed on investing in direct UK infrastructure. This partnership comprises five local authority pension fund investors.

Including monies drawn down for GLIL, net investment was £101.0m, 28.0% higher than the prior year (£78.9m). More than half of the capital called during the year was from GLIL, which in turn, invested the monies in a port, wind farm and collection of PFI/PPP assets, all located in the UK.

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As a proportion of WYPF, the weighting of the infrastructure portfolio increased to 3.9% (£552m), up from 2.9% (£395m) the previous year. This was in-line with the Fund's specific benchmark, which increased from 2% to 4% during the year.

WYPF's infrastructure portfolio remains well-diversified across industry sectors, geographies, vintage years, financing stages and managers. The portfolio (excluding GLIL), split mainly between Sterling and Dollar denominated funds, produced IRRs of 11.5% and 10.9% in their local currency. In Sterling, the overall IRR was 13.5% for the year to 31 March 2019; with Dollar strength over the period enhancing Dollar denominated fund performance from 10.9% to 19.2% when translated into Sterling.

Commitments during the year were made to the following infrastructure funds:

Fund	WYPF Commitment (£m)
Blackstone Infrastructure Partners Fund I	20.0
Falko Regional Aircraft Opportunities Fund II	10.0
Antin Infrastructure Partners	25.0
Napier Park Multi Asset Fund	25.0
GLIL	125.0
<b>TOTAL</b>	<b>205.0</b>

At 31 March 2019, un-drawn commitments amounted to £429.3m.

The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversifying between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus is on assets with inflation linked, long duration income streams that are less sensitive to the economic cycle. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 4% exposure to infrastructure.

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### Hedge Funds

For the twelve months to 31 March 2019, WYPF's allocation to hedge funds returned 6.3% in aggregate. However, this masks varying component returns. The Fund-of-Funds (FoF) portfolio returned 3.7%, which outperformed the HFRI FoF Composite Index (GBP) of -1.4%. Meanwhile, the single manager hedge fund portfolio returned 8.9% (in Dollars), versus -1.0% for the HFRX Global Hedge Fund Index (USD).

During the year, redemption proceeds were received from the one remaining FoFs. Monies received during the period equated to £42.9m.

WYPF continues to focus on efficient diversification whilst achieving mid–high single digit returns and limiting downside risk.

### Property

For the year to 31 March 2019, total returns for the UK direct IPD All Property benchmark amounted to 5.6%. This compares to the WYPF agreed benchmark of the All Pooled Property Funds Index, which returned 4.1% .

Relative to other asset classes, the return for UK Property versus UK Gilts and UK Equity is detailed in the bar chart below:



Source: Bloomberg and AREF/IPD UK Quarterly Property Fund Index (MSCI)

There was a marked slowdown in investment activity in the property sector towards the end of 2018 and into Q1 2019. Many investors, particularly foreign investors, cited Brexit uncertainty as the reason for the slowdown.

However, property yields remain well above bond yields, and the development pipeline in the UK generally appears under control. Many investors believe the property yield spread over bonds provides an element of 'cushioning' in the event of a downturn.

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Industrial was again the highest performing sector, with a total return of 15.3%. Of this, South East industrials returned 17.0%. Retail, which returned -4.1%, was the lowest performing sector. The poor returns in the retail sector were driven by significant capital value falls (CBRE).

Investors continue to seek income return in an environment widely considered to be 'late cycle' and there has been an influx of capital into Long Income property and Other property, which includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. Additionally, the Industrial sector remains a key focus for investors given the structural change in the UK retail sector, and the continued rise of e-tailing in a new multi-channel retail world.

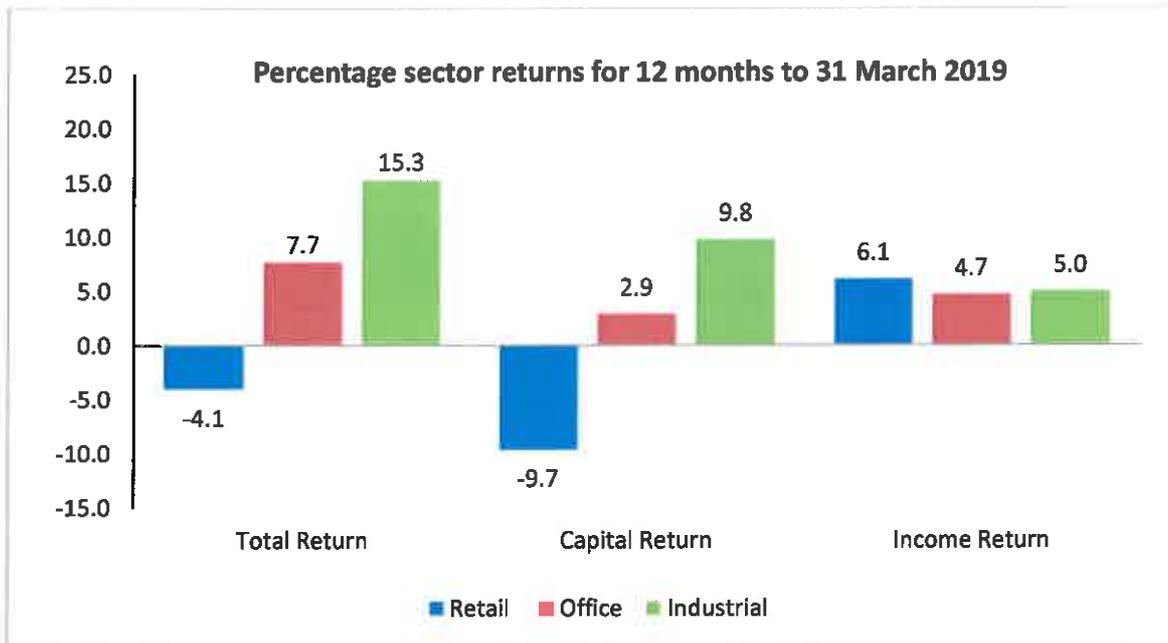
According to Savills, in the 12 months to 31 March 2019, the City of London saw investment volumes of £2.32bn, 51% up on 2018 and 17% up on the five year average. However, 2019 saw a slowdown in investment activity, which is expected to continue for at least the first half of the year given political uncertainty. This situation was mirrored in the West End, which saw the lowest first quarter volumes since 2009. Total returns for the 12 months to 31 March 2019 were 4.5% and 4.1% for City and West End Offices, respectively (CBRE).

'Rest of UK Offices' outperformed the overall office market, including London and the South East, with a total return of 11.9% vs. 7.7% (CBRE) for the 12 months to 31 March 2019. There was increased investor interest in the 'Big Six' cities of Birmingham, Bristol, Manchester, Leeds, Edinburgh and Glasgow. Manchester, in particular, also saw significant activity in terms of lettings with tenants taking 1.7m sq ft of space in 2018, 44% up on the five-year average, and 31% up on the previous year, albeit slowing in Q1 2019 (M&G).

Industrial property continued its strong performance over 2018 and into 2019. The total return for All Industrial in the 12 months to the end of March 2019 was 15.3%, with approximately two-thirds of the returns driven by capital growth (CBRE). According to Savills, industrial investment volumes in 2018 reached £3.55bn, marginally lower than 2017. This helped reduce prime yields to the lowest level ever seen in the Industrial sector. Savills also reported that 2018 saw record speculative development announced in the industrial sector, with 11.3m sq ft of space expected to become available during 2019. This compares to around 4m sq ft speculatively developed in 2017.

Retail assets continued to be marked down during the year, reflecting negative sentiment towards the sector, and increasing numbers of retail CVAs and administrations. This uncertainty, coupled with the growing trend towards flexible, shorter leases and a lack of comparable retail investment transactions has made valuing retail assets difficult. Negative sentiment has led to a rise in yields across all sub-sectors, including prime assets. Investors widely expect to see further valuation falls throughout 2019. All Retail showed a negative return of 4.1% during the 12 months to 31 March 2019, with income returns failing to offset falls in capital values (CBRE).

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Source: CBRE

WYPF is overweight in Industrials and Rest of UK Offices compared to its benchmark, and underweight in City and West End Offices, and Other property. It is anticipated that the overweight position in Industrials will benefit performance. The underweight position in Other property will be monitored and addressed if appropriate.

### Direct property

WYPF continued the approved strategy to acquire more direct UK property. One further direct co-investment was made during the year. The aim of making direct investments is to lessen on going fees and enhance control, enabling long-term investment throughout market cycles.

### Overall activity

WYPF made property purchases of £57.0m and sales of £51.0m, giving a net investment of £6.0m over the 12 months to 31 March 2019. The majority of monies were invested on the direct acquisition of a long-income, supermarket-led asset and an investment in UK multi-let industrials. Redemptions were made to rebalance the Fund's exposure to the retail sector.

At 31 March 2019, un-drawn commitments amounted to £76.4m.

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### Investments held at 31 March 2019 by asset classification

	Book Cost	Book Cost %	Market Value	Market Value	Number of Holdings
	£m		£m		
01a Government bonds	947.23	10.70%	1,015.34	7.10%	60
01b Corporate bonds	476.29	5.38%	496.89	3.47%	111
02a Equity - Basic materials	129.93	1.47%	227.38	1.59%	63
02b Equity - Consumer goods	492.46	5.56%	1,342.97	9.39%	158
02c Equity - Consumer services	462.28	5.22%	897.48	6.27%	150
02d Equity - Financial	1,517.50	17.14%	2,151.88	15.04%	273
02e Equity - Health care	299.21	3.38%	836.14	5.84%	74
02f Equity - Industrial	708.10	8.00%	1,454.41	10.17%	245
02g Equity - Oil and gas	444.65	5.02%	791.48	5.53%	75
02h Equity - Technology	225.87	2.55%	552.53	3.86%	63
02i Equity - Telecommunication	230.78	2.61%	265.08	1.85%	41
02j Equity - Utilities	148.03	1.67%	273.27	1.91%	48
02k Convertible bonds	0.36	0.00%	0.00	0.00%	1
02l Private equities	882.65	9.97%	1,378.93	9.64%	128
02m Listed alternatives	258.89	2.92%	252.89	1.77%	27
03a Index linked bonds	517.48	5.85%	679.52	4.75%	31
04a Pool properties	488.64	5.52%	657.84	4.60%	34
04c Unit trusts and oeics	38.39	0.43%	171.88	1.20%	11
04d Hedge funds	271.33	3.07%	548.21	3.83%	35
05a Direct properties	6.41	0.07%	7.25	0.05%	1
06a Cash CD TD other deposits	269.24	3.04%	269.24	1.88%	41
06b Currencies	35.28	0.40%	35.28	0.25%	11
<b>TOTALS</b>	<b>8,851.00</b>	<b>100.00%</b>	<b>14,305.91</b>	<b>100.00%</b>	<b>1,681</b>

## SECTION 8 – INVESTMENT MARKETS

### List of twenty largest assets at 31 March 2019

Asset name	Industry type	Rank	Book Cost £000	Book Cost %	Market Value £000	Market Value %
GLIL INFRASTRUCTURE FUND	Private Equity Infrastructure	1	198,501	2.24%	222,026	1.55%
ROYAL DUTCH SHELL A(LON)	Integrated Oil & Gas	2	122,258	1.38%	203,814	1.42%
HSBC HOLDINGS	Banks	3	146,690	1.66%	203,556	1.42%
BP	Integrated Oil & Gas	4	122,423	1.38%	196,773	1.38%
ROYAL DUTCH SHELL B	Integrated Oil & Gas	5	44,151	0.50%	168,902	1.18%
ASTRAZENECA	Pharmaceuticals	6	24,962	0.28%	148,135	1.04%
GLAXOSMITHKLINE	Pharmaceuticals	7	43,027	0.49%	147,968	1.03%
DIAGEO	Distillers & Vintners	8	9,824	0.11%	138,449	0.97%
BRITISH AMERICAN TOBACCO	Tobacco	9	47,736	0.54%	126,163	0.88%
RIO TINTO	General Mining	10	30,928	0.35%	104,822	0.73%
UNILEVER (UK)	Personal Products	11	3,840	0.04%	93,721	0.66%
AURUM WYPF MANAGED PORTFOLIO	Hedge Funds	12	48,910	0.55%	91,300	0.64%
JUPITER INDIA SELECT D USD ACC	Mutual Funds	13	66,553	0.75%	88,096	0.62%
TREASURY GILT 2014 2% 22/07/20 REG.S	Government Bonds	14	88,596	1.00%	87,700	0.61%
LLOYDS BANKING GROUP	Banks	15	124,649	1.41%	83,353	0.58%
PRUDENTIAL	Life Insurance	16	15,146	0.17%	81,011	0.57%
BHP GROUP	General Mining	17	18,100	0.20%	79,490	0.56%
BR/WY INVESTMENT FEEDER LP	Private equity	18	49,666	0.56%	78,087	0.55%
RECKITT BENCKISER GROUP	Nondurable Household Products	19	14,311	0.16%	75,403	0.53%
TREASURY GILT 2015 1 1/2% 22/01/21 REG.S	Government Bonds	20	72,862	0.82%	72,703	0.51%
<b>Total</b>			<b>1,293,133</b>	<b>14.61%</b>	<b>2,491,470</b>	<b>17.42%</b>

## SECTION 9 – ACTUARY’S REPORT

### STATEMENT OF THE ACTUARY FOR THE YEAR ENDED 31 MARCH 2019

#### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the Fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2016 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

#### Actuarial Position

1. The valuation as at 31 March 2016 showed that the funding ratio of the Fund had fallen slightly since the previous valuation with the market value of the Fund’s assets as at 31 March 2016 (of £11,211.5M) covering 94% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2017 was:
  - 16.2% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

#### Plus

- Monetary amounts to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2017 (the secondary rate), equivalent to 2.4% of pensionable pay (or £42.5M in 2017/18 and increasing by 3.25% p.a. thereafter).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2017 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.
  4. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in the stepping of contribution increases, individual employers' recovery periods and allowance for post-valuation date market conditions as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.
  5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled body employers *	4.7% p.a.
Ongoing Orphan employers	4.1% p.a.
Discount rate for periods after leaving service	
Scheduled body employers *	4.7% p.a.
Ongoing Orphan employers	2.5% p.a.
Rate of pay increases	3.25% p.a.
Rate of increase to pension accounts	2.0% p.a.

## SECTION 9 – ACTUARY’S REPORT

Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.0% p.a.
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\* The scheduled body discount rate was also used for employers whose liabilities will be subsumed after exit by a scheduled body.

In addition the discount rate for orphan liabilities (i.e. where there is no scheme employer responsible for funding those liabilities) was 2.1% p.a. in service and left service.

The assets were valued at market value.

Further details of the assumptions adopted for the valuation, including the demographic assumptions, are set out in the actuarial valuation report.

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2P mortality tables with appropriate scaling factors applied based on the mortality experience of members within the Fund and included an allowance for improvements based on the Continuous Mortality Investigation (CMI) Core Projections Model released with Working Paper 91 with Core assumptions (CMI\_2016\_Proposed2015), with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 were:

	Men	Women
Current pensioners aged 65 at the valuation date	22.0	25.1
Future pensioners aged 45 at the valuation date	22.9	26.9

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2016. As such the results do not make allowance for changes which have occurred subsequent to the valuation date.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2017 to 31 March 2020 were signed on 31 March 2017. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2019 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. Since the date the valuation report was signed, there have been a number of developments in respect of the Local Government Pension Scheme (LGPS):
- **Increases to GMPs:**  
HM Treasury, in its response to the consultation on indexation and equalisation of GMPs in public sector schemes, announced an extension of the indexation of GMPs to those reaching State Pension Age on or before 5 April 2021 (previously 5 December 2018). This extension period was not allowed for in the valuation results as the actuarial valuation report was signed off in advance of this announcement, but the increase in liability is not expected to be material. In addition, on 26 October 2018 the High Court ruled in the Lloyds Banking Group case that schemes are required to equalise male and female members' benefit for the effect of unequal GMPs. Our understanding is that this will not alter HM Treasury's approach to GMP equalisation in the LGPS.
  - **Cost Management Process and McCloud judgement:**  
Legislation requires HM Treasury and the LGPS Advisory Board to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable. Initial results from the Scheme Advisory Board process indicated that benefit improvements / member contribution reductions would be required. However, the cost management process has been paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension

## SECTION 9 – ACTUARY’S REPORT

Scheme (Sergeant) were age discriminatory; these cases could have knock on implications for the LGPS (potentially increasing the liabilities) which also had transitional arrangements when the new scheme was introduced with effect from April 2014.

10. The actuarial valuation of the Fund as at 31 March 2019 is currently underway and the Regulations require the formal report on the valuation and the Rates and Adjustments Certificate setting out employer contributions commencing from 1 April 2020 to be signed off by 31 March 2020. Asset values have increased in value since 2016, on its own leading to an improvement in the funding level due to higher than assumed investment returns. Liability values and employer contributions, as well as being affected by the items listed in paragraph 9 above, will depend upon membership factors, changes to expectations of future returns and other assumptions (including allowance for the slow-down in longevity improvements) and any changes to funding strategy made as part of the 2019 valuation.

11. This Statement has been prepared by the current Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2016. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

12. The report on the actuarial valuation as at 31 March 2016 is available on the Fund's website at the following address:

[http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/Publications/Valuation/WYPF/Valuation_WYPF_Index.aspx)

Aon Hewitt Limited

April 2019

## **SECTION 11 – STATEMENT OF ACCOUNTS**

### **Independent Auditor’s Statement to the Members of City of Bradford Metropolitan District Council on the Pension Fund Financial Statements included within West Yorkshire Pension Fund Annual**

#### **Report**

We have examined the Pension Fund financial statements for the year ended 31 March 2019 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the related notes.

#### **Opinion**

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2019 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2018/19.

#### **Respective responsibilities of the Director of Finance (S151 Officer) and the auditor**

As explained more fully in the Statement of the Director of Finance (S151 Officer), the Director or Finance (S151 Officer) is responsible for the preparation of the Pension Fund’s financial statements in accordance with applicable United Kingdom law.

Our responsibility is to report to the Members of City of Bradford Metropolitan District Council as a body, whether the Pension Fund financial statements within the Pension Fund annual report are consistent with the financial statements of City of Bradford Metropolitan District Council.

We conducted our work in accordance with Auditor Guidance Note 07 –Auditor Reporting, issued by the National Audit Office. Our report on the Pension Fund financial statements contained within the audited financial statements of City of Bradford Metropolitan District Council describes the basis of our opinions on the financial statements.

#### **Use of this auditor’s statement**

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public

## **SECTION 11 – STATEMENT OF ACCOUNTS**

Sector Audit Appointments Limited. Our work has been undertaken so that we might state to the members of City of Bradford Metropolitan District Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Bradford Metropolitan District Council and City of Bradford Metropolitan District Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

Cameron Waddell (Partner)  
For and on behalf of Mazars LLP  
5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP  
31 July 2019

## **SECTION 11 – STATEMENT OF ACCOUNTS**

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

The Assistant Director - Finance and Procurement is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the Fund at 31 March 2018 and its income and expenditure for the year ended 31 March 2019.

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

## SECTION 11 – STATEMENT OF ACCOUNTS

### Fund Account for the year ended 31 March 2019

	Note	2019 £000	2018 £000
<b>Dealings with members, employers and others directly involved in the Fund</b>			
Contributions receivable	4	416,949	407,345
Transfers In	5	26,491	41,770
Non-statutory pensions and pensions increases recharged	6	21,938	22,129
		<b>465,378</b>	<b>471,244</b>
Benefits Payable	7	-506,461	-485,808
Non-statutory pensions and pensions increase	6	-21,938	-22,129
Payments to and on account of leavers	8	-40,445	-480,737
		<b>-568,844</b>	<b>-988,674</b>
<b>Net additions/(withdrawals) from dealing with members</b>		<b>-103,466</b>	<b>-517,430</b>
Management expenses	11	-10,006	-10,359
<b>Net additions / (withdrawals) including management expenses</b>		<b>-113,472</b>	<b>-527,789</b>
<b>Returns on Investments</b>			
Investment Income	13	438,585	392,115
Taxes on income		-8,236	-8,072
Profit and losses on disposal and changes in value of investments	15a	476,252	74,507
Stock Lending	15c	3,279	3,503
Underwriting Commission		0	39
<b>Net return on investments</b>		<b>909,880</b>	<b>462,092</b>
<b>Net Increase/(decrease) in the net assets available for benefits during the year</b>		<b>796,408</b>	<b>-65,697</b>
<b>Fund opening net assets</b>		<b>13,566,633</b>	<b>13,632,330</b>
<b>Fund closing net assets</b>		<b>14,363,041</b>	<b>13,566,633</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### Net Assets Statement at 31 March 2019

	Note	31 March 2019 £000	31 March 2018 £000
<b>Investment assets</b>			
Northern LGPS assets	15	261	0
Bonds	15	1,512,233	1,374,768
Equities (including convertible shares)	15	10,415,004	9,999,549
Index-linked securities	15	679,524	659,866
Pooled investment vehicles	15	1,387,123	1,466,773
Direct Property	15	7,250	7,250
Cash deposits	15	269,242	263,630
Cash balances		25,261	33,482
Other investment balances	15	48,560	42,528
<b>Investment liabilities</b>			
Other investment balances	15	-15,356	-11,182
<b>Total net investments</b>		<b>14,329,102</b>	<b>13,836,664</b>
<b>Current assets</b>			
Debtors	18	51,814	50,417
<b>Current liabilities</b>			
Creditors	19	-17,875	-320,448
<b>Net current assets and liabilities</b>		<b>33,939</b>	<b>-270,031</b>
<b>Net assets of the scheme available to fund benefits</b>		<b>14,363,041</b>	<b>13,566,633</b>

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2019. This financial statement shows the net value of assets owned by the Fund, the actuarial calculation of the present value of promised retirement benefits is provided in note 10.

Signed:



**Chris Chapman**

**Director of Finance**

**City of Bradford Metropolitan District Council**

**31 July 2019**

# SECTION 11 – STATEMENT OF ACCOUNTS

## Notes to the accounts

### Note 1. Accounting policies

#### Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2018/19 financial year and its financial position at year-end as at 31 March 2019. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2018/19 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the Fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in note 10.

#### Contributions

Normal contributions from employers are accounted for on an accruals basis at the percentage rate recommended by the Fund actuary in the payroll period to which they relate. Normal contributions from members are accounted for on an accruals basis at a percentage rate outlined in the Local Government Pension Scheme Regulations

Employer deficit funding contributions are accounted for on the due dates on which they are payable.

Employers have met the indirect costs of early retirement. These costs are accounted for in the period in which the liability arises. Any amount due but unpaid will be classed as a current asset debtor.

#### Transfers in and out of the Fund

Transfer values represent amounts received and paid during the period. Bulk (group) transfers are accounted for on an accruals basis, these are calculated in accordance with the Local Government Pension Scheme Regulations 2013.

#### Benefits payable

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

#### Management expenses

The code does not require any breakdown of pension fund management expenses. However, in the interests of greater transparency, the fund discloses its pension fund management expenses in accordance with CIPFA's Accounting for Local Government Pension Scheme Management Expenses (2016). All management expenses are accounted for on an accruals basis.

#### Administrative expenses

All administrative expenses are accounted for on an accruals basis. All WYPF staff are charged directly to the Fund. Associated indirect management costs and other overheads are apportioned to administrative expenses using relevant factors and charged as expenses to the Fund.

## SECTION 11 – STATEMENT OF ACCOUNTS

### **Oversight and governance costs**

All oversight and governance expenses are accounted for on an accruals basis. Associated indirect management costs and other overheads are apportioned to oversight and governance activities using relevant factors and charged as expenses to the Fund.

### **Investment management expenses**

All investment management expenses are accounted for on an accruals basis. Fees charged by external advisors and custodian are agreed in the respective mandates governing their appointment. The custodian fees are based on the market value of the investments under their management and therefore increase or reduce as the value of the investments change. The fees of the external advisors increase by RPI on an annual basis.

The cost of the Fund's in-house investment fund management team are charged direct to investment management expense and a proportion of the Fund's management costs which represents management time spent by officers on investment management is also charged investment to management expenses.

### **Actuarial present value of promised retirement benefits**

The actuarial present value of promised retirement benefits is assessed on an annual basis by the Actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (note 10)

### **Cash and cash equivalents**

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

### **Financial liabilities**

The Fund recognises financial liabilities at fair value as at the reporting date. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability. From this date any gains or losses arising from changes in the fair value of the liability are recognised by the fund.

### **Investment income**

#### **Interest income**

Interest due on fixed-interest securities, index-linked securities and short-term investments is accounted for on an accruals basis.

#### **Property related income**

Property related income is primarily rental income which is recognised on a straight-line basis over the term of the lease. Lease incentives have been recognised as part of the total rental income over the term of the lease.

#### **Dividend income**

## SECTION 11 – STATEMENT OF ACCOUNTS

Dividend income is recognised on the date the shares are quoted ex dividend. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### **Distribution from pooled funds**

Distributions from pooled funds are recognised at the date of issue. Any amount not received by the end of the reporting period is disclosed in the net assets statement as a current financial asset.

### **Movement in the net market value of investments**

Changes in the net market value of investments (including investment properties) are recognised as income and comprise all realised and unrealised profits/losses during the accounting period.

### **Taxation**

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

### **Financial assets**

Financial assets are included in the net assets statement on a fair value basis as at the reporting date with the exception of any assets classified as amortised cost, which are stated at nominal value.

A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From this date any gains or losses arising from changes in the fair value of the asset are recognised in the fund account.

The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see note 16). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016)

### **Additional voluntary contributions (AVCs)**

West Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund.

The Fund has appointed Scottish Widows, Prudential and Equitable Life as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVC's are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only. (Note 9)

### **Currency translation**

At the year end all foreign currency balances are translated into sterling at exchange rates ruling at the financial year-end and any gains or losses arising are treated as part of the change in market value of investments. During the year foreign currencies are transacted as follows:

## SECTION 11 – STATEMENT OF ACCOUNTS

- a) Proceeds of sales of foreign assets are translated into sterling at the exchange rate on the day of sale and recorded in our investment book of records in sterling and in local currency.
- b) Purchase of foreign investments are translated into sterling using the exchange rate at the time of purchase and recorded in our investment book of record as book cost in sterling and local currency.
- c) Balance of foreign currency income accounts are moved daily to capital account using the mid-market rate on the date of movement.
- d) Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.
- e) When currency is sold or purchased the actual trade rate is used and commissions are charged to management expense.

### Acquisition costs of investments

Acquisition costs of investments are charged as revenue cost and included in investment management costs.

### Netting

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

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

### Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in note 22 of the accounts.

Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The amounts “called” by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

### Investment transactions

Investment transactions occurring up to 31 March 2019 but not settled until later are accrued in the accounts.

## SECTION 11 – STATEMENT OF ACCOUNTS

### **Note 2. Critical accounting estimates, judgements and assumptions made about the future and other major sources of estimation uncertainty**

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

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

#### **Fair value of financial instruments**

In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in note 16. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

#### **Retirement benefit obligations**

Under IFRS the Fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in note 10 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in note 10.

#### **Bulk Transfer**

The final actual certificate for First West Group bulk transfer was issued on 31 March 2019. The final payment relating to this transfer was paid during the reporting period.

### **Note 3. Events after the Balance sheet date**

These are events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the financial statements are authorised for issue.

Two types of events can be identified:

- a) Those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period)
- b) Those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period)

## SECTION 11 – STATEMENT OF ACCOUNTS

There have been no such events since 31 March 2019, and up to the date when these accounts were authorised that require any adjustments to these accounts

### Note 4. Contributions receivable

		2018/19	2017/18
		£000	£000
<b>By category</b>			
	Employers	300,693	296,198
	Members	116,256	111,147
<b>Total</b>		<b>416,949</b>	<b>407,345</b>
<b>By type of employer</b>			
	Administering authority	52,616	51,165
	Scheme	325,921	315,020
	Admitted bodies	38,412	41,160
<b>Total</b>		<b>416,949</b>	<b>407,345</b>
<b>By type</b>			
	Employee's normal contributions	111,366	106,901
	Employee's additional contributions	4,890	4,246
	Employer's normal contributions	286,503	281,126
	Employer's deficit contributions	14,190	15,072
<b>Total</b>		<b>416,949</b>	<b>407,345</b>

### Employers' contribution rates and deficit contributions

At the triennial valuation (31 March 2016) the Actuary calculated an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

### Employees' contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. For 2018/19 the rates start at 5.5% payable by employees with salaries up to £14,100 a year, and the highest rate is 12.5% to be paid on salaries over £157,801 a year. (For 2017/18 the rates started at 5.5% payable by employees with salaries up to £13,700, and the highest rate was 12.5% paid on salaries exceeding £153,300).

### Note 5. Transfers in from other pension funds

	2018/19	2017/18
	£000	£000
Individual transfers in from other schemes	26,491	38,267
Bulk transfers in from other schemes	0	3,503
<b>Total Transfers In</b>	<b>26,491</b>	<b>41,770</b>

### Note 6. Non-statutory pensions increase and recharges

	2018/19	2017/18
	£000	£000
Pensions	21,938	22,129
<b>Total</b>	<b>21,938</b>	<b>22,129</b>

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

### Note 7. Benefits payable

	2018/19 £000	2017/18 £000
<b>Pensions</b>		
Funded Pensions - Retired Employees	-364,464	-351,375
Funded Pensions - Dependants	-29,981	-29,487
<b>Total Pensions</b>	<b>-394,445</b>	<b>-380,862</b>
<b>Lump Sums</b>		
Funded Lump Sums on Retirement	-99,393	-90,418
Funded Lump Sums on Death	-12,623	-14,528
<b>Total Lump Sums</b>	<b>-112,016</b>	<b>-104,946</b>
<b>Total Benefits paid in year</b>	<b>-506,461</b>	<b>-485,808</b>
<b>Benefits Payable by type of employer Member body</b>		
<b>Pensions</b>		
Administering Authority	-78,697	-72,823
Scheduled Bodies	-376,385	-356,168
Admitted Bodies	-51,245	-54,530
Other Interested Bodies with No Pensionable Employees	-134	-2,287
<b>Total Benefits paid in year</b>	<b>-506,461</b>	<b>-485,808</b>

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

### Note 8. Payments to and on account of leavers

	2018/19 £000	2017/18 £000
Refund of Contributions	-1,581	-1,852
Individual Transfers	-23,513	-28,116
Bulk Transfers	-15,351	-450,769
<b>Total</b>	<b>-40,445</b>	<b>-480,737</b>

In 2017/18 a partial bulk transfer of £150m was made in respect of First Group West Yorkshire (Firstbus) assets transfer to Greater Manchester Pension Fund (GMPF); a provision of £300m was made for the remaining value of assets. The remaining bulk transfer value relating to First Group West Yorkshire (Firstbus) payable to GMPF was paid during 2018/19 financial reporting year.

### Note 9. AVC Scheme – Equitable Life, Scottish Widows and Prudential

The Fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main Fund. The scheme providers are Equitable Life Assurance, Scottish Widows and Prudential,

## SECTION 11 – STATEMENT OF ACCOUNTS

whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.

As advised by the three companies the amounts administered under AVC arrangements are as follows:

	2018/19		2017/18	
	£000		£000	
Value of funds at 1 April	31,926		28,291	
Contributions received	6,207		5,862	
Transfers and withdrawals values	26		218	
Interest and bonuses/change in market value of assets	1,812		2,212	
Sale of investments to settle benefits due to members	-6,001		-4,657	
<b>Value of funds at 31 March</b>	<b>33,970</b>		<b>31,926</b>	

AVC investments by providers	Members still paying contribution	Members 2018/19	Members 2017/18	2018/19	2017/18
				£000	£000
Equitable Life	21	439	495	1,898	2,324
Prudential	1,780	1,994	1,887	19,126	16,177
Scottish Widows	264	975	1,088	12,946	13,425
<b>Total</b>	<b>2,065</b>	<b>3,408</b>	<b>3,470</b>	<b>33,970</b>	<b>31,926</b>

### Note 10. Actuarial present value of promised retirement benefits

#### Introduction

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

The Fund provides defined benefits, which for membership to 31 March 2014, are based on member's Final Pensionable Pay. On the 1 April 2014 the scheme changed from a final salary scheme to a CARE (Career Average Revalued Earnings) scheme and pension benefits are based on a member's pay each scheme year.

The required valuation is carried out by the Fund Actuary, Aon Hewitt, using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (Actuarial statement on p68).

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

## SECTION 11 – STATEMENT OF ACCOUNTS

### Actuarial present value of promised retirement benefits –

Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2017/18 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

Due to a significant bulk transfer to Greater Manchester Pension Fund (GMPF) for First Group West Yorkshire we have updated Actuarial present value of promised retirement benefits as at 31 March 2018 together with the results as at 31 March 2013 and 31 March 2016 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	31 March 2018	31 March 2016	31 March 2013
	£m	£m	£m
Fair value of net assets	13,511.9	11,211.0	9,940.3
Actuarial present value of the promised retirement benefits	18,077.5	14,085.4	12,259.3
Surplus / (deficit) in the Fund as measured for IAS26 purposes	-4,565.6	-2,874.4	-2,319.0

### Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2016. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2018	31 March 2016	31 March 2013
	%pa	%pa	% p.a.
Discount rate	2.60	3.40	4.50
RPI Inflation	3.20	2.90	3.40
CPI Inflation (pension increases)*	2.10	1.80	2.40
Rate of general increase in salaries **	3.35	3.05	3.90

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

\*\* In addition, we have allowed for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date

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

# SECTION 11 – STATEMENT OF ACCOUNTS

## Principal demographic assumptions

Post retirement mortality	31 March 2016 & 31 March 2018	31 March 2013
<b>Males</b>		
Base table	Standard SAPS S2 All Pensioners (S2PMA)	Standard SAPS Normal Health All Amounts (S1NMA)
Rating to above base table *	0	0
Scaling to above base table rates **	105% for current male pensioners 115% for future male pensioners	105%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	22.0 at 31 March 2016 22.1 at 31 March 2018	22.5
Future lifetime from age 65 (currently aged 45)	22.9 at 31 March 2016 23.1 at 31 March 2018	24.7
<b>Females</b>		
Base table	Standard SAPS S2 All Pensioners (S2PFA)	Standard SAPS Normal Health All Amounts tables (S1NFA)
Rating to above base table *	0	0
Scaling to above base table rates **	90% for current female pensioners 90% for future female pensioners	100%
Allowance for future improvements	Proposed CMI Mortality Projections Model released with Working Paper 91 with Core assumptions ("CMI_2016_Proposed2015") together with a long term rate of improvement of 1.5% p.a.	CMI 2012 with a long-term rate of improvement of 1.5% p.a.
Future lifetime from age 65 (currently aged 65)	25.1 at 31 March 2016 25.3 at 31 March 2018	25.4
Future lifetime from age 65 (currently aged 45)	26.9 at 31 March 2016 27.1 at 31 March 2018	27.7

## SECTION 11 – STATEMENT OF ACCOUNTS

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

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

	31 March 2016 & 31 March 2018	31 March 2013
<b>Commutation</b>	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum.	Each member was assumed to surrender pension on retirement, such that the total cash received (including any accrued lump sum from pre 2008 service) is 75% of the permitted maximum

### Note 11. Management expenses

	2018/19 £000	2017/18 £000
Administrative costs	-4,424	-3,992
Investment management Expenses	-4,800	-5,820
Oversight & Governance	-782	-547
<b>Total</b>	<b>-10,006</b>	<b>-10,359</b>

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The Investment management expenses above includes -£87k in respect of performance related fees paid (2017/18 -£65k) and also a statutory audit fee of -£38k (2017-18 -£48k). No other fees have been paid to the external auditor.

Transaction costs are included to comply with CIPFA guidance.

The cost associated with the setting up of the Northern LGPS that relate specifically to WYPF are included within the administration costs above, the costs for the 2018/19 reporting period are £123k.

### Note 12. Investment expenses

	2018/19 £000	2017/18 £000
Internal management costs	-3,482	-2,702
Transaction costs	-724	-2,558
Custody fees	-594	-560
<b>Total</b>	<b>-4,800</b>	<b>-5,820</b>

Transaction costs are included to comply with CIPFA guidance.

### Note 13. Investment income

	2018/19 £000	2017/18 £000
Income from Bonds	50,467	43,895
Dividends from Equities	357,247	317,757
Income from Index-Linked Securities	3,482	3,323
Income from Direct Property	336	456
Income from Pooled Funds	24,462	25,673
Interest on Cash Deposits	2,591	1,011
	<b>438,585</b>	<b>392,115</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### Note 14. Direct Property Holdings

	2018/19 £000	2017/18 £000
Opening balance	7,250	7,000
<b>Additions:</b>		
Purchases	0	0
Construction	0	0
Subsequent expenditure	0	0
Disposals	0	0
Net increase/ decrease in Market Value	0	250
Other changes in fair value	0	0
Closing balance	7,250	7,250

### Note 15. Investments

#### 15a. Movement in the value of investments in 2018/19

	Opening value at 01.04.18 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 .03.19 £000
Northern LGPS assets	0	261	0	0	261
Bonds	1,374,768	271,683	-134,289	71	1,512,233
Equities	9,999,549	663,992	-690,909	442,372	10,415,004
Index linked securities	659,866	40,507	-43,981	23,132	679,524
Pooled funds	1,466,773	63,322	-152,507	9,535	1,387,123
Direct Property	7,250	0	0	0	7,250
Cash deposits	263,630	1,356,343	-1,351,873	1,142	269,242
Cash balances	33,482	0	-8,221	0	25,261
Other Investment Debtors	42,528	6,032	0	0	48,560
Other Investment Creditors	-11,182	0	-4,174	0	-15,356
<b>Totals</b>	<b>13,836,664</b>	<b>2,402,140</b>	<b>-2,385,954</b>	<b>476,252</b>	<b>14,329,102</b>

	Opening value at 01.04.17 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 .03.18 £000
Northern LGPS assets	0	0	0	0	0
Bonds	1,212,644	272,245	-163,716	53,595	1,374,768
Equities	9,926,738	608,677	-560,809	24,943	9,999,549
Index-linked Securities	656,523	143,817	-61,912	-78,562	659,866
led Funds	1,600,718	72,893	-281,119	74,281	1,466,773
Direct Property	7,000	0	0	250	7,250
Cash Deposits	136,580	127,050	0	0	263,630
Cash balances	32,549	933	0	0	33,482
Other Investment Debtors	37,934	4,594	0	0	42,528
Other Investment Creditors	-5,873	0	-5,309	0	-11,182
	13,604,813	1,230,209	-1,072,865	74,507	13,836,664

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The change in market value of investments during the year comprises all increases and decreases in the market value of investments held at any time during the year, including profits and losses realised on the sale of investments during the year. A further analysis of the asset split between overseas and UK can be found in note 21.

### 15b. Investments analysis by security type

	2018/19 £000	2017/18 £000
<b>Northern LGPS assets</b>	<b>261</b>	<b>0</b>
<b>Bonds</b>		
Public sector quoted	1,015,340	872,138
Other quoted	494,734	500,339
Unquoted	2,159	2,291
	<b>1,512,233</b>	<b>1,374,768</b>
<b>Equities:</b>		
Quoted	9,055,277	8,857,603
Unquoted	1,359,727	1,141,946
	<b>10,415,004</b>	<b>9,999,549</b>
<b>Index Linked Securities:</b>		
Public sector quoted	679,524	659,866
	<b>679,524</b>	<b>659,866</b>
<b>Pooled Funds</b>		
Hedge funds Quoted	648	991
Hedge Funds Unquoted	91,300	126,571
Property Quoted	274,541	297,921
Property Unquoted	356,494	308,524
Other	664,140	732,766
	<b>1,387,123</b>	<b>1,466,773</b>
<b>Direct Property</b>	<b>7,250</b>	<b>7,250</b>
<b>Cash Deposits:</b>		
Sterling	269,242	263,630
Cash balances	25,261	33,482
	<b>294,503</b>	<b>297,112</b>
<b>Other Investment assets</b>	<b>48,560</b>	<b>42,528</b>
<b>Other Investment liabilities</b>	<b>-15,356</b>	<b>-11,182</b>
<b>Total</b>	<b>14,329,102</b>	<b>13,836,664</b>

### Note 15c. Stock lending

	2018/19 £000	2017/18 £000
Income - Bonds	243	121
Income - UK Equities	701	1,136
International Equities	2,437	2,352
	<b>3,381</b>	<b>3,609</b>
Less - Costs	-102	-106
<b>Total</b>	<b>3,279</b>	<b>3,503</b>

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As at 31 March 2019, £2.6bn of stock was on loan to market makers (31 March 2018, £1.6bn) and this was covered by collateral totalling £2.7bn (31 March 2018, £1.7bn) which includes an appropriate margin. The collateral was comprised of UK & International Government Bonds £1.8bn, (31 March 2018 £994.3m). International Equities, £704.0m, (31 March 2018, £530.7m) and UK Equities, £268.0m, (31 March 2018, £233.1m). All our securities out on loan are fully indemnified by HSBC our custodian.

### Note 16. Fair Value – Basis of valuation

The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Unquoted bonds	Level 2	Average of broker prices.	Evaluated price feeds	Not required
Pooled investment-overseas unit trusts and quoted property funds	Level 2	Closing bid price where bid and offer prices are published - closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV - based pricing set on a forward pricing basis.	Not required
Pooled investments - hedge funds and unquoted property funds	Level 3	Closing bid price where bid and offer prices are published - closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund 30 days after the month end to which they relate. The values reported in the financial statements are therefore based on February month end values, adjusted according to estimates of investment fund	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

## SECTION 11 – STATEMENT OF ACCOUNTS

Description of asset	Valuation Hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
			performance in March, as informed by fund managers. We gain assurance over valuations provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values.	
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers- <i>in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ("The Red Book").</i>	Existing lease terms - Independent market research - Nature of tenancies - Estimated growth - assumed vacancy levels - discount rate.	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.

### 16a. Sensitivity of assets valued at level 3

The Fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31st March 2019.

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	Assessed valuation range (+/-)	Value at 31 March 2019	Value on increase	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	10%	91.9	101.1	82.7
Property funds	10%	356.5	392.2	320.9
Direct property	10%	7.3	8.0	6.6
Private equity	15%	1,359.7	1,563.7	1,155.8
<b>Total</b>		<b>1,815.4</b>	<b>2,065.0</b>	<b>1,566.0</b>

	Assessed valuation range (+/-)	Restated Value at 31 March 2018	Value on increase £000	Value on decrease
		£m	£m	£m
Pooled investments - hedge funds	10%	127.6	140.4	114.8
Property funds	10%	308.5	339.5	277.7
Direct property	10%	7.3	8.0	6.6
Private equity	15%	1,141.9	1,313.2	970.7
<b>Total</b>		<b>1,585.3</b>	<b>1,801.1</b>	<b>1,369.8</b>

The 2017-18 table above has been restated to include level 3 property funds.

### Financial instruments – valuation

#### Valuation of financial assets carried at fair value.

The valuations of financial assets have been classified into three levels according to the quality and reliability of information used to determine the fair values. Transfers between levels are recognised in the year in which they occur.

#### Level 1

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

#### Level 2

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

#### Level 3

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

## SECTION 11 – STATEMENT OF ACCOUNTS

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

### 16b. Valuation hierarchy

31 March 2019	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	11,245	941	1,808	13,994
Loans and receivables	395	0	0	395
<b>Total financial assets</b>	<b>11,640</b>	<b>941</b>	<b>1,808</b>	<b>14,389</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-33	0	0	-33
<b>Total financial liabilities</b>	<b>-33</b>	<b>0</b>	<b>0</b>	<b>-33</b>
31 March 2018 Restated	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit or loss	11,623	301	1,578	13,502
Loans and receivables	390	0	0	390
<b>Total financial assets</b>	<b>12,013</b>	<b>301</b>	<b>1,578</b>	<b>13,892</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-332	0	0	-332
<b>Total financial liabilities</b>	<b>-332</b>	<b>0</b>	<b>0</b>	<b>-332</b>

2017/18 figures have been restated to account for property funds which are now split between level 2 and 3.

### 16c. Reconciliation of fair value measurements within level 3

	Restated Market value 01 April 2018	Purchases	Sales	Change in market value	Market value 31 March 2019
	£000	£000	£000	£000	£000
Pooled investments - hedge funds	127,562	0	-42,508	6,894	91,948
Property Funds	308,524	58,391	-17,893	7,473	356,494
Direct property	7,250	0	0	0	7,250
Private equity	1,141,946	292,612	-217,203	142,372	1,359,727
	<b>1,585,282</b>	<b>351,003</b>	<b>-277,604</b>	<b>156,738</b>	<b>1,815,419</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

	Market value 01 April 2017	Purchases	Sales	Change in market value	Restated Market value 31 March 2018
	£000	£000	£000	£000	£000
Pooled investments - hedge funds	253,350	0	-131,434	5,646	127,562
Property Funds	257,469	61,807	-17,789	7,037	308,524
Direct property	7,000	0	0	250	7,250
Private equity	1,030,908	277,568	-145,030	-21,500	1,141,946
	<b>1,548,727</b>	<b>339,375</b>	<b>-294,253</b>	<b>-8,567</b>	<b>1,585,282</b>

The market values in the above tables have been restated to include level 3 property funds.

### Note 17. Financial instruments - classification

The following table analyses the carrying value of the financial assets and liabilities by category and by net asset statement heading as at 31<sup>st</sup> March 2019.

31 <sup>st</sup> March 2019	Fair value through profit or loss	Financial assets at amortised cost	Financial liabilities at amortised cost	Total financial instruments
	£000	£000	£000	£000
<b>Financial Assets</b>				
Northern LGPS assets	261	0	0	261
Bonds	1,512,233	0	0	1,512,233
Equities	10,415,004	0	0	10,415,004
Index-linked securities	679,524	0	0	679,524
Pooled investment vehicles	1,387,123	0	0	1,387,123
Cash deposits (Investments)	0	269,242	0	269,242
Cash balances	0	25,261	0	25,261
Other investment balances	0	48,560	0	48,560
Debtors	0	51,814	0	51,814
<b>Total financial assets</b>	<b>13,994,145</b>	<b>394,877</b>	<b>0</b>	<b>14,389,022</b>
<b>Financial Liabilities</b>				
Other investment balances	0	0	-15,356	-15,356
Creditors	0	0	-17,875	-17,875
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-33,231</b>	<b>-33,231</b>
<b>Total</b>	<b>13,994,145</b>	<b>394,877</b>	<b>-33,231</b>	<b>14,355,791</b>

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

The accounting standards for financial instruments have changed between financial years. In 2017-18 the accounting standard was International Accounting Standard 39 (IAS39), and in 2018-19 the accounting standard is International Financial Reporting Standard 9. The change in accounting standards has not changed the treatment of the Fund's financial instruments, but financial assets classified as loans and receivables under IAS39 are classified as financial assets at amortised cost under IFRS9.'

## SECTION 11 – STATEMENT OF ACCOUNTS

31st March 2018	Fair value through profit or loss	Loans and receivables	Financial liabilities at amortised cost	Total financial instruments
	£000	£000	£000	£000
<b>Financial Assets</b>				
Northern LGPS assets	0	0	0	0
Bonds	1,374,768	0	0	1,374,768
Equities	9,999,549	0	0	9,999,549
Index-linked securities	659,866	0	0	659,866
Pooled investment vehicles	1,466,773	0	0	1,466,773
Cash deposits (Investments)	0	263,630	0	263,630
Cash balances	0	33,482	0	33,482
Other investment balances	0	42,528	0	42,528
Debtors	0	50,417	0	50,417
<b>Total financial assets</b>	<b>13,500,956</b>	<b>390,057</b>	<b>0</b>	<b>13,891,013</b>
<b>Financial Liabilities</b>				
Other investment balances	0	0	-11,182	-11,182
Creditors	0	0	-320,448	-320,448
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-331,630</b>	<b>-331,630</b>
<b>Total</b>	<b>13,500,956</b>	<b>390,057</b>	<b>-331,630</b>	<b>13,559,383</b>

### Note 18. Current assets -Debtors

	2018/19	2017/18
	£000	£000
Contributions due from employers	28,598	28,336
Other debtors	23,216	22,081
	<b>51,814</b>	<b>50,417</b>

### Note 19. Current liabilities - Creditors

	2018/19	2017/18
	£000	£000
Unpaid benefits	-8,762	-9,778
Other current liabilities	-9,113	-310,670
	<b>-17,875</b>	<b>-320,448</b>

# SECTION 11 – STATEMENT OF ACCOUNTS

## Note 20. Related party transactions

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

### Administering body

Bradford Metropolitan District Council is a related party in its role as the Administering Authority for West Yorkshire Pension Fund.

In 2018/19, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £451,749 in respect of support services provided (£421,866 in 2017/18). The support costs include a full year support for financial, payroll,, HR , legal, internal audit and information technology services.

### Employers

Employers are related parties in so far as they pay contributions to the Fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of the Annual report. Contributions in respect of March 2019 payroll are included within the debtors figure in note 18.

### Members

The Metropolitan Councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. Six of these members are in receipt of pension benefits from the Fund.

There have been no material transactions between any member or their families and the Pension Fund.

### Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £125,730 (2017/18 £123,420). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

The Fund has an investment in Montanaro European Smaller Companies Fund plc, which at 31st March 2019 was valued at £14.08m (£13.14m 31st March 2018), and has an original cost of £4.9m. Rodney Barton, the Director, West Yorkshire Pension Fund, is a non-executive director of Montanaro European Smaller Companies Fund plc, for which he is paid a fee.

## Note 21. Nature and extent of risks arising from Financial Instruments

### Risk and risk management

## SECTION 11 – STATEMENT OF ACCOUNTS

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

The management of risk is set out in the Fund's Investment Strategy Statement, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at [www.wypf.org.uk](http://www.wypf.org.uk)

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

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

### a) **Market risk**

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

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

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

The Fund's equity holdings are spread across more than 900 UK companies, and almost 800 foreign companies, and a range of unit trusts and managed Funds.

Risk is controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.

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

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

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

## SECTION 11 – STATEMENT OF ACCOUNTS

### b) Price risk

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

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

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

### Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The Fund has determined that the following movements in market price risk are reasonably possible for the 2018/19 reporting period.

Asset Type	2018/19	2017/18
	Potential Market Movement +/- (%p.a.)	Potential Market Movement +/- (%p.a.)
UK corporate bonds	4.4	4.6
UK equities	6.8	8.0
Uk Public sector bonds	6.6	6.4
UK index-linked	8.0	7.8
UK Properties	0.6	0.4
Overseas Corporate bonds	8.8	8.9
Overseas equities	5.7	7.0
Overseas Public sector bonds	8.8	8.9
Overseas index linked	8.8	8.9
Overseas properties	1.4	0.4
Alternatives (universe)	0.6	1.9
Cash	0.4	0.3
Cash balances	0.4	0.3

The potential volatilities are consistent with a one standard deviation movement in the change in value of the assets over the latest three years. This can then be applied to the period end asset mix as follows.

## SECTION 11 – STATEMENT OF ACCOUNTS

Asset type	Value as at 31st March 2019	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Corporate bonds	436,024	4.4	455,209	416,839
UK Equities	5,895,902	6.8	6,296,823	5,494,981
UK Public sector bonds	821,334	6.6	875,542	767,126
UK Index-Linked	609,200	8.0	657,936	560,464
UK Properties	541,302	0.6	544,550	538,054
Overseas Corporate bonds	60,869	8.8	66,225	55,513
Overseas Equities	4,519,363	5.7	4,776,967	4,261,759
Overseas Public sector Bonds	194,006	8.8	211,079	176,933
Overseas Index linked	70,324	8.8	76,513	64,135
Overseas Properties	89,733	1.4	90,989	88,477
Alternatives (universe)	756,088	0.6	760,625	751,551
Cash deposits (Investments)	269,242	0.4	270,319	268,165
Cash balances	25,261	0.4	25,362	25,160
Other investment assets	48,560	0.0	48,560	48,560
Other investment liabilities	-15,356	0.0	-15,356	-15,356

Asset type	Value as at 31st March 2018	Percentage change	Value on increase	Value on decrease
	£000	%	£000	£000
UK Corporate bonds	451,327	4.6	472,088	430,566
UK Equities	5,421,085	8.0	5,854,772	4,987,398
UK Public sector bonds	682,383	6.4	726,056	638,710
UK Index-Linked	592,061	7.8	638,242	545,880
UK Properties	520,654	0.4	522,737	518,571
Overseas Corporate bonds	51,303	8.9	55,869	46,737
Overseas Equities	4,575,224	7.0	4,895,490	4,254,958
Overseas Public sector Bonds	189,754	8.9	206,642	172,866
Overseas Index linked	67,805	8.9	73,840	61,770
Overseas Properties	85,790	0.4	86,133	85,447
Alternatives (universe)	863,570	1.9	879,978	847,162
Cash deposits (Investments)	263,630	0.3	264,421	262,839
Cash at bank	33,482	0.3	33,582	33,382
Other investment assets	42,528	0.0	42,528	42,528
Other investment liabilities	-11,182	0.0	-11,182	-11,182

### c) Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or

## SECTION 11 – STATEMENT OF ACCOUNTS

future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The fund's interest rate risk is routinely monitored by the council and its investment advisors in accordance with the fund's risk management strategy, including monitoring the exposure to interest rates and assessment of actual interest rates against the relevant benchmarks.

The fund's direct exposure to interest rate movements as at 31 March 2019 and 31 March 2018 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2019	31 March 2018
	£000	£000
Bonds	1,512,233	1,374,768
Cash deposits	269,242	263,630
Cash balances	25,261	33,482
<b>Total</b>	<b>1,806,736</b>	<b>1,671,880</b>

### d) Interest rate risk – sensitivity analysis

The Fund recognises that interest rates can vary and can affect both income to the Fund and the value of the net assets available to pay benefits. The assumed interest rate volatility is 100 basis point (BPS) per annum.

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

Asset type	Value as at 31 March 2019	Value Increase	Value Decrease
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,512,233	15,122	-15,122
Cash deposits	269,242	2,692	-2,692
Cash balances	25,261	253	-253
<b>Total</b>	<b>1,806,736</b>	<b>18,067</b>	<b>-18,067</b>

Asset type	Value as at 31 March 2018	Value Increase	Value Decrease
		+100BPS	-100BPS
	£000	£000	£000
Bonds	1,374,768	13,748	-13,748
Cash deposits	263,630	2,636	-2,636
Cash balances	33,482	335	-335
<b>Total</b>	<b>1,671,880</b>	<b>16,719</b>	<b>-16,719</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

### e) Currency risk

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

The following table summarises the Fund's currency exposure as at 31 March 2019 and 31 March 2018.

Currency exposure - asset type	Value as at 31 March 2019	Value as at 31 March 2018
	£000	£000
Overseas quoted bonds	254,874	241,058
Overseas unquoted bonds	0	0
Overseas quoted equities	4,518,887	4,571,785
Overseas unquoted equities	476	6,681
Overseas quoted index linked securities	70,324	67,805
Overseas unit trusts	492,508	554,943
Overseas Property funds	89,733	85,790
<b>Total overseas assets</b>	<b>5,426,802</b>	<b>5,528,062</b>

### Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2017/18 6.0%).

A 6.0% strengthening / weakening of the pound against the various currencies in which the Fund holds

Asset type	Value as at 31 March 2019	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	254,874	270,166	239,582
Overseas unquoted bonds	0	0	0
Overseas quoted equities	4,518,887	4,790,020	4,247,754
Overseas unquoted equities	476	505	447
Overseas quoted index linked securities	70,324	74,543	66,105
Overseas unit trusts	492,508	522,058	462,958
Property funds	89,733	95,117	84,349
<b>Total overseas assets</b>	<b>5,426,802</b>	<b>5,752,409</b>	<b>5,101,195</b>

investments would decrease/increase the net assets available to pay benefits as follows.

## SECTION 11 – STATEMENT OF ACCOUNTS

Asset type	Value as at 31 March 2018	Value on increase	Value on decrease
	£000	£000	£000
Overseas quoted bonds	241,058	255,521	226,594
Overseas unquoted bonds	0	0	0
Overseas quoted equities	4,571,785	4,846,092	4,297,477
Overseas unquoted equities	6,681	7,082	6,280
Overseas quoted index linked securities	67,805	71,873	63,736
Overseas unit trusts	554,943	588,239	521,646
Property funds	85,790	90,938	80,643
<b>Total overseas assets</b>	<b>5,528,062</b>	<b>5,859,745</b>	<b>5,196,376</b>

### f) Credit risk

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

In essence the Fund's entire investment portfolio is exposed to some form of credit risk. However, the selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition the Fund is fully indemnified by HSBC Securities on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in note 15b.

### g) Liquidity risk

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

## Note 22. Contractual commitments

At 31 March 2019 the West Yorkshire Pension Fund had the following undrawn commitments:

	Investment value at 31 March 2019	Undrawn commitments
	£m	£m
Asset class		
Private equity	1,359.7	787.9
Property funds	631.0	76.4
	<b>1,990.7</b>	<b>864.3</b>

## SECTION 11 – STATEMENT OF ACCOUNTS

At 31 March 2018 the West Yorkshire Pension Fund had the following undrawn commitments:

	Investment value at 31 March 2018	Undrawn commitments
Asset class	£m	£m
Private equity	1,119.1	778.7
Property funds	606.5	53.4
	<b>1,725.6</b>	<b>832.1</b>

Undrawn commitments relate to outstanding call payments due on unquoted limited partnership funds held in private equity, property and infrastructure parts of the portfolio. The amounts “called” by these funds are irregular in both size and timing over a period of between four and six years from the date of each original commitment.

### Note 23. Accounting Developments

Accounting standards that have been issued before 1 January 2019 but not yet adopted by the Code relate to :

- IAS40 Investment property : Transfers of investment property provides further explanation of the instances in which a property can be reclassified as investment property.
- IFRIC 22 Foreign currency transactions and advance consideration clarifies the treatment of payments in a foreign currency made in advance of obtaining or delivering services or goods.
- IFRIC 23 Uncertainty over income tax treatments provides additional guidance on income tax treatment where there is uncertainty.
- IFRS 9 Financial instruments: prepayments features with negative compensation amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest.

The introduction of / amendments to the above accounting standards are not expected to have a material impact on the 2019/20 pension fund accounts.

### Note 24. Investment Strategy Statement

The West Yorkshire Pension Fund has prepared an Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 The Fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. Full details of the ISS and the FSS are included in the West Yorkshire Pension Fund Annual Report and Accounts. A copy is also available on the Fund’s website [www.wypf.org.uk](http://www.wypf.org.uk).

# APPENDIX A – RESOLVING COMPLAINTS

## INTERNAL DISPUTES RESOLUTION PROCEDURE

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

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

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

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

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

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

### If further help is needed?

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

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

### Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role being to protect pension scheme members'. From 1 April 2015 the Pensions Regulator's remit was extended to cover Public Service Pension Schemes. The Pension Regulator issued a Code of Practice on Governance and administration of Public Service Pension Schemes, which provides practical guidance in relation to the exercise of functions under relevant pensions legislation and sets out standards of conduct and practice expected from those who exercise those functions.

## APPENDIX B – FURTHER INFORMATION AND CONTACTS

### FURTHER INFORMATION AND CONTACTS

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Pension Fund

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#### WYPF Administration

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Financial Controller

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#### WYPF Investments

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Chief Investment Officer (UK)

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## APPENDIX B – FURTHER INFORMATION AND CONTACTS

Our office at Ground Floor Aldermanbury House, 4 Godwin Street in Bradford, is open Monday to Friday between 08.45 and 16.30.

### Company information

WEST YORKSHIRE PENSION FUND

[ADMINISTERED BY CITY OF BRADFORD METROPOLITAN DISTRICT COUNCIL]

ALDERMANBURY HOUSE,

4 GODWIN STREET

BRADFORD

BD1 2ST

United Kingdom

PHONE - 01274 434999 [www.wypf.org.uk](http://www.wypf.org.uk)

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

## Contents

1. Regulatory framework & purpose
2. Review of the strategy
3. Liaison and communication
4. Employer duties & responsibilities
5. Payments & charges
6. Administering authority duties & responsibilities
7. Unsatisfactory performance
8. Appendices
  1. a) Authorised contacts form
  2. b) Schedule of charges
  3. c) Charging levels

West Yorkshire Pension Fund and Lincolnshire Pension Fund run the pension scheme and will jointly be referred to as **the administrator** in this document.

## 1. Regulatory framework & purpose

### 1.1 The regulations

This Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations (LGPS) 2013.

In line with these regulations employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

### 1.2 Purpose

This strategy outlines the processes and procedures to allow the administrator and employers to work together in a cost effective way to administer the LGPS whilst maintaining an excellent level of service to members. It recognises that working co-operatively and collaboratively will be key to achieving these aims.

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

## 2. Review of the strategy

This Strategy will be reviewed as soon as reasonably possible following any changes to the regulations, processes or procedures that affect the strategy or on a triennial basis if this occurs sooner.

Changes to this Strategy will be made following consultation with employers and a copy of the updated strategy will be sent to the secretary of state.

The administrator will constantly seek to improve communications between itself and the employers.

Employers are welcome to discuss any aspect of this strategy with the administrator at any time and may make suggestions for improvement to the strategy.

## 3. Liaison and communication

### 3.1 Authorised contacts for employers

Each employer will nominate a contact to administer the three main areas of the LGPS:

- **Strategic contact** for valuation, scheme consultation, discretionary statements & IDRPs
- **Administration contact** for the day to day administration of the administration, completing of forms and responding to queries
- **Nominated Payroll contact** who will be the responsible third-party contact who can maintain a Payroll authorised user list.
- **Finance contact** for completion and submission of the monthly postings and co-ordination of the exception reports

If they wish, employers may also nominate additional contacts via an Employer authorised user list.

All contacts will receive a login name and password that allows them to access the Civica Employer Portal for online administration and the combined remittance and monthly return.

When registering, each contact should complete a "main contact registration form and authorised user list" and signing the administrator's user agreement for the secure administration facility.

The three main contacts are responsible for ensuring that contacts are maintained by notifying the administrator when one leaves and registering new contacts where necessary.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

### 3.2 Liaison and communication with employers

The administrator will provide the following contact information for employers and their members:

- A named **Pension Fund Representative** for regulatory or administration queries, training, advice and guidance.
- A named **Finance business partner** to assist with the monthly returns process
- A dedicated **Contact centre** for member queries

In addition to this the administrator takes a multi-channel approach to communication with its employers.

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face Telephone E-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
<i>Ad hoc</i> training	As and when required	Face to face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters blog and monthly round-up	12 per year and as and when required	Wordpress blog/E-mail
Social media	Constant	Web
<i>Ad hoc</i> meetings	As and when required	Face to face
Workshops	10 per year	Face to face

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

## 4. Employer duties & responsibilities

When carrying out their functions employers must have regard to the current version of this strategy.

### 4.1 Events for notification

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly Postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions was deducted.	100% compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within 2 weeks following monthly return submission.	90% compliance or better
Change of hours, name, payroll number, or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 2 weeks following monthly return submission.  For exception report output from the monthly return, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	90% compliance or better

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			If the employer is not using monthly return, then information is due within 6 weeks of change event.	
50/50 & Main scheme elections	Monthly Return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission.	90% compliance or better
Service breaks/absence	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
Under 3 month opt-outs	Monthly return		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return. Web form. Monthly returns (exception reports)		Notified by the employer via monthly return, the administrator will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving.	90% compliance or better

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
			For exception reports leaver forms must be provided to the administrator within 2 months of receipt of the exception report.	
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy.	90% compliance
Death in service notifications	Web form		Within 3 days of the date of notification.	100% compliance

### 4.2 Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

The administrator is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of the administrator being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer's actions or inaction caused the fine.

## **APPENDIX C – PENSION ADMINISTRATION STRATEGY**

### **4.3 Discretionary powers**

The employer is responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy in respect of the key discretions as required by the regulations to its employees.

### **4.4 Member contribution bands**

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

### **4.5 Internal Disputes Resolution Procedure (IDRP)**

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

## **5. Payments & charges**

### **5.1 Payments by employing authorities**

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to WYPF and /or its Additional Voluntary Contribution (AVC) providers (Prudential/Scottish Widows) as appropriate.

### **5.2 Paying contributions**

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made. Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th.

## **APPENDIX C – PENSION ADMINISTRATION STRATEGY**

### **5.3 AVC deductions**

Employers will pay AVCs to the relevant provider within one week of them being deducted.

### **5.4 Late payment**

The employer is reported to The Pensions Regulator where contributions are received late in accordance with the Regulator's code of practice.

### **5.5 Payment method**

Contributions (but not AVCs) should be paid to the administrator by BACS payment direct to WYPF or LPF's bank account.

### **5.6 Early retirement and Augmentation costs**

Employers have the option to pay the full early retirement cost or pay by instalments over 5 years, depending on their ability to pay. Interest is charged if the option to pay by instalment is taken, and the annual interest used Base Rate + 1%

All Augmentation cost must be paid in full in one payment.

### **5.7 Interest on late payment**

In accordance with the LGPS regulations interest will be charged on any amount overdue from an employing authority by more than one month.

### **5.8 Employer contributions**

Employer's contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficient to meet its liabilities.

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

## 5.9 Actuarial Valuation

An actuarial valuation of the Fund is undertaken every three years by the fund's actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and deficit payment if appropriate for each employer for the subsequent three years.

## 5.10 Administration charges

The cost of running the administrator is charged directly to the fund; the actuary takes these costs into account in assessing employers' contribution rates.

## 6. Administering authority duties & responsibilities

When carrying out their functions the administrator will have regard to the current version of the strategy.

### 6.1 Scheme administration

The administrator will ensure that workshops and annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events:

- Employer annual meeting
- Member annual meeting
- Pre-retirement courses
- New starters induction courses
- Complete guide to administration
- Your responsibilities
- Monthly contributions
- Ill health retirement

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

## 6.2 Responsibilities

The administrator will ensure the following functions are carried out:

- 6.2.1 – Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the LGPS
- 6.2.2 – Create a member record for all new starters admitted to the LGPS
- 6.2.3 – Collect and reconcile employer and employee contributions
- 6.2.4 – Maintain and update members records for any changes received by the administrator
- 6.2.5 – At each actuarial valuation the administrator will forward the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that they can determine the assets and liabilities for each employer
- 6.2.6 – Communicate the results of the actuarial valuation of the fund to each employer
- 6.2.7 – Provide every active, deferred and pension credit member with a benefit statement each year
- 6.2.8 – Provide estimate of retirement benefits on request by the employer
- 6.2.9 – Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.
- 6.2.10 – Comply with HMRC legislation

## 6.3 Decisions

The administrator will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

## 6.4 Discretionary powers

The administrator will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

### 6.5 Internal Disputes Resolution Procedure (IDRP)

The administrator (WYPF) will deal with employer appeals at stage two of the IDRP. A nominated officer of Lincolnshire County Council will undertake this role for LPF.

The administrator will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision the administrator has made or is responsible for making.

### 6.6 Fund Performance Levels

The minimum performance targets are shown below:

Service	Days	Minimum Target
1. New member records created	10	75%
2. Update personal records	10	75%
3. Posting monthly contributions to member records	10	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits - Payment of Lump sums	3	75%
6. Provide details of Deferred Benefit Entitlement	10	75%
7. Refund of Contribution – Notification of Entitlement	5	75%
8. Refund of Contribution – Payment	5	75%
9. Action agreed transfers out on receipt of acceptance	10	75%
10. Provide estimate of retirement benefits	10	75%
11. Retirement benefits – Payment of lump sum	3	75%
12. Retirement benefits – Recalculation of pension/lump sum	10	75%

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Service	Days	Minimum Target
13. Calculation and payment death benefits on receipt of all necessary information	5	75%
14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members by		31 May
17. Annual benefit statements issued to active members by		31 August
18. Make payment of pensions on the due date		100%
19. Issue P60's to pensioners within statutory deadlines		100%
20. Provide information on request in respect of Pension Share on Divorce within legislative timescales		100%
21. Implement Pension Share Orders within legislative timescales		100%
22. Undertake annual reviews to establish continuing entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

## 7. Unsatisfactory performance

### 7.1 Measuring performance

Both employer and WYPF targets will be measured on a quarterly basis using the Civica document management system. Employers will be notified of their performance level each quarter.

# APPENDIX C – PENSION ADMINISTRATION STRATEGY

WYPF performance levels will be published on a quarterly basis in the employer newsletter. Overall employer and WYPF performance will be published by the administrator in the Annual Report.

## 7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this Strategy, which leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

## Appendix A – Main contact registration and authorised user list

[Main contact registration form](#)

[Authorised employer user list](#)

[Authorised payroll user list](#)

## Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III), minimum half day charge of £110 + vat + cost of recovery actions (court and legal fees). Any part or all of this charge may be waived at the administrators discretion.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
2. Contributions to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19th)	Due by 19th month-late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%
3. Monthly return due anytime but latest by 19th month, errors on return i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within 2 months.	Due by 19th month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at the administrators discretion.
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day.  This may be waived at the administrators discretion.
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving.  For exception reports leaver forms provided to the administrator within two	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I) at £96 + vat a day.  This may be waived at the administrators discretion.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
	months of receipt of the exception report	
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy -additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II) at £136 + vat a day. This may be waived at the administrators discretion.
7. Death in membership	Due within 3 working days of the notification - additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III) at £220 + vat a day. This may be waived at the administrators discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th month. (weekends and bank holidays on the last working day before 19 <sup>th</sup> )	Additional investigative work caused through lack of compliance by Employer.	Failure to comply by employer, causing additional work for the administrator will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at the administrators discretion.
9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I) at £96 + vat a day.  This may be waived at the administrators discretion.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated- Pension liaison officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failure to comply by employer, causing additional work for the administrator will result in admin charge (at pension officers level I) at £96 + vat a day. This may be waived at the administrators discretion.
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III) at £220 + vat a day. This charge may be waived at the administrators discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1 <sup>st</sup> request in each financial year is free. Additional request is charged at a notional charge of £50 + vat is made. This charge is for each members record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the Court Order.	The charge is £250 + vat for this work.
14. Miscellaneous items: 1. Benefit recalculation 2. Members file search and record prints 3. Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + vat will be levied. This charge is for each members record folder reference.

## APPENDIX C – PENSION ADMINISTRATION STRATEGY

### Appendix C – Charging levels

Charges will be made on half a day basis, less than quarter a day no charge will be made and more than half a day a full day charge will be made.

Charge Levels	I	II	III
Daily charge	£ 96	£ 136	£ 220
Half day charge	£ 48	£ 68	£ 110

Level I – Work at Pension Officer Level

Level II – Work at Senior Pension Officer Level

Level III– Work at Pension Manager Level

# APPENDIX D – FUNDING STRATEGY STATEMENT

March 2017

## 1. Introduction

**1.1** The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a FSS. The key requirements for preparing the FSS can be summarised as follows:

After consultation with all such persons as it considers appropriate, including officers and elected members and other employer representatives, the Administering Authority will prepare, maintain and publish their funding strategy;

In preparing the FSS, the Administering Authority must have regard to:-

- the statutory guidance issued by CIPFA for this purpose; and
- The Statement of Investment Principles (SIP) for the Scheme published under Regulation 12 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2009 (as amended)) or Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) (“The Investment Regulations”).

The FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in either the policy on the matters set out in the FSS, SIP or ISS.

**1.2** Benefits payable under the Local Government Pension Scheme (LGPS) are guaranteed by statute and thereby the pension promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.

**1.3** The LGPS is a defined benefit scheme under which the benefits are specified in the governing legislation, currently the Local Government Pension Scheme Regulations 2013 (as amended) (“the Regulations”).

## APPENDIX D – FUNDING STRATEGY STATEMENT

1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. The primary rate of employers' contributions to the Fund should be set so as to "secure its solvency". The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

### 2. Purpose of Funding Strategy Statement (FSS)

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

2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:

- 2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- 2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;
- 2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met;
- 2.2.4 takes a prudent longer-term view of funding the liabilities.

2.3 It should be stressed at the outset that, supplementary to the regulatory requirement to consider the desirability of maintaining a constant primary employer contribution rate as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contributions and, therefore, the degree of risk inherent within the funding targets and associated periods for recovery of deficits or return of surpluses.

## APPENDIX D – FUNDING STRATEGY STATEMENT

**2.4** The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the Administering Authority to implement and maintain.

### 3. Aims and Purpose of the Pension Fund

**3.1** The aims of the Fund are to:

- 3.1.1** enable primary employer contribution rates to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies,
- 3.1.2** enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies whilst achieving and maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike;
- 3.1.3** manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable; and
- 3.1.4** maximise the returns from investments within reasonable risk parameters.

**3.2** The purpose of the Fund is to:

- 3.2.1** receive monies in respect of contributions from employers and employees, transfer values and investment income; and
- 3.2.2** pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

### 4. Responsibilities of Key Parties

**4.1** The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, Scheme employers and the actuary.

**4.2** The Administering Authority should:-

- 4.2.1** operate a pension fund;

## APPENDIX D – FUNDING STRATEGY STATEMENT

collect employee and employer contributions, investment income and other amounts due to the pension fund;

- 4.2.2 invest all monies held in accordance with the SIP;
  - 4.2.3 maintain adequate records for each Scheme member;
  - 4.2.4 exercise discretions within the regulatory framework, taking into account the cost of decisions;
  - 4.2.5 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
  - 4.2.6 ensure sufficient cash is available to meet liabilities as they fall due;
  - 4.2.7 pay from the pension fund the relevant entitlements as stipulated in the Regulations;
  - 4.2.8 provide membership records and financial information to the actuary promptly when required;
  - 4.2.9 prepare and maintain a Funding Strategy Statement and a Statement of Investment Principles / Investment Strategy Statement in proper consultation with interested parties;
  - 4.2.10 monitor all aspects of the Fund's performance and funding and amend the FSS/SIP/ISS accordingly;
  - 4.2.11 manage the valuation process in consultation with the actuary;
  - 4.2.12 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer; and
  - 4.2.13 enable the Local Pension Board to review the valuation process as set out in their terms of reference.
- 4.3 Each individual employer should:
- 4.3.1 deduct contributions from employees' pay correctly;
  - 4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date;
  - 4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;
  - 4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;
  - 4.3.5 provide adequate membership records to the Administering Authority promptly as required;
  - 4.3.6 notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding;
  - 4.3.7 notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding; and
  - 4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years.

## APPENDIX D – FUNDING STRATEGY STATEMENT

4.3.9 pay any exit payments required in the event of their ceasing participation in the Fund.

4.4 The Fund Actuary should:

- 4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;
- 4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc;
- 4.4.3 provide advice and valuations on the exiting of employers from the Fund.
- 4.4.4 provide advice to the administering authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;
- 4.4.5 assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations; and
- 4.4.6 ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

## 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

### Risk Based Approach

5.1 The Fund adopts a risk based approach to funding strategy. In particular the discount rate (for most employers) has been set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rate:

- 5.1.1 **5.1.1** the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
- 5.1.2 **5.1.2** the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- 5.1.3 **5.1.3** the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

## APPENDIX D – FUNDING STRATEGY STATEMENT

### Solvency Target

- 5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.
- 5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.
- 5.5 For Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, appropriate actuarial methods and assumptions are taken to be:
- 5.5.1 the Projected Unit method of valuation; and
  - 5.5.2 assumptions such that, if the Fund had reached the Solvency Target, its financial position continued to be assessed by use of such methods and assumptions, and contributions were paid in accordance with those methods and assumptions, there would be an 80% chance that the Fund would be at least 100% funded after a period of 25 years.
- 5.5.3 This then defines the Solvency Target.
- 5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in an appropriate portfolio of Government index linked and fixed interest bonds after exit.
- 5.7 For Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Solvency Target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.

### Probability of Funding Success

- 5.8 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on the level of contributions payable by members and employers and asset-liability modelling carried out by the Fund Actuary.

## APPENDIX D – FUNDING STRATEGY STATEMENT

The discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is just under a 70% chance that the Fund would reach or exceed its Solvency Target after 25 years.

### Funding Target

**5.9** The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or deficiency, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined below). The key assumptions used for assessing the Funding Target are summarised in Appendix 1.

**5.10** Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund as a whole and for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc) is stable.

**5.11** For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.

### Funding Targets and assumptions regarding future investment strategy

**5.12** For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.

**5.13** For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:

**5.13.1** the type/group of the employer

**5.13.2** the business plans of the employer;

**5.13.3** an assessment of the financial covenant of the employer;

## APPENDIX D – FUNDING STRATEGY STATEMENT

- 5.13.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.14 For Admission Bodies whose liabilities are expected to be orphaned on exit, the Administering Authority will have regard to the potential for participation to cease (or for the body to have no contributing members), the potential timing of such exit, and any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit (i.e. whether the liabilities will become 'orphaned' or a guarantor exists to subsume the notional assets and liabilities). This is known as the (ongoing) orphan admission bodies funding target. It is not the same as the exit basis.
- 5.15 For Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Administering Authority may assume continued investment in a broad range of assets of higher risk than risk free assets for a longer period, albeit it will still consider any likely change in notional or actual investment strategy as regards the assets held in respect of the body's liabilities when the employer exits. This is known as the intermediate funding target.
- 5.16 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

### Recovery Periods

- 5.17 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, the employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme. Further, this is based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term.
- 5.18 If the assets of the scheme relating to an employer are less than the funding target at the date of any actuarial valuation, a recovery plan will be put in place, which is expected to require additional contributions from the employer to meet the shortfall. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the

## APPENDIX D – FUNDING STRATEGY STATEMENT

period over which any adjustment to the level of contributions in respect of a surplus or deficiency relative to the Funding Target for that employer or group of employers is payable.

**5.19** Additional contributions to meet any shortfall will be expressed as a monetary amount, and will increase annually in line with the assumption for pay growth used for the valuation unless a different increase rate is agreed between the employer and Administering Authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits:-

**5.19.1** scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption guarantees from such bodies - 22 years

**5.19.2** open admission bodies without a subsumption guarantee and no fixed or known term of participation - 22 years, although the Administering Authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant

**5.19.3** admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)

**5.19.4** other admission bodies (i.e. those closed to new entrants) – average future working life of current active members (or period to contract end date if shorter )

**5.20** In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

**5.20.1** the type/group of the employer

**5.20.2** the size of the funding shortfall;

**5.20.3** the business plans of the employer;

**5.20.4** the assessment of the financial covenant of the employer;

**5.20.5** any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

### **Employer Contributions**

**5.21** As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. These rates are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy , between the various employers in the Scheme, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all employers. In attributing the overall investment performance obtained on the assets of the Scheme to each employer a pro-rata principle is adopted.

**5.22** In addition to any contributions required to rectify a shortfall of assets below the funding target, contributions will be required to meet the cost of future accrual of benefits for

## APPENDIX D – FUNDING STRATEGY STATEMENT

members after the valuation date (the “primary contribution rate”). The method and assumptions for assessing these contributions are set out in Appendix 1.

- 5.23** The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:
- 5.23.1** a maximum deficit Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted (see below).
- 5.23.2** where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps as long as the regulatory objectives of solvency and long-term cost efficiency are met.
- 5.23.3** on the exit of an employing authority’s participation in the Scheme, the Fund Actuary will be asked to complete an exit valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on exit are set out in the separate Policy on New Employers and Exit Valuations document at Appendix 2.
- 5.24** With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer’s contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all employers.
- 5.25** Two key principles making up the funding strategy and to be adopted for the 2016 actuarial valuation are to:
- 5.25.1** provide stability in primary employer contribution rates and secondary employer contribution amounts as far as is possible, thereby avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers’ contribution levels, the practice of phasing any increases or decreases in employers’ contribution requirements up to 6 years from 1 April 2017 will be adopted where appropriate and required;
- 5.25.2** retain a maximum 22 year recovery period for meeting a deficit as adopted at the 2010 and 2013 valuations.
- 5.26** With regard to the two principles outlined in paragraph 5.25 above, every Scheme Employer (i.e. those identified in paragraph 5.19.1) will have the option of being treated on this basis. They may, however, choose to have a single increase in contributions or phase any increase over a shorter period than 6 years. However, as an alternative, the main Councils and

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West Yorkshire Fire and Police (Chief Constable and Police and Crime Commissioner) have been offered the option of paying contributions based on market conditions as at 30 September 2016 on the proviso that their contribution requirements will be reviewed as at 30 September 2017 and 30 September 2018 and increased from the following 1 April if required.

**5.27** It may not be possible to adopt the two principles outlined in paragraph 5.25 for some or all of the employers identified in paragraphs 5.19.2, 5.19.3 and 5.19.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the Administering Authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.

**5.28** The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as to ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

**5.29** In determining the above principles and adopting the 22 year deficit recovery period for the 2016 Valuation, the Administering Authority has had regard to:

**5.29.1** the responses to the consultation on the FSS principles;

**5.29.2** relevant guidance issued by the CIPFA Pensions Panel;

**5.29.3** the need to balance a desire to attain a target of 100% funding as soon as possible, within the 90% to 110% funding range against the short-term cash requirements which a shorter period would impose;

**5.29.4** the Administering Authority's views on the strength of the participating employers' covenants in achieving the objective.

### **Long-term cost efficiency**

**5.30** In order to ensure that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund, the Administering Authority has assessed the actual contributions payable by considering:

**5.30.1** The implied average deficit recovery period, allowing for the stepping of employer contribution changes;

**5.30.2** The investment return required to achieve full funding over the recovery period; and

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5.30.3 How the investment return compares to the Administering Authority's view of the expected future return being targeted by the Fund's investment strategy

### **Smoothing of Contribution rates for admission bodies**

5.30.4 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the Administering Authority requires all admission bodies to be fully self funding, such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to costs for other participating employers.

5.30.5 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

5.30.6 The implication of this is that, during the period of relaxation, contribution rates for admission bodies can be set at a level lower than full funding would require. However, where deficit payments are being deferred, the bodies should be aware that, all things being equal, this will lead to a higher contribution requirement in future. As a minimum, such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the Funding Target method and assumptions adopted for scheduled bodies and those with a subsumption guarantee. It should be noted that should an employer exit the Fund during the period when contribution rates have been relaxed, the full value of the employer's liabilities in the Fund will be taken into account in the exit valuation, i.e. the employer will, in effect, be required to make up any additional underfunding by virtue of contributions having been relaxed.

### **Notional sub-funds**

5.31 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.

5.32 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

5.33 The notional sub fund allocated to each employer was tracked between the 2013 and 2016 valuations by rolling it forward allowing for all cashflows associated with that employer's membership, including contribution income, benefit payments, transfers in and out and investment income allocated as set out below. In general no allowance was made for the timing of contributions and cashflows for each year were assumed to be made half way

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through the year with investment returns assumed to be uniformly earned over that year.

Further adjustments were made for:

- 5.33.1 A notional deduction to meet the expenses paid from the Fund in line with the assumption used at the 2013 valuation.
- 5.33.2 Allowance for any known material internal transfers within the Fund (cashflows will not exist for these transfers). The Fund Actuary assumed an estimated cashflow equal to the value of the liabilities transferred from one employer to the other unless some other approach has been agreed between the two employers.
- 5.33.3 Allowance for death in service and other benefits shared across all employers in the Fund (see above).
- 5.33.4 An overall adjustment to ensure the notional assets attributed to each employer is equal to the total assets of the Fund which will take into account any gains or losses related to the orphan liabilities.
- 5.34 In some cases information available will not allow for such cashflow calculations. In such a circumstance:
  - 5.34.1 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is not material, estimated cashflows were used.
  - 5.34.2 Where, in the opinion of the Fund Actuary, the cashflow data which is unavailable is material, or the results of the cashflow approach appears to give unreliable results perhaps because of unknown internal transfers, the actuary instead used an analysis of gains and losses to roll forward the notional sub fund. Analysis of gains and losses methods are less precise than use of cashflows. They involve calculation of gains and losses to the surplus or deficit at the previous valuation and then compare the surplus or deficit calculated at the valuation with the liabilities evaluated at this valuation to determine the employer's implied notional asset holding.
- 5.35 The distribution of the investment portfolio between asset classes, and the allocation of investment performance, will be exactly the same for every employer in the Fund. The Fund has one investment portfolio, and employers' shares of the portfolio will be pro-rata to their participating share of the Fund. The Fund's Investment Advisory Panel approves the distribution of the investment portfolio between the various asset classes, and no separate or different notional distribution will be applied to any employer.
- 5.36 With effect from 1 April 2016 a unitised approach will be used to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the current actuarial valuation) as its starting point and hence won't be place until the 2016 valuation has been completed. Calculations with an effective date on or after 1 April 2016 requiring an updated calculation of the notional sub-fund for any employer will use the output of the unitisation model where available. However, any

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actuarial calculations with an effective date of after 1 April 2016 which are finalised before the unitisation model is operational will not be revised unless this has been specifically agreed by the Administering Authority.

### Former Participating Bodies

- 5.37 Where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which will determine an exit contribution on the assumption that, unless a subsumption arrangement is in place, the assets will assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. This approach minimises the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. Further details of the Administering Authority's policy for exit valuations are set out in Appendix 2.
- 5.38 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the appropriate funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

## 6. Link to investment policy set out in the Statement of Investment Principles (SIP) / Investment Strategy Statement (ISS)

- 6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the SIP.
- 6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.
- 6.3 Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations. However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced
- 6.4 Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time,

## APPENDIX D – FUNDING STRATEGY STATEMENT

reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.

6.5 The Fund's current benchmark investment strategy, as set out in its SIP, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. The expected rate of return and the target set for investment returns in the SIP are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

### 7. Identification of risks and counter-measures

7.1 Whilst the activity of managing the Fund exposes the Administering Authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

#### Investment risk

7.2 This covers items such as the performance of financial markets and the Fund's Investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:

7.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)

7.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility

7.2.3 insufficient funds to meet liabilities as they fall due

7.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon

7.2.5 counterparty failure

7.3 The specific risks associated with assets and asset classes are:

7.3.1 equities – industry, country, size and stock risks

7.3.2 fixed income - yield curve, credit risks, duration risks and market risks

7.3.3 alternative assets – liquidity risks, property risk, alpha risk

7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

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- 7.4 The Fund mitigates these risks through diversification, permitting investment in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.
- 7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

### Liability risk

- 7.6 The main risks include interest rates, pay and price inflation, changing retirement patterns and other demographic risks.
- 7.7 The Administering Authority will ensure that the Fund Actuary investigates these matters at each valuation and reports on developments. The Administering Authority will agree with the Fund Actuary any changes which are necessary to the assumptions underlying the measure of solvency to allow for observed or anticipated changes.
- 7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position.
- 7.9 If significant liability changes become apparent between valuations, the Administering Authority will notify all participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require the review the bonds that are in place for Admission Bodies.

### Liquidity and Maturity risk

- 7.10 This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,
- 7.11 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;

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- 7.11.1 an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed),
- 7.11.2 public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS),
- 7.11.3 scheme changes and higher member contributions in particular may lead to increased opt-outs;
- 7.11.4 a high take-up of the 50/50 option will reduce member contributions to the Fund.

The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity leading to cashflow or liquidity issues.

### Regulatory and compliance risk

- 7.12 Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. The Government is also carrying out a review of the structure of the LGPS.
- 7.13 The Administering Authority will keep abreast of all the changes to the LGPS 2014. The Administering Authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

### Employer risk

- 7.14 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.
- 7.15 The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS.

### Governance risk

- 7.16 Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, or an admission body closing the scheme to new entrants.
- 7.17 The Fund seeks to maintain regular contact with employers to mitigate this risk, and has Pension Fund Representatives for this purpose. The Fund would also advise employers to

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pay past service deficit payments as lump sums, rather than as a percentage of payroll, to avoid an under payment accruing as a result of a reduction of the payroll.

- 7.18** To protect the Fund on the admission of a new employer, the existing scheme employer (which should liaise with the Fund) or the Fund if there is no existing scheme employer, will undertake a risk assessment and determine the requirement for a bond or indemnity, which should be reviewed annually.
- 7.19** The Fund will monitor employers with a declining membership, and may introduce a more conservative Funding strategy for such employers.

### 8. Monitoring and Review

- 8.1** The Administering Authority has taken advice from the Fund Actuary in preparing this Statement, and will consult with senior officials of all the Fund's participating employers.
- 8.2** A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.
- 8.3** The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:
  - 8.3.1** if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
  - 8.3.2** if there have been significant changes to the Scheme membership, or LGPS benefits.
  - 8.3.3** if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
  - 8.3.4** if there have been any significant special contributions paid into the Scheme.

# APPENDIX D – FUNDING STRATEGY STATEMENT

## APPENDIX 1

### Actuarial Valuation as at 31 March 2016

#### Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

#### Principal assumptions

##### Investment return (discount rate)

The discount rates adopted vary according to the solvency target as set out in section 5.

For the 2016 valuation the discount rate is 4.7% p.a. for the periods pre and post retirement (the scheduled and subsumption body funding target), with the exception of:

- Admission Bodies which will ultimately give rise to Orphan liabilities where the discount rate is 4.1% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 2.5% (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.4% in light of the Actuary's view of the possible future increase in gilt yields. This is the ongoing orphan admission body funding target.
- Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure to justify a higher discount rate than the orphan admission body basis, where the discount rate for the 2016 valuation is 4.1% p.a. in service and left service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%). This is the intermediate funding target.

##### Inflation (Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation)

The RPI inflation assumption is taken to be the Capital Market Assumption at the valuation date as produced by Aon Hewitt Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

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The CPI inflation assumption at the valuation date is set as RPI inflation less 1.1%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.

### Salary increases

The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.25% p.a. over the consumer price inflation assumption as described above.

### Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption as determined above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

### Mortality

#### Post-retirement Mortality

Normal Health: Standard SAPS S2P Normal Health tables, year of birth base rates, adjusted by a scaling factor.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor.

Rates adjusted by scaling factors as dictated by Fund experience

Males (normal health, current pensioner) 105%

Females (normal health, current pensioner) 90%

Males (normal health, current non-pensioner) 115%

Females (normal health, current non-pensioner) 90%

Males (ill-health) 120%

Females (ill-health) 135%

An allowance for improvements in line with CMI\_2016Proposed2015, for men or women as appropriate, with a long term rate of improvement of 1.50% p.a.

#### Pre-retirement mortality

Males: As for normal health retirements but with a 50% scaling factor

Females: As for normal health retirements but with a 25% scaling factor

### Early retirements

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Active members and Deferred members who left before 1 April 2016 who are protected in respect of their Rule of 85 Age following the benefit changes introduced in 2008 (i.e. those members who joined the Fund before 1 October 2006 and who would be aged over 60 on 31 March 2016) will be assumed to retire at the Rule of 85 Age or age 60 if higher with no reduction to accrued benefits.

Active members who joined the LGPS after 31 March 2014 are assumed to retire at their normal retirement age (which is aligned with state pension age).

All other active and deferred members are assumed to retire at age 65.

### **Withdrawals**

Allowance is made for withdrawals from service. On withdrawal, members are assumed to leave a deferred pension in the Fund and are not assumed to exercise their option to take a transfer value.

### **Retirement due to ill health**

Allowance is made for retirements due to ill health. Proportions assumed to fall into the different benefit tiers applicable after 1 April 2008 are:

Tier 1 (upper tier) 75%

Tier 2 (middle tier) 10%

Tier 3 (lower tier) 15%

### **Family details**

A man is assumed to be 3 years older than his spouse, civil partner or cohabitee. A woman is assumed to be 3 years younger than her spouse, civil partner or cohabitee.

80% of non-pensioners are assumed to be married / cohabitating at retirement or earlier death.

80% of pensioners are assumed to be married / cohabitating at age 65.

### **Commutation**

Each member is assumed to take cash such that the total cash received (including statutory 3N/80 lump sum) is 75% of the permitted maximum amount permitted of their past service pension entitlements.

### **Take up of 50/50 scheme**

All members are assumed to remain in the scheme they are in at the date of the valuation.

### **Promotional salary increases**

Allowance is made for age-related promotional increases.

### **Expenses**

0.3% of Pensionable Pay added to the cost of future benefit accrual.

### **Method and assumptions used in calculating the cost of future accrual**

The cost of future accrual (primary contribution rate) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.

## APPENDIX D – FUNDING STRATEGY STATEMENT

### Funding method

For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods the salary increases assumed for each member are projected until that member is assumed to leave active service by death, retirement or withdrawal from service.

### Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target

### Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the “primary contribution rate”) for the 2016 actuarial valuation

Discount rate (in service)	4.7% for Scheduled, Resolution and Bodies with subsumption guarantees 4.1% Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)
Discount rate (left service)	4.7% Scheduled, Resolution and Bodies with subsumption guarantees 4.1% Intermediate funding target (see paragraph 5.15) 2.5% Orphan Admission Bodies
Rate of general pay increases	3.25%
Rate of price inflation (RPI)	3.1%
Rate of price inflation (CPI)	2.0%
Rate of pension increases (on benefits in excess of GMPs)	2.0%
Rate of pension increases on post-88 GMPs	1.8%
Rate of deferred pension increases	2.0%
Rate of GMP increases in deferment	3.25%

# APPENDIX D – FUNDING STRATEGY STATEMENT

## Appendix 2

### Policy on New Employers and Exit Valuations

#### 1. Background

This Document explains the policies and procedures of the West Yorkshire Pension Fund (“the Fund”) in the treatment of employers including on commencement or admission, considerations in respect of the participation of existing Admission Bodies, and the methodology for assessment of an exit payment on exit of employers in the Fund, administered by City of Bradford Metropolitan District Council (“the Administering Authority”). This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

The Administering Authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund.

The Administering Authority has an obligation to pursue all liabilities owed so any shortfall from an individual employer does not fall back on other employers.

#### 2. New Employers

##### Types of Admission Body

The following bodies are types of potential admission body -

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of-

- (i) any Scheme employers, or
- (ii) local authorities or officers of local authorities;

(d) a body that is providing or will provide a service or assets in connection with the exercise of a function of a Scheme employer as a result of-

- (i) the transfer of the service or assets by means of a contract or other arrangement,

## APPENDIX D – FUNDING STRATEGY STATEMENT

- (ii) a direction made under section 15 of the Local Government Act 1999 (Secretary of State's powers),
- (iii) directions made under section 497A of the Education Act 1996;

(e) a body which provides a public service in the United Kingdom and is approved in writing by the Secretary of State for the purpose of admission to the Scheme.

An employer who wishes to join the Fund may apply to the Administering Authority for admission. If admitted, that employer becomes an Admission Body and specified categories of its employees can participate as members of the Fund.

The Administering Authority is responsible for deciding whether an application from an employer to become an Admission Body within the Fund should be declined or accepted. The employer must meet the requirements set out in Part 3 of Schedule 2 to the LGPS Regulations, and, where appropriate, the additional requirements set out by the Administering Authority.

The Administering Authority will generally only consider admission if the body in question is based wholly or mainly in West Yorkshire or has clear links to an existing Scheme employer of the Fund, the body has a sound financial standing and appropriate security is in place (see section on bonds, indemnities and guarantees below). The Administering Authority's preference is for a Scheme employer to provide a subsumption commitment in respect of any new admission bodies wishing to join the Fund. Where such a commitment is not available, an orphan admission body funding target will be adopted, to protect the Fund as set out in paragraph 5.6 of the Funding Strategy Statement and explained further below. In the extreme, the Administering Authority may exercise its discretion to refuse admission to the Scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the Fund. However, for paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the Administering Authority must admit the eligible employees of that body to the Fund.

The Admission Body is required to have an "admission agreement" with the Fund, which sets out (in conjunction with the Regulations) the conditions of participation and which employees (or categories of employees) are eligible to be members of the Fund. The Administering Authority has a template admission agreement which it will generally expect to be entered into without amendment. Details are available on request.

### **Bonds, Indemnities and Guarantees**

The Administering Authority will seek to minimise the risks that a new Admission Body might create for the Fund and the other employers in the Fund. These risks will be taken into account by the Administering Authority in considering the application for admission, and the Administering Authority may put in place conditions on any approval of admission to the Fund to minimise these

## APPENDIX D – FUNDING STRATEGY STATEMENT

risks, such as a satisfactory guarantee, indemnity or bond and a satisfactory risk assessment. An indemnity / bond is a way of insuring against the potential cost of the Admission Body failing by reason of insolvency, winding up or liquidation and hence being unable to meet its obligations to the Fund.

Admission bodies under paragraph 1(d)(i) of Part 3 of Schedule 2 to the 2013 Regulations (generally admissions as a result of a Best Value transfer), are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the Scheme employer (i.e the employer letting the contract) and the Administering Authority. Where the Administering Authority is satisfied as to the strength of covenant of the Scheme employer, it will not usually require a minimum level of cover in order to be "satisfied" with the risk assessment, as the risk on premature termination will fall on the Scheme employer. However, as agreed with the 5 main Councils in the Fund and West Yorkshire Fire and Police (Chief Constable and Police and Crime Commissioner) (which are the Scheme employers for most of the new admissions under paragraph 1(d)), the Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary which can be shared with the Scheme employer on the understanding that the Fund Actuary cannot provide advice to the Scheme employer. Based on this assessment, the Scheme employer and the Administering Authority should decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. The risk must be kept under review throughout the period of the admission and assessed at regular intervals and otherwise as required by the Administering Authority.

Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or bond the admission body must secure a guarantee from the Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme employer's contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme employer's liabilities and notional pool of Fund assets.

Where the liabilities cannot be fully met by a guarantor or insurer, the Regulations provide that:

- the letting employer will be liable in an outsourcing situation; and
- in all other cases the liabilities will fall on all the other employing authorities within the Fund.

Other **admission bodies** are required to carry out an assessment of the level of risk arising on premature termination of the provision of service or assets by reason of insolvency, winding up, or liquidation of the admission body. This assessment has to be to the satisfaction of the

## APPENDIX D – FUNDING STRATEGY STATEMENT

Administering Authority. The Administering Authority's policy is to seek actuarial advice in the form of a "risk assessment report" provided by the Fund's Actuary. Based on this assessment, the Administering Authority will decide whether or not to require the admission body to enter into an indemnity or bond and if so at what level. Where, for any reason, it is not desirable for an admission body to enter into an indemnity or bond the admission body must secure a guarantee from:

- a) a person who funds the admission body in whole or in part;
- b) a person who-
  - (i) owns, or
  - (ii) controls the exercise of the functions of, the admission body; or
- c) the Secretary of State in the case of an admission body-
  - (i) which is established by or under any enactment, and
  - (ii) where that enactment enables the Secretary of State to make financial provision for that admission body.
  - or
  - (iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor these will normally fall to be met by the Scheme employer in the case of paragraph 1(d) admission bodies or the Fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the Fund. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

### **Funding Target**

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The funding target depends upon what will happen to the liabilities in respect of the employees of the employer on exit of that employer.

### Subsumed liabilities

Where an admission body ceases its participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, if the subsuming employer is considered to be of sufficiently sound covenant and likely to participate in the Fund indefinitely, e.g. being one of the 5 main Councils, this will mean assuming continued investment in more risky investments than Government bonds.

For tax raising scheduled bodies, whose participation in the Fund is considered by the Administering Authority to be indefinite, the funding target is set out in section 5 of the FSS. New Academies are currently considered to be in this category, as they have a guarantee from the Department for Education. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of Academies in the Fund, the Administering Authority will review the approach taken to the Funding Target for new Academies and also the default approach taken to the notional assets transferred to Academies upon conversion.

For other scheduled bodies and any new scheduled bodies joining the Fund, the Administering Authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;

any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

### Orphan liabilities

Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been

## APPENDIX D – FUNDING STRATEGY STATEMENT

completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

The administering authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term, the returns achieved on the Fund's assets will be allowed for when calculating the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

Ongoing calculations for employers subject to the orphan admission body funding target will be carried out using assumptions which are intended to target the eventual exit position.

### **Initial notional asset transfer**

When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer. When a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

Another option for the initial notional asset transfer is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering Authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new Academies upon conversion to Academy status. Unless specific instruction is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority's policy is that an unadjusted share of Fund approach is adopted by the Actuary in notionally re-allocating assets from the Local Education Authority to the academy on conversion in respect of the transferring liabilities. Put another way, there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the 5 main Councils in the Fund which have education responsibilities.

Where the new employer will participate in a pool of employers, for example where a multi-academy trust has requested that its academies be treated as a single employer, the notional asset transfer would be to the relevant pool of employers.

# APPENDIX D – FUNDING STRATEGY STATEMENT

## Employer Contribution Rate

### Initial Rate

When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

An interim contribution rate may be set pending a more accurate calculation by the Fund's Actuary of the employer contribution rate payable. Currently the interim contribution rate is 20% of pay. The Administering Authority will change these interim contribution rates following each triennial Actuarial Valuation and at any other time at its discretion.

When a new academy joins a multi-academy trust where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the Trust until the next triennial Actuarial Valuation at which time the contributions for the Trust will be reviewed. The Trust may elect to increase the contributions for all employers in the Trust before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)
- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary

### Review of Employer Contribution Rates

The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where there has been a material change of circumstances, such as the basis of admission changing from open to closed or where it otherwise appears likely that the admission body may exit from the Fund, as permitted by Regulation 64(4).

## APPENDIX D – FUNDING STRATEGY STATEMENT

The Administering Authority monitors the active membership of closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

### 3. Cessation of participation

Where an employing authority ceases participation, whether by ceasing to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or having no active members contributing to the Fund, a cessation valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

The assumptions adopted to value the departing employer's liabilities for the exit valuation will depend upon the circumstances. In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will anticipate investment in low risk investments such as Government bonds. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date. For subsumed liabilities the exit valuation will anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities, i.e. if the outgoing employer has a subsumption commitment from another employer in the Fund, the Administering Authority's policy is that the ongoing funding target appropriate to the subsuming body will be used for the assessment on exit.

Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation and any shortfall between the value of the liabilities assessed on the appropriate exit basis and the funding target for the successor body (e.g. if this is being set up fully funding on an orphan admission body funding target) will generally be assumed to be met by the letting authority unless otherwise agreed between the parties, to the satisfaction of the Administering Authority.

Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit

## APPENDIX D – FUNDING STRATEGY STATEMENT

valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

However, where agreed between the parties the deficit may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit. Where the guarantee only covers the exit deficit, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity, these will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.

Any deficit would normally be levied on the departing employer as a single capital payment although, under exceptional circumstances, the Administering Authority may, at its sole discretion, allow phased payments as long as this is permitted under the Regulations (currently Regulation 64).

At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

### **Multi-academy trusts**

Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The Administering Authority may direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial Actuarial Valuation.

Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the Administering Authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the Fund. Rather than requiring a lump sum payment, the Administering Authority may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then

## APPENDIX D – FUNDING STRATEGY STATEMENT

fall to be recovered from ongoing contributions. In that case the Administering Authority will instruct the Fund Actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

### **Suspension notices**

Regulation 642A permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. The Administering Authority considers that it is appropriate to exercise that discretion in relation to Town and Parish Councils where there is a reasonable expectation that a member will join in the near future (e.g. before the next triennial Actuarial Valuation). In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next Actuarial Valuation.

### **4. Responsibilities of employers in the Fund**

Individual employers will pay for any legal and actuarial costs incurred by the Fund on their behalf. Employers should have regard to the Administering Authority's administration strategy and their responsibilities as set out in the Funding Strategy Statement at all times.

All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6<sup>th</sup> form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership

Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the

## **APPENDIX D – FUNDING STRATEGY STATEMENT**

Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

# APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

## 1. Introduction

- 1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).
- 1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for the WYPF to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the Council's Financial Regulations, the Director – West Yorkshire Pension Fund has day to day responsibility for the management of the Fund. The Chief Financial Officer at Bradford Council, as the Council's Section 151 Officer, has responsibility for signing the Fund's year-end accounts.

## 2. Governance and Audit Committee

- 2.1 The Governance and Audit Committee shall comprise of five members. The Chair or Deputy Chair of the Committee shall not be a member of the Executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory Group and/or Investment Advisory Panel.

### Quorum

The quorum of the Committee shall be 3 members.

### Roles and Functions

- 2.2 The functions of the Committee affecting the West Yorkshire Pension Fund are to:
1. approve the Statement of Accounts and related documents in accordance with the Accounts and Audit Regulations 2015;
  2. receive matters of a financial nature that External Audit request be considered by a member body, including any that may concern the Council's governance arrangements;

## APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

3. consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements;
4. seek assurances that action is being taken on risk related issues determined by auditors and inspectors;
5. review the financial statements, External Auditor's opinion and reports to members and monitor management action in response to the issues raised by External Audit;
6. discharge the functions contained in Part H of Schedule 1 of the Local Authorities (Functions and Responsibilities)(England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group; and
7. review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary
8. Consider the reports of External Audit and inspection agencies

- 2.3** The minutes of meetings of the Investment Advisory Panel and Joint Advisory Group and Pension Board are submitted to the Committee.

### **3. WYPF Investment Advisory Panel**

- 3.1** The WYPF Investment Advisory Panel (hereinafter referred to as 'the Panel') comprises of nineteen representatives. WYPF covers the geographical areas of five metropolitan authorities, namely the West Yorkshire District Councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire District Councils has two councillor representatives on the Panel.
- 3.2** The other nine representatives on the Panel comprise of three Trade Union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – West Yorkshire Pension Fund, and a Chief Finance Officer from the West Yorkshire District Councils on a two year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the Panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the Panel through the ten councillors nominated by the five District Councils. The co-opted councillor will be from Bradford Council as administering authority.
- 3.3** All representatives on the Panel have equal voting rights.

## APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

- 3.4** For each municipal year a Chair of the Panel is nominated by the two Bradford Council councillor representatives on the Panel, and a Deputy Chair is elected from other members on the Panel. A Bradford councillor on the Panel will also be a member of the Governance and Audit Committee.
- 3.5** The Panel meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.
- 3.6** The Panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.
- 3.7** In this capacity, the Panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the Fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the Panel should not allow their own personal interests, social, moral or political views to influence their decisions.
- 3.8** At the meetings of the Panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.
- 3.9** Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the Panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the Fund, schedules of all investments purchased or sold since the previous Panel meeting, views from the Fund's external investment advisers, and a complete list and up-to-date valuation of the investment portfolio.
- 3.10** Decisions are taken on how the new money available for investment is to be allocated to major asset classes on the portfolio. However, the Panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.
- 3.11** The external investment advisers on the Panel will be able to guide other members of the Panel in their investment adjudication.
- 3.12** In the event of conflict of opinions arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.
- 3.13** The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director- West Yorkshire Pension Fund or his/her nominee, and one external investment adviser.

## APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

- 3.14 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Panel if, in its opinion, the decision is not in the best interests of the WYPF.

### 4. WYPF Joint Advisory Group

- 4.1 The WYPF Joint Advisory Group (hereinafter referred to as 'the Group') comprises of twenty representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trades Union representatives, and two Scheme members. All representatives on the Group have equal voting rights.
- 4.2 There is no set pattern for meetings of the Group, and the Group will meet on such days as they may determine.
- 4.3 For each municipal year, a Chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members of the group.
- 4.4 The Group has overall responsibility for overseeing and monitoring the WYPF's Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition the Group will approve the budget estimates for the Pensions Administration and Investment Management functions of WYPF, and also receive the WYPF's Annual Report and Accounts.
- 4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent Councils.
- 4.6 The Governance and Audit Committee shall have the right, in accordance with Financial Regulations, to overrule any decision taken by the Group if, in its opinion, the decision is not in the best interests of the WYPF.

### 5. WYPF Pension Board

- 5.1 WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.
- 5.2 The Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme 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.

## APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

- 5.3 The WYPF Pension Board comprises of 8 representatives. There are four member representatives from the Trade Unions (2 from Unison, and one each from Unite and GMB) and four employer representatives (one Councillor from Bradford Council who will act as Chair, 2 other councillors from the other district Councils and one employer representative nominated from all the other employers in the Fund).
- 5.4 The Board will meet twice a year on such dates as they determine.
- 5.5 The quorum of the Board shall be three (Chair plus one employer representative and one member representative).

### 6. Annual Meetings

- 6.1 Each year, usually in October, WYPF holds an Employers' Annual Meeting and a separate Scheme Members' Annual Meeting.
- 6.2 At each Annual Meeting a keynote address is given by a 'guest speaker' on a related pensions topic. The Director – West Yorkshire Pension Fund will provide an up-date on the activities of the Fund during the past year, and the Fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

### 7. Training/Expenses/Facility Time

- 7.1 A bespoke training seminar is held each year for members of the Investment Advisory Panel and Joint Advisory Group and Pension Board. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's "Trustee Training Fundamentals' event, which is a 3-day training course for pension fund trustees.
- 7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work on the Panel, and members can opt to attend any that they feel will be of benefit to them.
- 7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or Pension Board shall be remunerated for undertaking this role. However expenses incurred in the attending meetings, training events will be re-imbursed. The cost is met by the Fund.

## APPENDIX E – GOVERNANCE COMPLIANCE STATEMENT

- 7.4** The Trades Unions and active member representatives on the Investment Advisory Panel and Joint Advisory Group and Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and Pension Board.

### **8. Register of Interests**

All voting members of the Investment Advisory Panel, Joint Advisory Group and Pension Board must complete a Declaration of Acceptance of Office Form and annually complete a Conflicts of Interest form.

# Communications policy

This policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.

## Introduction

West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF) and Hounslow Pension Fund (HPF) entered into a collaboration agreement for shared service from April 2015. The funds are administered jointly by WYPF, referred to in this policy as ‘the administrator’.

This policy has been prepared to meet our objectives about how we communicate with key stakeholders. The administrator currently administers the Local Government Pension Scheme (LGPS) for 700 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters’ Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2019 and will be reviewed annually.

## Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- Members
- Representatives of members
- Prospective members
- Employing authorities

## Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style
- To use plain English for all our communications with stakeholders
- Identify and use the most appropriate communication method taking account of stakeholders different needs
- Use technologies to provide up to date and timely information to stakeholders
- Engage with our stakeholders face-to-face when possible

## Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- Feedback questionnaires

## APPENDIX F – COMMUNICATION POLICY

- Monitoring compliments and complaints, and
- Customer surveys

To ensure continuous development we plan to:

- Continue to increase the number of registered users for MyPension.
- broaden our use of digital platforms to engage stakeholders
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts

### Communications events 2018–2019 Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members & prospective members)	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop ins	On employer request	Face to face
WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail	

## APPENDIX F – COMMUNICATION POLICY

	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
LGPS deferred members (including representatives of deferred members)	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail
	Social media	Constant	Web
Communication	Format	Frequency	Method of distribution
LGPS pensioner members (including representatives of retired members) Councillor pensioner members	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

### Communications events - 2018–2019 firefighters

Communication	Format	Frequency	Method of distribution
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## APPENDIX F – COMMUNICATION POLICY

Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail
Scheme booklet	Constant	Web	
Communication	Format	Frequency	Method of distribution
Firefighter deferred members (including representatives of deferred members)	Annual Benefit Statement	1 per year	Mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF Contact Centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail
Communication	Format	Frequency	Method of distribution
Firefighter – pensioner members (including representatives of pensioner members)	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	WYPF contact centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail

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	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

### Communications events 2018–2019 Councillors

Communication	Format	Frequency	Method of distribution
Councillor deferred members	Newsletter	2/3 per year	E-mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>	Constant	Web
	Ad hoc meetings	As and when required	Meeting/Face to face
	Contact centre	8.45 to 4.30 Monday to Friday	Face to face, phone, e-mail
	Social media	Constant	Web

### Communications events - 2018–2019 Employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face to face, phone, e-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web

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Employer guide	Constant	Web/electronic document
<i>Ad hoc</i> training	As and when required	Face to face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters blog and monthly round-up	12 per year and as and when required	Wordpress blog
Social media	Constant	Web
<i>Ad hoc</i> meetings	As and when required	Face to face
Workshops	10 per year	Face to face

## **APPENDIX F – COMMUNICATION POLICY**

### **Member contacts**

#### **Contact centre**

**Phone:** (01274) 434999

**Email:** [wypf@bradford.gov.uk](mailto:wypf@bradford.gov.uk)

**Postal address:** WYPF, PO Box 67, Bradford, BD1 1UP

#### **Employer contacts**

Stuart Duncombe (Team Manager – Business Relations): 01274 432763

#### **Pension Fund Representatives**

David Parrington: 01274 433840

Sheryl Clapham: 01274 432541

Lisa Darvill: 01274 432540

Kaele Pilcher: 01274 432739

Anisa Patel: 01274 437588

### **WYPF management**

**Rodney Barton** – Director WYPF

**Yunus Gajra** Business Development Manager

**Grace Kitchen** Service Centre Group Manager

**Ola Ajala** Financial Controller

**Caroline Blackburn** Technical and Development Manage

# Investment Strategy Statement

## Investment Strategy Statement

### 1. Introduction

- 1.1 The Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2 City of Bradford Metropolitan District Council became the administering authority of the West Yorkshire Pension Fund in 1986. The Fund covers the five District Councils of West Yorkshire together with numerous other employers.

### 2. Investment Decision Making Process

- 2.1 The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.
- 2.2 The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.
- 2.3 Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

### 3. Variety of Investments To Be Held

- 3.1 The West Yorkshire Pension Fund will hold investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.
- 3.2 A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.
- 3.3 The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.
- 3.4 The Fund will not invest directly in unquoted companies, except where such investment is part of a pooled arrangement or joint venture with one or more pension funds.
- 3.5 Stock lending will be actively pursued up to a 35% limit. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

### 4. Suitability of Particular Types of Investment

- 4.1 The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.
- 4.2 Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.
- 4.3 The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2016/17 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

	Range %
<b>Bonds – Total</b>	<b>14 - 20</b>
UK Fixed Interest Gilts	2 - 8
UK Index Linked Gilts	2 - 8
Corporate Bonds	1 - 7
Global Bonds	1 - 5
<b>Equities – Total</b>	<b>57.5 - 72.5</b>
UK Equities	30 - 40
Overseas Equities	25 - 40
<b>Property</b>	<b>3 - 7</b>
<b>Private Equity</b>	<b>3 - 7</b>
<b>Private Infrastructure</b>	<b>2 - 6</b>
<b>Hedge Funds</b>	<b>0 - 4</b>
<b>Listed Alternatives UK</b>	<b>0 - 4</b>
<b>Listed Alternatives OS</b>	<b>0 - 2</b>
<b>Cash</b>	<b>0 - 5</b>

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

### 5. Risk

5.1 To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

5.2 Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.

5.3 The fund recognises the risks and opportunities associated with climate change, and will seek to measure carbon exposure within the equity portfolio and reduce that exposure over time. The fund will continue to increase investment in low carbon technology and renewable energy in order to encourage and facilitate further progression toward a cleaner economy.

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

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

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

### 6. Expected Return on Investments

6.1 The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

### 7. Collaborative Investment and Pooling

7.1 WYPF has signed a memorandum of understanding with the Greater Manchester and Merseyside Pension Funds to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by Government on 25 November 2015.

7.2 The three funds submitted their pooling proposal to Government in July 2016 and the Department for Communities and Local Government provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on the [website](#).

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

- 7.3 Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.416bn, which is in excess of the £25bn criteria set by Government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete. Day-to-day cash is assumed to be 1% of total assets for each fund.
- 7.4 For the immediate future after inception of the Pool, the Fund's public-market assets will continue to be held in segregated mandates owned directly by the administering authority, but managed by the Pool. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.
- 7.5 All non-listed assets will be managed by the Pool from its formation. Subject to value for money requirements being fulfilled, new investments (i.e. those entered into after the formation of the Pool) in private market assets will be made on a shared ownership basis, via either collective investment vehicles or limited partnerships.
- 7.6 Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.
- 7.7 This approach will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally.
- 7.8 The reviews will take place no less than every 3 years.
- 7.9 Once established it is intended that the Pool will provide the following services to the participating authorities on an in-house basis:
- Implement the strategic asset allocations of the participating authorities
  - Management of UK and Overseas equities and bonds
  - Selection of private equity, infrastructure & property funds.
  - Direct UK infrastructure investment via a collective investment vehicle
  - Legal and accounting support
- 7.10 It is intended that the Pool will externally procure the following services:
- External fund management for certain mandates
  - Common custodian for Pool (plus depositaries & fund administrators where required for any pooled funds that are established for non-listed assets)

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

- Investment management systems
- Audit services
- Performance analytics
- Responsible Investment advisory services
- Value for money reviews of structure

7.11 A Pool Oversight Board will be established to:

- provide oversight of the Pool; and
- act as a forum for the participating authorities to express the views of their pension committees

7.12 The Oversight Board's primary roles are to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocations and to oversee reporting to the participating authorities' pension committees.

7.13 The legal structure of the Oversight Board is expected to be a joint committee. There will be clear separation of duties between the Oversight Board and the Pool. The Oversight Board will not be undertaking any regulated activities.

7.14 The Pool's governing documentation will grant the Oversight Body and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

7.15 Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Oversight Body, which will be discussed at formal meetings.

7.16 Officers of the Pool will also report and present directly the administering authorities' pension committees and local pension boards as appropriate.

7.17 A report on the progress of asset transfers will be made to the Scheme Advisory Board annually

### 8 Transaction Costs

8.1 The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and Overseas share transactions are at competitive rates negotiated by the in-house investment managers.

8.2 Transaction fees and custody fees are paid to HSBC for transactions on terms agreed with HSBC under the contract for banking and custody services.

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

### 9. Environmental, Social and Corporate Governance Policy

9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.

9.2 The fund will actively invest in low carbon and renewable energy technology where suitable opportunities arise, in order to encourage a move toward a lower carbon economy. The Fund will increase exposure via infrastructure funds, equity investments and alternative investments. The Fund will continue to encourage companies to consider climate change and environmental risk in their business strategies, and will co-sign shareholder resolutions at company annual general meetings where appropriate.

9.3 The voting policy of the West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The Fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The Fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.4 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 70 local authority pension funds with combined assets of over £175 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The Forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors. Representatives of the LAPFF have attended the Annual General Meetings of companies where shareholder resolutions have been brought, and these have been well received by the companies involved.

9.5 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.6 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

## **APPENDIX G – INVESTMENT STRATEGY STATEMENT**

### **10. Exercise of Rights Attached to Investments**

10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity, are published on the Fund's website.

10.2 Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.

10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

### **11. Myners' Report**

11.1 In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Fund. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making; clear objectives; risk and liabilities; performance assessment; responsible ownership; and transparency and reporting.

11.2 The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

### **12 Effective Decision-Making**

12.1 The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to

## APPENDIX G – INVESTMENT STRATEGY STATEMENT

ensure continuity and a build up of experience. An annual business plan for the Panel is produced.

### 13. **Clear Objectives**

13.1 Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Investment Strategy Statement and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

### 14. **Risk and Liabilities**

14.1 Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

### 15. **Performance Assessment**

15.1 The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

### 16. **Responsible Ownership**

16.1 The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

### 17. **Transparency and Reporting**

17.1 The Investment Strategy Statement is regularly updated and is available on the Fund's website. Details of the Fund's voting policy and voting activity are also published on the website.

# APPENDIX H – CONFLICT OF INTEREST POLICY

## Conflicts of Interest Policy

### 1. Introduction

- 1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an Elected Member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.
- 1.3 This is the Conflicts of Interest Policy of the West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The Policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of the WYPF whether directly or in an advisory capacity.
- 1.4 This Conflicts of Interest Policy is established to guide Joint Advisory Group, Investment Advisory Panel, Pension Board members, officers and advisers. Along with other constitutional documents, including the various Codes of Conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the Fund otherwise.

### 2. Aims and Objectives

In relation to the governance of the Fund, the Administering Authority's objectives are to ensure that:

- all staff and Joint Advisory Group, Investment Advisory Panel and Pension Board members charged with the financial administration and decision-making with regard to the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
- the Fund is open in all its dealings and readily provides information to interested parties
- all relevant legislation is understood and complied with
- the Fund is at the forefront of best practice for LGPS funds
- all Conflicts of Interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the Administering Authority achieving its governance objectives.

### 3. Application of this policy

## APPENDIX H – CONFLICT OF INTEREST POLICY

- 3.1 This Conflicts of Interest Policy applies to all Joint Advisory Group, Investment Advisory Panel and Pension Board member, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF Management Team.
- 3.2 This Policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.
- 3.3 Director - WYPF will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this Policy to them as appropriate.
- 3.4 This Policy also applies to all advisers and suppliers to the Fund, whether advising the Joint Advisory Group, Investment Advisory Panel, Pension Board or Fund officers, in relation to their role in advising or supplying the Fund.
- 3.5 In this Policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the Administering Authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to "advisers" is to the lead adviser(s) responsible for the delivery of advice and services to the Administering Authority rather than the firm as a whole.
- 3.6 In accepting any role covered by this Policy, those individuals agree that they must:
  - acknowledge any potential conflict of interest they may have;
  - be open with the Administering Authority on any conflicts of interest they may have;
  - adopt practical solutions to managing those conflicts; and
  - plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

#### 4. Legislative and related context

There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

#### 5. Other administering Authority Requirements

Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

- Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
- employees who are required to adhere to the CBMDC Employees' Code of Conduct
- advisers who are expected to have their own policies or protocols.

Further information is provided in Appendix 2.

#### 6. What is a Conflict or potential Conflict and how will it be managed?

## APPENDIX H – CONFLICT OF INTEREST POLICY

6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions.

Therefore, a conflict of interest may arise when an individual:

- has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
- at the same time, has:
  - a separate personal interest (financial or otherwise) or
  - another responsibility in relation to that matter,

giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

Some examples of potential conflicts are included in Appendix 3.

- 6.2 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.
- 6.3 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on Pension Fund operations and good governance were an actual conflict of interest to materialise.

Ways in which conflicts of interest may be managed include:

- the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue
- a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

Provided that the Administering Authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

### 7. Responsibility

The Administering Authority for the WYPF Fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director - WYPF is the designated individual for ensuring the procedure outlined below is adhered to.

## **APPENDIX H – CONFLICT OF INTEREST POLICY**

However, it is the responsibility of each individual covered by this Policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

### **8. Operational procedures**

#### **8.1 Declaration at Appointment**

8.1.1 On appointment to their role or on the commencement of this Policy if later, all individuals will be provided with a copy of this Policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the Pension Fund's Register of Conflicts of Interest.

#### **8.2 Declaration at Meetings**

8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, Pension Board or other formal meeting where pension fund matters are to be discussed, the Chair will ask all those present who are covered by this Policy to declare any new potential conflicts.

8.2.2 These will be recorded in the Fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director - WYPF to the Chair of every meeting prior to that meeting.

8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting, must advise the Chair and the Director - WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The Chair, in consultation with the Director - WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the Chair of that meeting. The Director - WYPF, in consultation with the Chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Director - WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the Fund's Register of Conflicts of Interest.

#### **8.3 Annual Declaration**

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the Register is correct or highlighting any changes that need to be made to the declaration.

#### **8.4 Conduct at Meetings**

8.4.1 There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of

## APPENDIX H – CONFLICT OF INTEREST POLICY

members). The Administering Authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a Pension Board or Joint Advisory Group or Investment advisory Panel meeting, and that this will be recorded in the minutes.

### 9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

- be provided with a copy of this Policy on appointment and whenever it is updated
- adhere to the principles of this Policy
- provide, on request, information to Director - WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as Administering Authority
- notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the Fund's Register of Conflicts of Interest.

### 10. Monitoring and reporting

10.1 The Fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition information relating to conflicts of interest will be published in the Fund's Annual Report and Accounts.

10.2 In order to identify whether the objectives of this Policy are being met the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

### 11. Key Risks

11.1 The key risks to the delivery of this Policy are outlined below all of which could result in an actual conflict of interest arising and not being properly managed. The Director - WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required.

The key risks are:

- Insufficient training or poor understanding in relation to individuals' roles on pension fund matters
- Insufficient training or failure to communicate the requirements of this Policy
- Absence of the individual nominated to manage the operational aspects of this Policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this Policy
- Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

### 12. Costs

All costs related to the operation and implementation of this Policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this Policy.

## **APPENDIX I – RISK MANAGEMENT REPORT**

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### **WYPF Departmental Risk Management and Opportunities Report**

# APPENDIX I – RISK MANAGEMENT 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.

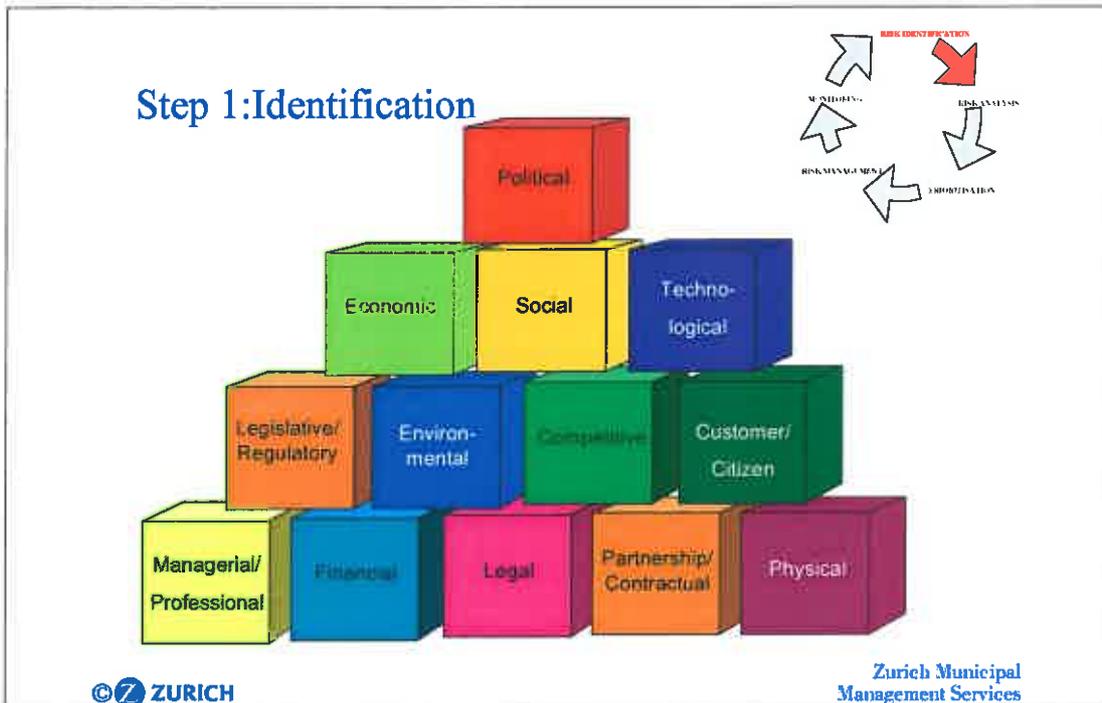
WYPF have identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order to prioritise the risks. The risk matrix measures each risk for its likelihood and impact in terms of its potential for affecting the ability of WYPF to achieve its objectives.

# APPENDIX I – RISK MANAGEMENT REPORT

## 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.



# APPENDIX I – RISK MANAGEMENT REPORT

## 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

## APPENDIX I – RISK MANAGEMENT REPORT

### 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

### 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
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## APPENDIX I – RISK MANAGEMENT REPORT

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

### *Physical*

Scenario	Short name
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### *Competitive*

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

# APPENDIX I – RISK MANAGEMENT REPORT

## 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 Shared Service

## 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.

## APPENDIX I – RISK MANAGEMENT REPORT

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 Shared Service
58	Investment Pooling
59	Northern Pool custodial contract

## APPENDIX I – RISK MANAGEMENT REPORT

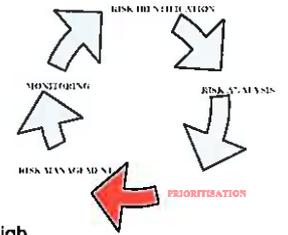
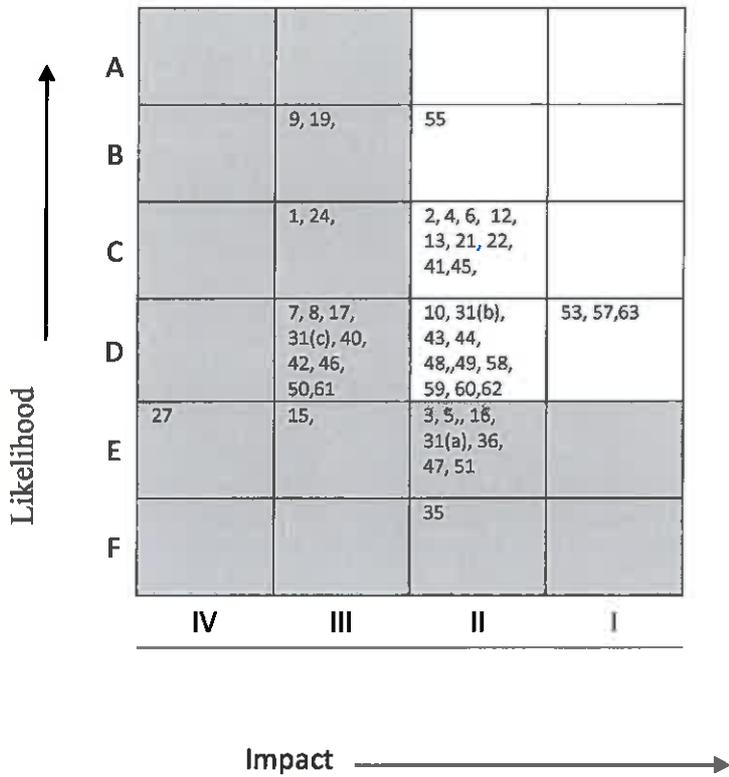
60	HSBC Global, Security and custodial (GSC) + banking Contract
62	Cyber Crime
63	Compliance with requirements of GDPR

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.

# APPENDIX I – RISK MANAGEMENT REPORT

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

# APPENDIX I – RISK MANAGEMENT REPORT

## 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:

## APPENDIX I – RISK MANAGEMENT REPORT

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	Valuation continues to register a deficit in the pension fund (and individual employers not able to meet their liabilities on the fund)	<ul style="list-style-type: none"> <li>Deficit amounts are expressed as monetary amounts.</li> <li>Recovery periods assessed at each valuation to eliminate the deficits within 22 years or a shorter period if closed</li> <li>Monitoring of closed employers covenant</li> </ul>	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"> <li>Contribution rate rises</li> <li>Budget cuts and/or council tax increases</li> <li>Bad publicity for employers</li> <li>WYPF, LGPS</li> <li>Increased Central Government pressure for changes to LGPS</li> <li>Admitted bodies review provision of LGPS to employees</li> <li>Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>Political impact</li> <li>Customer complaints about 'pension pay-offs'</li> </ul>	triennial valuation		

## APPENDIX I – RISK MANAGEMENT REPORT

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"> <li>Fund stop showing net inflows of cash</li> <li>Investment strategy no longer consistent with maturity profile</li> <li>FSS and Iss become out of date</li> </ul> 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

## APPENDIX I – RISK MANAGEMENT REPORT

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"> <li>• Civica user group</li> <li>• LGPS group</li> <li>• Payroll user group</li> </ul>	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

## APPENDIX I – RISK MANAGEMENT REPORT

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
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	
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.

## APPENDIX I – RISK MANAGEMENT REPORT

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
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.

## APPENDIX I – RISK MANAGEMENT REPORT

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
31(b)	D2	<p>External Fraud</p> <p>Participation in NFI.</p> <p>Life Certificates to high risk pensioners annually.</p> <p>Life certificates to low risk categories sent out every 7 years as a minimum.</p> <p>Returned payments or pay advices, records are immediately suspended.</p> <p>Close working relationship with Internal Audit.</p>	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	<p>No cases of fraud or earlier discovery</p> <p>Establish tighter controls in system for production of data for NFI exercise</p>	Annual		Carry out regular data cleansing exercises – (recently engaged Accurate Data to find addresses for 12.000 lost contact DB cases).

## APPENDIX I – RISK MANAGEMENT REPORT

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		

## APPENDIX I – RISK MANAGEMENT REPORT

43	D2	Customer satisfaction drops below acceptable levels	<p>Newsletters issued regularly to members,</p> <p>Monthly info. update to employers</p> <p>ABS's to current and deferred members</p> <p>Member Annual meeting</p> <p>Employer Annual meeting</p> <p>Large employer group meeting</p> <p>Seminars for employers</p> <p>Leaver questionnaires</p> <p>Employer satisfaction questionnaires</p> <p>Complaints procedures</p> <p>Web site</p> <p>Published ISS</p> <p>Published FSS</p> <p>Contact Centre</p> <p>Member of Plain</p>	<p>Revise ISS each year</p> <p>Produce a Pensions Administration Strategy,</p> <p>Governance reviewed, Compliance statement produced.</p>	Yunus Gajra JAG	<p>Reduction in complaints</p> <p>Reduction in IDRPs cases.</p> <p>Attract new bodies to the Fund</p> <p>More timely info from employers,</p> <p>Improved employer satisfaction</p> <p>KPI 8</p>	Annual	March	Attract new business to the Fund
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## APPENDIX I – RISK MANAGEMENT REPORT

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
			English Campaign  'Pensions Administration Strategy' document issued to each employing authority participating in the Fund.  Governance policy statement and  Communications policy published.						
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
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

## APPENDIX I – RISK MANAGEMENT REPORT

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
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 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	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing	Provide service for other LA Funds
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	

## APPENDIX I – RISK MANAGEMENT REPORT

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
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

## APPENDIX I – RISK MANAGEMENT REPORT

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
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.
63	D1	Compliance with GDPR requirements	Review letters/internal processes and procedures , Privacy statements , data share agreements, contracts with 3 <sup>rd</sup> parties, Security breach process, website	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.

## APPENDIX I – RISK MANAGEMENT REPORT

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## **APPENDIX I – RISK MANAGEMENT REPORT**

### **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 I – RISK MANAGEMENT REPORT

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# APPENDIX I – RISK MANAGEMENT REPORT

## 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"> <li>• Budget doesn't meet demand</li> <li>• Criticised for not providing a good service</li> <li>• Bad publicity</li> </ul>
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"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Political impact</li> <li>• Customer complaints about 'pension pay-offs'</li> </ul>
3	E2	Political/Economic	Governance (Strategic)	<p>Understanding of issues at high officer and Member level. Clear risk, return and contribution objectives</p> <p>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</p>	Un-coordinated operation caused by lack of understanding	<ul style="list-style-type: none"> <li>• The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level</li> <li>• Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice</li> <li>• panel composition not representative of all bodied in the Fund</li> <li>• 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</li> <li>• Unstable contribution rates</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.		<ul style="list-style-type: none"> <li>• Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF</li> </ul>
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"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and ISS become out of date</li> <li>• Less time to make up any deficits so more unstable contribution rates</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
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 its status/reputation	<ul style="list-style-type: none"> <li>• Budget cut</li> <li>• Actively look at outsourcing/partnership</li> <li>• Look at alternatives</li> <li>• Project process unmanageable</li> <li>• Lack of trust in information provided</li> <li>• Closer scrutiny of pension fund activities</li> </ul>
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"> <li>• Loss of effective support</li> <li>• Learning curve</li> </ul>
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	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> <li>• Loss of control over budget spend</li> <li>• Imposition of "Bradford" systems inappropriate to WYPF</li> <li>• Politicises JAG and Investment Panel</li> <li>• Service delivery reduced</li> <li>• Diversion from core activity</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities		
8	D3	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds  Could be asked to compete against other LG Funds or the private sector	Becomes Government policy	<ul style="list-style-type: none"> <li>• Admin costs rise to unacceptable levels</li> <li>• Culture change</li> <li>• Cost pressure</li> <li>• Fail to become provider for Yorkshire region</li> <li>• Staff relocation</li> <li>• Staff redundancies</li> <li>• Bad publicity for Bradford</li> <li>• Become provider for Yorkshire</li> <li>• Increased resource requirement</li> <li>• Good publicity</li> </ul>
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"> <li>• Risk of non-compliance – bad publicity and fines</li> <li>• Dilutes development of systems</li> <li>• Increased admin costs</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>Increased communications costs</li> </ul>
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"> <li>E-government cannot be supported</li> <li>Increased time and support needed for number crunching</li> <li>Less added value support</li> </ul>
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"> <li>People can't access vital information in a timely manner</li> <li>Sustainability issues</li> <li>Transcription errors</li> <li>Delays</li> <li>Invalid employer contribution rates set</li> <li>Invalid ABS's sent to members</li> <li>ABS's not sent to members</li> <li>Non compliance</li> <li>Bad publicity</li> <li>Key objective not met</li> </ul>
13	C2	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery	Minor incident occurs	<ul style="list-style-type: none"> <li>Can't back up the data</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				<p>plan but some systems aren't including the e-mail system and the main council systems and communication links</p> <p>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.</p> <p>System failure – protected by service and maintenance contracts</p> <p>WYPF is dependent on CBMDC for virus protection and firewalls etc.</p> <p><b>Link with 35</b></p>	Major incident occurs	<ul style="list-style-type: none"> <li>• Loss of service</li> <li>• Permanent data loss</li> <li>• Loss of income</li> <li>• Inability to pay pensioners</li> </ul>
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"> <li>• other systems available but enforced change time consuming</li> <li>• pressure on staff</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
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"> <li>• Loss of data</li> <li>• Corrupt data</li> <li>• Incorrect payments</li> <li>• Breach of DP Act</li> </ul>
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"> <li>• Learning curve</li> <li>• Pressure on remaining staff</li> <li>• Reduction in service delivery</li> <li>• Delays in development work</li> </ul>
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	Insufficient resources to respond to legislative/regulatory changes adequately	<ul style="list-style-type: none"> <li>• Benchmarking costs rise</li> <li>• Increased pressure on staff</li> <li>• Don't adopt legislation</li> <li>• Service criticised</li> <li>• Duties and responsibilities not fully adopted</li> <li>• Ombudsman cases</li> <li>• Incorrect payment of benefits</li> <li>• Growing complexity of administration</li> <li>• Risk of non compliance</li> <li>• Key objective not met</li> <li>• studies not completed</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				training to its staff which may not be maintainable		<ul style="list-style-type: none"> <li>• general pensions knowledge declines</li> <li>• give ill advice</li> <li>• pressure on staff</li> <li>• staff don't have up to date, consistent knowledge and understanding</li> </ul>
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"> <li>• Staff frustrated</li> <li>• Reduced level of service to other employers</li> </ul>
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"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Adverse impact on service delivery</li> <li>• Loss of experienced staff</li> <li>• Stagnation</li> <li>• Carrying vacancies</li> </ul>
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"> <li>• Act 'ultra vires'</li> <li>• Promises made that can't be met</li> </ul>
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. <a href="#">Link with 8</a>	Don't develop PI's within an overall performance framework	<ul style="list-style-type: none"> <li>• Can't manage performance effectively</li> <li>• Fail to meet explicit objective</li> </ul>
31(a)(b)(c)	D2 E2 D3	Finance	External Fraud	To introduce further measures which may reduce the number of overpaid pensions and	Further measures not introduced	<ul style="list-style-type: none"> <li>• overpaid pensions</li> <li>• court cases</li> <li>• time commitment</li> <li>• key objective not met</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				potential fraud cases, particularly in the case of un-notified deaths		
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 <b>Link with 13</b>	Unable to provide service	<ul style="list-style-type: none"> <li>• key objective not met</li> </ul>
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"> <li>• loss of income</li> <li>• key objective not met</li> </ul>
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,	<ul style="list-style-type: none"> <li>• Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance</li> <li>• Individuals performance not gauged and remedied where necessary</li> <li>• Sub-optimal performance of investments</li> <li>• Poor long term investment performance</li> <li>• Missing assets</li> <li>• Disputes over title</li> <li>• Late reports</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
					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"> <li>• Changes to assumptions mid stream</li> <li>• Targets not set</li> <li>• Timescales not set</li> </ul>
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"> <li>• Low funding level will raise ER's contribution rate</li> <li>• ER's contribution rate unsustainable pressure on LGPS from Central Govt.</li> <li>• Employers cease admitting new members</li> <li>• Employers stop joining the Fund</li> <li>• Then becomes risk 4</li> </ul>
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	<ul style="list-style-type: none"> <li>• Review in-house provision</li> <li>• Budget cuts</li> <li>• Service cuts</li> <li>• Partnership arrangements</li> <li>• Bad publicity</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
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"> <li>• Fines</li> <li>• Bad publicity</li> <li>• Shrinking user base</li> </ul>
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"> <li>• Pensions not paid</li> <li>• Backlog of work on return</li> <li>• Delayed SAP implementation</li> <li>• Additional admin work to input strike breaks</li> </ul>
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"> <li>• Increase in employer contribution rate across the Fund</li> <li>• Increase in liabilities across the Fund</li> </ul> Possible bad publicity

## APPENDIX I – RISK MANAGEMENT REPORT

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"> <li>Data falls in the wrong hands and used for criminal purposes</li> <li>Bad publicity</li> <li>Loss of trust and confidence in WYPF</li> </ul>
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"> <li>Pensioners not getting paid on time</li> <li>Cause financial hardship</li> <li>Damage to WYPF reputation</li> <li>Increase in number of complaints. Callers/Visitors</li> </ul>
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"> <li>Impact on service provision (Staff, Employers, Scheme Members etc)</li> <li>Crucial tasks are not performed</li> </ul>
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"> <li>Information could be passed on</li> <li>Records updated inappropriately</li> <li>Contravene DP Act</li> </ul>
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"> <li>Funds might go bust resulting in losses for the Fund</li> </ul>
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"> <li>Will not be able to provide a pensions administration service to the FA's</li> <li>Will not be able to pay pensions or process work</li> <li>ICT systems not available</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>
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"> <li>• Increase in opt outs from the scheme</li> <li>• Reduction in public sector workforce leading to reduction in pension scheme membership</li> <li>• Possible strike action</li> </ul>
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"> <li>• Salary details will not be posted to members records</li> <li>• Benefits will not be able to be calculated accurately</li> <li>• IT systems will not be action the returns from Employers</li> <li>• Timescales not met</li> </ul>
57	D1	Partnership/Contractual	Lincolnshire Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15	Collaborative working with other Pension Funds	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service to LPF</li> <li>• Will not be able to pay pensions or process work</li> <li>• ICT systems not available</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>
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"> <li>• Does not meet government target</li> <li>• Bad publicity</li> <li>• Key objectives not met</li> </ul>
59	D2	Legislative /Regulatory	Northern Pool custodial contract.	WYPF leading on custodial contract for Northern Pool	Custodial contract to be	<ul style="list-style-type: none"> <li>• No custodian in place to hold assets</li> </ul>

## APPENDIX I – RISK MANAGEMENT REPORT

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
					implemented by 1 April 2018	<ul style="list-style-type: none"> <li>No record of how much assets are worth</li> <li>Adverse impact on investment performance</li> </ul>
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"> <li>Adverse impact on investment performance</li> <li>Inefficient banking processes</li> </ul>
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"> <li>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.</li> </ul>
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"> <li>Vulnerable to extortion</li> <li>Damage to WYPF reputation</li> <li>Impact on service delivery</li> <li>Bad publicity</li> <li>Fines by tPR</li> </ul>
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"> <li>Massive fines by the ICO</li> <li>Damage to WYPF reputation</li> <li>Bad publicity</li> <li>Loss of contracts</li> </ul>

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

## 1. Legislative requirements

- 1.1. In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:
  - the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
  - any document recording policy about the administration of the Fund which is for the time being adopted in relation to the Fund.
- 1.2. Board members should also have knowledge and understanding of:
  - the law relating to pensions, and
  - such other matters as may be prescribed.
- 1.3. Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.
- 1.4. Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.
- 1.5. Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.
- 1.6. The Scheme Manager is required to maintain and develop the framework.

## 2. Degree of knowledge and understanding

- 2.1. Being conversant with the rules of the LGPS and any documents recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.
- 2.2. Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.
- 2.3. The rules of the LGPS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the Transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.
- 2.4. To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to service for further full terms in accordance with the Terms of Reference.

## 3. Induction training

As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004

## APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector toolkit compulsory learning modules.

The nine Essential Learning for Trustees compulsory models test Pension Board member knowledge in the following areas.

- Introducing pension schemes
- The trustee's role
- Running a scheme
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans. Contributions and funding principles
- Investment in a defined benefit scheme

The seven Public Sector Toolkit compulsory modules test Pension Board member knowledge in the following key areas.

- Conflicts of Interest
- Managing Risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

The Pensions Regulator's website is

[www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)

A document which will help identify training needs and be used to record and reflect on the training once completed can be found at

[www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc](http://www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc)

### 4. Training

4.1. Board members are expected to attend regular training events.

4.2. In addition to the Pensions Regulator Toolkit. Pension Board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.

4.3. Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers
- training as part of meetings provided by officers and/or external advisers
- external training events
- circulation of reading material
- attendance at seminars and conferences offered by industry-wide bodies, and
- links to online training.

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

## 5. CIPFA Knowledge and Skills Framework

- 5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework
- 5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions:
- 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, and
  - actuarial methods, standards and practices.
- 5.3 Training Needs Analysis can be used to help assist Board members and the scheme managers to identify areas of the CIPFA Knowledge and understanding framework where training is required.

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

## Appendix A

Documented policies you must have a working knowledge of.

	<b>Location</b>
<b>Member and employer information</b>	
Member booklets, announcements and other key member and employer communications, which describe the Fund's policies and procedure, including AVC guides).	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>
<b>Relevant policies</b>	
Conflicts of Interest Policy	<a href="http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard%20WYPF%20Index.aspx">www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard WYPF Index.aspx</a>
Internal Dispute Resolution Procedure	<a href="http://www.wypf.org.uk/Member/Publications/Booklets">www.wypf.org.uk/Member/Publications/Booklets</a>
Reporting of Breaches Procedure	<a href="http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard%20WYPF%20Index.aspx">www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard WYPF Index.aspx</a>
<b>WYPF policy statements</b>	
Statement of Investment Principles	<a href="http://www.wypf.org.uk/Member/Publications/policyStatements">www.wypf.org.uk/Member/Publications/policyStatements</a>
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	<b>Supplied on request</b>
<b>Others</b>	
Actuarial Valuation Report and Rates and Adjustment Certificate	<a href="http://www.wypf.org.uk/Member/publications/Valuation">www.wypf.org.uk/Member/publications/Valuation</a>
WYPF Risk Register	<b>Supplied on request</b>
Annual Report and Accounts	<a href="http://www.wypf.org.uk/Member/Publications/ReportAndAccounts">www.wypf.org.uk/Member/Publications/ReportAndAccounts</a>

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

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	<b>Location</b>
Investment management and activity	<a href="http://www.wypf.org.uk/Member/Investments">www.wypf.org.uk/Member/Investments</a>

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# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

## Appendix B

### Pension Knowledge and Understanding training analysis

		Training Required Yes/No	Date Training received
	<b>Background and Understanding of the Legislative Framework of the LGPS</b>		
	<ul style="list-style-type: none"> <li>• Differences between public service pension schemes like the LGPS and private sector trust- based schemes</li> <li>• Role of the IPSPC and its recommendations</li> <li>• Key provisions of the 2013 Act</li> <li>• The structure of the LGPS and the main bodies involved including the Responsible Authority, the Administering Authority, the Scheme Advisory Board, the Local Pension Board and the LGPS employers</li> <li>• An overview of local authority law and how Administering Authorities are constituted and operate</li> <li>• LGPS rules overview (including the Regulations, the Transitional Regulations and the Investment Regulations)</li> </ul>		
	<p><b>General pensions legislation applicable to the LGPS</b> An overview of wider legislation relevant to the LGPS including:</p> <ul style="list-style-type: none"> <li>• Automatic Enrolment (Pensions Act 2008)</li> <li>• Contracting out (Pension Schemes Act 1993)</li> <li>• Data protection (Data Protection Act 1998)</li> <li>• Employment legislation including anti- discrimination, equal treatment, family related leave and redundancy rights</li> <li>• Freedom of Information (Freedom of Information Act 2000)</li> </ul>		

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

	<ul style="list-style-type: none"> <li>● Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)</li> <li>● Tax (Finance Act 2004)</li> <li>● IORP Directive</li> </ul>		
	<p><b>Role and responsibilities of the Local Pension Board</b></p> <ul style="list-style-type: none"> <li>● Role of the Local Pension Board</li> <li>● Conduct and conflicts</li> <li>● Reporting of breaches</li> <li>● Knowledge and understanding</li> <li>● Data protection</li> </ul>		
	<p><b>Role and responsibilities of the Administering Authority</b></p> <ul style="list-style-type: none"> <li>● Membership and eligibility</li> <li>● Benefits and the payment of benefits</li> <li>● Decisions and discretions</li> <li>● Disclosure of information</li> <li>● Record keeping</li> <li>● Internal controls</li> <li>● Internal dispute resolution</li> <li>● Reporting of breaches</li> <li>● Statements, reports and accounts</li> </ul>		

# APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

<input type="checkbox"/>	<p><b>Funding and Investment</b></p> <ul style="list-style-type: none"> <li><input type="checkbox"/> Requirement for triennial and other valuations</li> <li><input type="checkbox"/> Rates and adjustments certificate</li> <li><input type="checkbox"/> Funding strategy statement</li> <li><input type="checkbox"/> Bulk transfers</li> <li><input type="checkbox"/> Permitted investments</li> <li><input type="checkbox"/> Restrictions on investments</li> <li><input type="checkbox"/> Statement of investment principles</li> <li><input type="checkbox"/> CIPFA guidance</li> <li><input type="checkbox"/> Appointment of investment managers</li> <li><input type="checkbox"/> Role of the custodian</li> </ul>		
<input type="checkbox"/>	<p><b>Role and responsibilities of Scheme Employers</b></p> <ul style="list-style-type: none"> <li>• Explanation of different types of employers</li> <li>• Additional requirements for admission bodies</li> <li>• Automatic Enrolment</li> <li>• Deduction and payment of contributions</li> <li>• Special contributions</li> <li>• Employer decisions and discretions</li> <li>• Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)</li> <li>• TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)</li> </ul>		

## APPENDIX J – KNOWLEDGE & UNDERSTANDING FRAMEWORK

7	<p><b>Tax and Contracting Out</b></p> <ul style="list-style-type: none"> <li>● Finance Act 2004</li> <li>● Role of HMRC</li> <li>● Registration</li> <li>● Role of 'scheme administrator'</li> <li>● Tax relief on contributions</li> <li>● Taxation</li> </ul>		
7	<p><b>Role of advisors and key persons</b></p> <ul style="list-style-type: none"> <li>● Officers of the Administering Authority</li> <li>● Fund actuary</li> <li>● Auditor</li> <li>● Lawyers</li> <li>● Investment managers</li> <li>● Custodians</li> <li>● Administrators – in house v. third party</li> <li>● Procurement of services</li> <li>● Contracts with third parties</li> </ul>		
7	<p><b>Key Bodies connected to the LGPS</b> An understanding of the roles and powers of:</p> <ul style="list-style-type: none"> <li>● Courts</li> <li>● Financial Services Authority</li> <li>● HMRC</li> <li>● Information Commissioner</li> <li>● Pensions Advisory Service</li> </ul>		
	<ul style="list-style-type: none"> <li>● Pensions Ombudsman</li> <li>● The Pensions Regulator</li> </ul>		

# APPENDIX L – WYPF PENSION BOARD TERM OF REFERENCE

## 1. Introduction

- 1.1 City of Bradford Metropolitan District Council (referred to as 'the council'), as scheme manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The council has established two bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the council is required to establish a pension board. The WYPF Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.3 This document sets out the terms of reference for the WYPF Pension Board.

## 2. Objectives

- 2.1 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 LGPS including:
  - 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS
  - 2.1.2 securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and
  - 2.1.3 any other such matters as the LGPS regulations may specify.

## 3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

## 4. Membership and appointment for pension board members

- 4.1 Membership of the pension board shall be eight in number. The pension board will consist of equal numbers of member and employer representatives.
- 4.2 Pension board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

## 5. Employer representatives

- 5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.
  - 5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.
  - 5.1.2 One representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

## 6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF
- 6.2 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four

# APPENDIX L – WYPF PENSION BOARD TERM OF REFERENCE

representatives to sit on the pension board as member representatives.

## 7. The chair

- 7.1 The Council as scheme manager will appoint one councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the chair on the pension board
- 7.2 The chair of the board shall:
  - 7.2.1 ensure that the board delivers its purpose as set out in these terms of reference
  - 7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
  - 7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

## 8. Attendance at meetings

- 8.1 Each pension board member should endeavour to attend all pension board meetings during the year. In the event of consistent non-attendance by any pension board member then the tenure of the membership should be reviewed at the next pension board meeting.

## 9. Term of office/appointment

- 9.1 Subject to paragraph 5.2, pension board representatives will normally serve for a period of four years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).
- 9.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.
- 9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.
- 9.4 Pension board members may be reappointed without limitation on terms subject to the pension board being satisfied as to the transparency and proper application of the appointment process in use.

## 10. Termination

- 10.1 Other than by ceasing to be eligible a pension board member may normally only be removed from office during a term of appointment by the agreement of the board.
- 10.2 Board membership may be terminated prior to the end of the term of office due to:
  - 10.2.1 a member representative no longer being a representative of the body on which their appointment relied
  - 10.2.2 an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - 10.2.3 a board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.
  - 10.2.4 the representative being withdrawn by the nominating body and a replacement identified.
  - 10.2.5 a board member has a conflict of interest which cannot be managed in accordance with the board's conflict policy.
  - 10.2.6 a board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.
  - 10.2.7 a board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function

# APPENDIX L – WYPF PENSION BOARD TERM OF REFERENCE

of the administering authority under the LGPS regulations.

## 11. Number of meetings

- 11.1 The pension board will normally meet twice a year. The chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.
- 11.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

## 12. Creation of working groups/sub boards

- 12.1 The pension board may establish sub-committees and working groups as and when required. The pension board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The pension board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

## 13. Code of conduct and conflicts of interest policy

- 13.1 The principles included in the council's code of conduct for members applies to all members of the pension board. The code of conduct is set out in part 4 of the council's constitution: [http://www.bradford.gov.uk/bmdc/government\\_politics\\_and\\_public\\_administration/about\\_bradford\\_council/council\\_constitution](http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution)
- 13.2 No person may be appointed to the pension board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.
- 13.3 All voting members of the pensions board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.
- 13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

## 14. Voting rights

- 14.1 All representatives on the pension board have equal voting rights. Decisions made by the pensions board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

## 15. Other attendees

- 15.1 The pensions board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

## 16. Secretariat services to the board

- 16.1 Pension board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC 'Constitution of the council and Executive Arrangements'. All reasonable costs will be met by the fund.

## 17. Agenda

- 17.1 Prior to each meeting the Director – West Yorkshire Pension Fund will arrange to supply all members of the board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the chair.

## 18. Quorum

# APPENDIX L – WYPF PENSION BOARD TERM OF REFERENCE

18.1 The quorum of the pension board shall be three (chair plus one employer representative and one member representative).

## 19. Publication

19.1 In accordance with the act, the council shall publish information about the board to include:

- 19.1.1 the names of Board members and their contact details
- 19.1.2 the representation of employers and member on the board
- 19.1.3 the role of the board
- 19.1.4 these terms of reference

## 20. Allowances/expenses

20.1 No member or representative of the pension board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the board and attending training events, shall be reimbursed to all members and the cost will be met by the fund.

## 21. Knowledge and understanding and capacity of representative members

21.1 Every individual who is a member of the pension board must be conversant with:

- 21.1.1 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)
- 21.1.2 the requirements of The Pensions Regulator
- 21.1.3 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.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

## 22. Accountability

22.1 The board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the board may attend a committee meeting as an observer.

22.2 The board should report any concerns over a decision made by the committee subject to the agreement of at least 50% of voting board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

22.3 On receipt of a report the committee shall within a reasonable period, consider and respond to the board.

22.4 Where the board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the fund's annual report.

22.5 Where the board is satisfied that there has been a breach of regulation which has been reported to the committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

22.6 The appropriate internal route for escalation is to the administering authority monitoring officer.

## APPENDIX L – WYPF PENSION BOARD TERM OF REFERENCE

### 23. Budget

- 23.1 The pension board is to be provided with adequate resources to fulfil its role. The council will allocate an annual budget to cover the expenses of the board.

### 24. Core functions

- 24.1 The first core function of the board is to assist the council in securing compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme.
- 24.2 The second core function of the board is to assist the council to ensure the effective and efficient governance and administration of the scheme.
- 24.3 In support of its core functions the board may make a request for information to the Committee with regard to any aspect of the council's function. Any such request should be reasonably complied with in both scope and timing.
- 24.4 In support of its core functions the board may make recommendations to the Committee which should be considered and a response made to the board on the outcome within a reasonable period of time.

### 25. Data protection

- 25.1 The pension board is considered a committee of and part of the council's legal entity. The council is and remains the data controller responsible for DPA compliance, including for processing carried out by the pension board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.
- 25.2 The pension board will therefore adhere to the data protection policies of the council.

### 26. Review of terms of reference

- 26.1 These terms of reference shall be reviewed on each material change to those parts of the regulations covering local pension boards and at least every two years.
- 26.2 These terms of reference were adopted on:  
20 March 2015 – on behalf of the council (Governance and Audit Committee)

# APPENDIX M – GLOSSARY OF TERMS

## Glossary of terms

### A

#### **Active member**

An employee who is currently paying pension contributions.

#### **Actuarial valuation**

West Yorkshire Pension Fund's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the fund's participating employers for the following three years. The valuation will measure the size of the fund against its future liabilities and set contribution rates according to the fund's deficit or surplus.

#### **Additional voluntary contributions (AVCs)**

These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

#### **Administering authority**

The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

#### **Admission body**

An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

#### **Asset allocation**

This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

### B

#### **Best Value**

Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

#### **Brent oil price**

Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US\$ in price per barrel.

### C

## APPENDIX M – GLOSSARY OF TERMS

### **Career average revalued earnings (CARE) pension scheme**

From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

### **Cash equivalent value (CEV)**

This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.

### **Consumer Price Index (CPI)**

This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

### **Contracted out**

The LGPS is contracted out of the State Second Pension Scheme (S2P). This means that, up to state pension age, members pay reduced National Insurance contributions between the lower and upper earnings limits, unless they opted to pay the married woman's/widow's reduced rate of National Insurance, and do not earn a pension under S2P.

### **Commutation**

This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

### **Convertible shares**

These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

### **Custodian**

This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

## **D**

### **Data governance**

This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

### **Death grant**

This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

### **Deferred pensioner**

A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

### **Deficit payments**

Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments.

## APPENDIX M – GLOSSARY OF TERMS

### Denomination

This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

### Designating body

Designating bodies are bodies that can designate employees for access to the Scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

### Discretion

This is the power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they are obliged to consider certain of these discretionary provisions and to pass resolutions to form a policy of how they will apply the provision. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

### Direct property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

## E

### Eligible councillor

This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

### Employer covenant

This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

### Equity Risk Premium

Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

## F

### Financial instruments

These are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

### Fixed income securities

A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

### Fund of funds (FoF)

This is a fund that holds a portfolio of other investment funds.

# APPENDIX M – GLOSSARY OF TERMS

## G

### **Guaranteed minimum pension (GMP)**

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

### **General partners**

These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

## I

### **Index-linked bonds**

These are bonds in which payment of income on the principal is related to a specific price index – often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cash flows are adjusted to ensure that the holder of the bond receives a known real rate of return.

### **Internal rates of return (IRR)**

This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

## L

### **Local government**

The term local government in this report also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, an Education Action Forum or a Further or Higher Education Corporation.

## M

### **Myners' principles**

This is a set of principles based on Paul Myners' 2001 report, *Institutional Investment in the United Kingdom*.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting.

## O

## APPENDIX M – GLOSSARY OF TERMS

### Ordinary shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

## P

### Pension board

Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

### Pension liberation fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

### Personal pension

A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

### Policy statement

This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

### Pooled funds

These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

### Private Equity

Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

## Q

### Quality management

This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement. West Yorkshire Pension Fund has been assessed and certified as meeting the requirements of ISO9001:2008.

### Quantitative easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

# APPENDIX M – GLOSSARY OF TERMS

## R

### **Related party transactions**

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

### **Retail Prices Index**

This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

### **Rule of 85**

Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health.

The Rule of 85 was abolished on 1st October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

## S

### **Scheduled body**

Means a body which is either statutorily obliged to join the LGPS or, in the case of parish councils, has a statutory right to do so.

### **State Earnings Related Pension Scheme (SERPS)**

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002.

### **Spot rate**

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

### **Stakeholder pension**

This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

### **State pension age**

This is the earliest age people can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The government has announced that it will speed up the pace of state pension age equalisation for women, so that women's state pension age will reach 65 by November 2018.

### **State Second Pension (S2P)**

The State Second Pension (formerly SERPS) is the additional state pension, payable from State pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

# APPENDIX M – GLOSSARY OF TERMS

## Statutory compliance

This means following the laws on a given issue.

## Stock lending

This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

## Subsumption

This is when a new company takes over an old company so that the old company becomes one with the new.

## T

### Transfer value

A transfer value is a cash sum representing the value of a member's pension rights.

### Transferred service

Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

### Treasury management

This is the administration of an organisation's cash flow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

## U

### Unitised funds

A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

## V

### Voting policy

This is how West Yorkshire Pension Fund applies its shareholder voting rights. West Yorkshire Pension Fund will vote as follows.

**For** – when the proposal meets best practice guidelines and is in shareholders' long-term interests.

**Abstain** – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

**Oppose** – when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the fund.

In supporting any resolution of any type, West Yorkshire Pension Fund will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items

## APPENDIX M – GLOSSARY OF TERMS

- the resolution is fully explained and justified by the proposers, and
- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

West Yorkshire Pension Fund's voting policy is available in full at [www.wypf.org.uk](http://www.wypf.org.uk)





## **Report of the Director, West Yorkshire Pension Fund, to the meeting of the WYPF Local Pension Board to be held on 8 October 2019.**

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### **Subject:**

West Yorkshire Pension Fund – five year internal audit plan 2019/20 to 2023/24

### **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 increased operational activities from shared services and investment pooling activities in Northern Pool. We have worked with CBMDC internal audit to secure additional audit resources.

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Rodney Barton  
Director WYPF

**Portfolio:**

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**Overview & Scrutiny Area:**

## **1 SUMMARY**

- 1.1 Our annual audit planning sessions concluded on 17 January 2019 and the annual audit plan, with a 5 year update was finalised on 21 January 2019. We reviewed a number of key service areas in terms of business and operational risks, with specific focus on new statutory and compliance areas. As in previous years we are looking at inherent and emerging risks. In addition we are looking to use Internal Audit reviews to improve service delivery, increase efficiency and also identify and eliminate any wastage.
- 1.2 During 2018/19 Internal Audit increased the number of staff working on service reviews and this translated into increased internal audit service quality and reviews for WYPF. There is now a monthly meeting with our Internal Audit Manager. To increase in depth service awareness and engagement with WYPF, our Internal audit Manager, also attends Investment Advisory Panel, Joint Advisory Group and the Local Pension Board.
- 1.3 All internal audit recommendations in 2018/19 were delivered within agreed timescales. 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, which provides key governance information on risk management and control.

Key information provided in this report are:

- a) WYPF Five year internal audit plan 2019/20 to 2023/24
- b) List of internal audits completed during 2018/19

## **2 WYPF Annual Internal audit plan 2018/19**

- 2.1 Our plan for 2019/20 is to deliver a total of ten internal audit reviews, hold monthly risk management review meetings and plan internal audit reviews of normal service activities. This has increased services and internal audit engagements, ensuring service improvements and improved risk management.
- 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 operational and regulatory changes. In order to deliver the 2019/20 annual plans finance officers are working with managers to look at previous recommendations to ensure current improved controls remain effective, and where any control is identified as insufficient, managers and finance officers work with CBMDC internal audit to design and implement improved controls.

2.3 The table following sets out the detailed plan.

West Yorkshire Pension Fund Five Year Audit Plan 2019 - 2024	Frequen cy	Last Audit	Reco mme ndati ons	Days	19/20	20/21	21/22	22/23	23/24	Tot
Annual Accounts Verification	Annual	Jul 18	1	10	✓	✓	✓	✓	✓	
<b>Audits Per Year</b>					<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>5</b>
<b>Benefits</b>										
Local Government Scheme Contributions	2 Yearly	Nov 18	0	20	•	•	✓	•	✓	
New Pensions and Lump Sums - WYPF										
- Normal and Early Retirements	5 Yearly	Mar 15	0	25	✓	•	•	•	•	
- Death in Service, Post Retirement Widdow and Dependent Benefits	5 Yearly	Mar 17	0	20	•	•	✓	•	•	
- Ill Health Pensions	5 Yearly	Oct 13	2	20	•	•	•	•	✓	
- Flexible Retirements	5 Yearly	Apr 16	1	20	•	✓	•	•	•	
- Deferred Pensions	5 Yearly	Mar 18	0	20	•	•	•	✓	•	
Transfers Out	3 Yearly	Nov 17	0	20	•	✓	•	•	•	
Transfers In	3 Yearly	Sep 16	2	20	✓	•	✓	•	•	
Reimbursement of Agency Payments	5 Yearly	Mar 18	2	15	•	•	•	✓	•	
Life Certificates	5 Yearly	Oct 15	0	15	•	✓	•	•	•	
AVC Arrangements	5 Yearly	Sep 17	0	15	•	•	•	✓	•	
Admission of New Bodies	5 Yearly	Jan 15	0	20	✓	•	•	•	•	
Pensioners Payroll	2.5 years	Mar 16	3	20	•	✓	•	•	✓	
Purchase of Additional Pension	5 Yearly	Mar 17	1	15	•	•	✓	•	•	
Annual Benefits Statements	2.5 years	Oct 16	0	20	✓	•	•	✓	•	
New Pensions and Lump Sums - Fire Service	3 Yearly	Jul 18	1	15	•	✓	•	•	✓	
<b>Audits Per Year</b>					<b>4</b>	<b>5</b>	<b>4</b>	<b>4</b>	<b>4</b>	<b>21</b>
<b>Investments</b>	Annual	Mar 17	0	15	✓	✓	✓	✓	✓	
UK Fixed and Index Linked Public and Corporate Bonds	3 Yearly	Nov 17	0	15	✓	•	•	✓	•	
UK Unit Trusts (Property and Other)	5 Yearly	Mar 18		15	•	•	•	✓	•	
Direct Property	2 Yearly	Dec 16	1	15	✓	•	✓	•	•	
Foreign Unit Trusts (Property and Other)	5 Yearly			15	✓	•	•	•	•	
Fund of Hedge Funds	5 Yearly	Jun 16	1	15	•	✓	•	•	•	
UK and Overseas Private Equities	3 Yearly	Jul 16	4	15	•	✓	•	•	✓	
Global Bonds	5 Yearly	Dec 18	0	15	•	•	•	•	✓	
Treasury Management (Short Term Cash Lending)	Annual	Jan 18	1	15	✓	✓	✓	✓	✓	
Stock Lending	5 Yearly	Oct 17	0	15	•	•	•	✓	•	
Compliance with IAP Investment Decisions and Policies	3 Yearly	Nov 16	0	15	•	•	✓	•	•	
Verification of Assets	5 Yearly	Feb 15	0	15	•	•	•	✓	•	
<b>Audits Per Year</b>					<b>5</b>	<b>4</b>	<b>4</b>	<b>6</b>	<b>4</b>	<b>23</b>

West Yorkshire Pension Fund Five Year Audit Plan 2019 - 2024	Frequency	Last Audit	Recommendations	Days	19/20	20/21	21/22	22/23	23/24	Tot
Transfer of Data to Pensions System		Jul 12	0		✓	.	.	.	.	
Monthly Posting		Aug 15	6		✓	.	.	.	.	
					.	.	.	.	.	
WYPF ICT				15	.	.	.	✓	.	1
					.	.	.	.	.	
				Total						
				Days	15	15	15	16	14	
				s	5	5	5	5	5	

## 2.4 List of internal audits completed during 2018/19

Listed below is a summary of reviews that were carried out during the financial year 2018/19.

## 3 Internal Audits completed during 2018/19

- 3.1 The Internal Audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation.

Listed below is a summary of reviews that were carried out during the financial year 2018/19.

### 3.1.1 Local Government Scheme Contributions

This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was found to be of an excellent standard with no recommendations arising from the work carried out.

### 3.1.2 New Pensions and Lump Sums – Ill Health Pensions

This audit examined the pension benefit calculations of members who have had to retire as a result of ill health and are entitled to immediate payment of their pension benefits. The control environment was deemed to be of a good standard with only one recommendation for improvement being made.

### 3.1.3 Pensioners Payroll

The pensioner's payroll process was reviewed, the majority of these payments are made, mainly on a monthly basis, to almost 114,000 pensioners. The process was generally well controlled with a small number of low priority recommendations for improvement being made.

### 3.1.4 New Pensions and Lump Sums – Fire Service

In 2018/19 West Yorkshire Pension Fund provides administration service for the payment of fourteen fire service' pensions. This audit examined the calculation of the

annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required.

3.1.5 Review of the West Yorkshire Pension Fund 2017/18 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.

3.1.6 Global Bonds

This audit reviewed the arrangements in place for the investment in Global Bonds. Control of this asset class was found to be of an excellent standard with no recommendations arising from the work carried out.

3.1.7 Equities

All quoted 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.

3.1.8 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 excellent.

3.1.9 Pooling Arrangements

A piece of work was performed which was a high level review of the arrangements which surround the West Yorkshire Pension Fund's involvement in the Northern LGPS partnership with Greater Manchester and Merseyside Pension Funds. The audit highlighted an area of governance which would improve the arrangements in place.

3.1.10 Information Governance and the General Data Protection Regulation

This audit examined the risks associate with compliance with the General Data Protection Regulation (GDPR) which came into force in May 2018. Control in this area was found to be of a good standard, however, a number of recommendations were made which would ensure compliance with GDPR.

## **4 OTHER CONSIDERATIONS**

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

## **5 FINANCIAL & RESOURCE APPRAISAL**

5.1 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.

## **6 RISK MANAGEMENT AND GOVERNANCE ISSUES**

- 6.1 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.

## **7 LEGAL APPRAISAL**

- 7.1 There are legal implications for this report.

## **8 OTHER IMPLICATIONS**

None

## **9 RECOMMENDATION**

- That this report is noted.

## **10 APPENDICES**

None



## **Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 8 October 2019.**

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### **Subject:**

**Pensions Administration**

### **Summary statement:**

This report gives an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities.

### **Recommendation:**

It is recommended that the Pensions Board note the report.

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Mr Rodney Barton  
Director

**Portfolio:**

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**Overview & Scrutiny Area:**

## 1.0 Background

1.1 As well as providing pensions administration for WYPF scheme members, WYPF provides a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and to fourteen Fire Authorities. This includes pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

## 2.0 Performance and Benchmarking

2.1 The table below shows the performance against key areas of work for the period 1 April 19 to 31 August 19.

KPI's for the Period 1.4.19 to 31.8.19					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	510	35	508	85	99.61
Transfer In Actual	365	35	356	85	97.53
Divorce Settlement Pension Sharing order Implemented	15	80	15	100	100
Deferred Benefits Set Up on Leaving	5731	10	5423	85	94.63
Refund Quote	2787	35	2657	85	95.34
Refund Payment	1649	10	1630	95	98.85
Transfer Out Payment	154	35	135	85	87.66
Pension Estimate	1705	10	1086	75	63.7
Retirement Actual	1561	3	1435	90	91.93
Deferred Benefits Into Payment Actual	3398	5	3344	90	98.41
AVC In-house (General)	765	10	733	85	95.82
Deferred Benefits Into Payment Quote	4580	35	4435	85	96.83
Transfer Out Quote	997	20	901	85	90.37
Monthly Posting	4763	10	4488	95	94.23
Set Up New Spouse Pension	578	5	523	85	90.48
Divorce Quote	310	20	300	85	96.77
Change of Address	2457	5	2361	85	96.09
Change of Bank Details	1119	5	971	85	86.77
General Payroll Changes	1485	5	1432	85	96.43
NI adjustment to Pension at State Pension Age	49	20	48	85	97.96
Enquiry	64	5	58	85	90.63
DWP request for Information	476	10	464	85	97.48

Life Certificate Received	2245	10	2163	85	96.35
Death Grant Nomination Form Received	9402	20	9358	85	99.53
Spouse Potential	63	20	62	85	98.41
Death Grant to Set Up	317	5	305	85	96.21
Initial letter Death in Retirement	1355	5	1302	85	96.09
Death In Retirement	1355	5	1240	85	91.51
Initial Letter Death in Service	45	5	44	85	97.78
Death In Service	45	5	39	85	86.67
Initial letter Death on Deferred	114	5	89	85	78.07
Death on Deferred	114	5	98	85	85.96
Estimates for Deferred Benefits into Payment	141	10	118	90	83.69

## 2.2 Work in progress

The graph below shows the total volume of work in progress categorized into work groups. Work volumes will fluctuate depending on how much work comes in and how much work is completed. Some of the larger volume work cover:

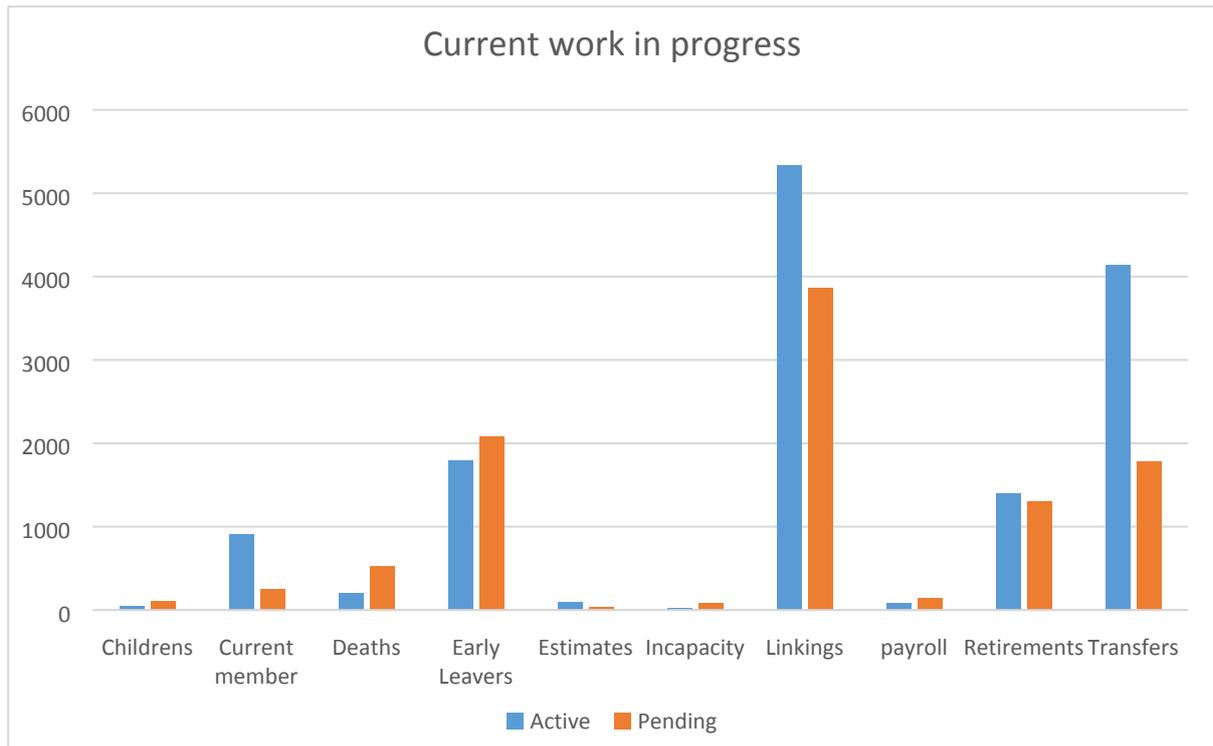
Current Member – changes to member records, changes to AVC's, queries from monthly postings

Early Leavers – calculation of refunds, calculation of deferred benefits, contribution postings queries

Linkings – multiple employments where member can link those employments

Retirements - Retirement quotes and actuals, deferred benefits into payment (quote and actual)

Transfers – Transfers in and out (quote and actual), AVC transfers, Divorce



### 3.0 Scheme Information

3.1 Membership for all schemes administered by WYPF is 422,177. A full breakdown between the different Funds and Schemes is shown at Appendix 1.

3.2 Number of Employers in the West Yorkshire Pension Fund

Scheduled		As at 31.3.18	Number Admitted	Changes +/-	Number Leaving	As at 31.3.19
Schedule 1	Local Authorities	5	0	0	0	5
	Academies	180	22	4	10	196
	Others – active	42	0	3	4	41
	Others – defunct	169	0	9	0	178
Schedule 2	Town and parish Councils	29	0	0	0	29
	Others – actives	5	0	0	0	5
	Others – defunct	24	0	0	0	24
<b>Total Scheduled</b>		<b>454</b>	<b>22</b>	<b>16</b>	<b>14</b>	<b>478</b>
<b>Admitted</b>						
Transferee (External Contractors)		99	13	6	17	101
Community		3	0	1	1	3
Others	Actives	44	0	4	4	44
	Defunct	122	0	14	0	136
<b>Total Admitted</b>		<b>268</b>	<b>13</b>	<b>25</b>	<b>22</b>	<b>284</b>

## 4.0 Praise and Complaints

4.1 As part of our commitment to improving our services we carry out a random survey of customers who have been in contact with us regarding their pension benefits. We also have an online survey which any member can complete at any time. An analysis of the responses received for the quarter April to June for each of the Funds is shown:

Appendix 2 - WYPF

Appendix 3 - LBH

Appendix 4 - LPF

## 4.2 Employer Training

A number of Employer training sessions were held over the quarter January to March across locations covering all three LGPS Funds.

Feedback from the events are attached:

Appendix 5 - WYPF

Appendix 6 - LPF

Appendix 7 - LBH

## 5.0 Internal Disputes Resolution Procedures

5.1 All occupational pension schemes are required to operate an IDR. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Director of WYPF. Stage 2 appeals are considered by the Chief Executive of the City of Bradford MDC.

A summary of the IDR decisions for the period 1.1.19 to 30.6.19 is shown below:

	Number of Determinations	Outcomes	Type
<b>STAGE 1</b>	12		
		2 Upheld	Delays in providing information on linking Delays in paying pension benefits (due to not receiving retirement notification)

		10 Turned down	1 Missing pension payment 1 Not entitled to transfer out (GMP in payment) 1 Discrimination - unequal retirement reduction factors 1 Delays and reduction in transfer out payment 3 Distribution of death grant 1 Level of service received on payment of benefits 1 Protected Normal Pension Age 1 Ceasing child's pension during work placement
<b>STAGE 2</b>	11		
<b>AGAINST EMPLOYER</b>	6	4 Turned down	2 not awarded ill health retirement 1 not granted early payment of deferred benefits 1 Tier of ill health benefits
		2 Referred back to employer to reconsider	2 Tier of ill health benefits
<b>AGAINST WYPF</b>	5	5 Turned down	1 Claimed was mis-sold LGPS pension 1 Missing pension payment 1 Over-payment of child's pension 1 Distribution of death grant 1 Delays in providing information on linking

## Pensions Ombudsman

5.2 The Pensions Ombudsman (PO) made two determinations on the following cases.

Distribution of Death Grant – the deceased's children were not happy that deceased's partner was given 50% of the death grant, which was in accordance with the nomination form. PO determined that the decision was not perverse or irrational and WYPF had considered all the relevant facts in making its decision. The PO turned down the case.

Benefits paid beyond Normal Retirement Date – In this case the member complained that she had lost out on the pension payments and late retirement factor increase was not sufficient compensation. The member alleged that WYPF should have made her aware of this. WYPF gave her the option to receive benefits with reduction or defer them. The member elected to defer. WYPF had put on the correspondence to make contact should the member require further information. The member did not make contact. WYPF applied a late retirement increase in

accordance with the regulations. The PO turned down the case as was satisfied that WYPF acted within the statutory provisions and the member should have contacted WYPF to ask for more information on her benefits.

## **6.0 Administration Update**

### **6.1 Annual Benefit Statements**

99.6% of ABS's have been issued to members by the statutory deadline of 31 August. The other 0.4% have not received an ABS due to existing processes/activity on their records.

### **6.2 Deferred Benefit Statements**

99.9% of Deferred Benefits Statements have been issued to members by 31 August. As expected, this has resulted in a surge of requests for early payment as members can now have benefits paid from age 55.

### **6.3 Information Security Management System Certification (ISMS).**

WYPF is delighted to announce that we have successfully completed our accreditation audit for ISO27001 Information Security Management System Certification (ISMS).

An ISMS is a systematic approach to managing sensitive company information so that it remains secure. It includes people, processes and IT systems by applying a risk management process.

This accreditation is particularly important to us and highlights our continued commitment to information security and provides assurance to our customers that we have the ability to protect their data and reputation at all times.

## **7.0 Staffing Update**

### **7.1 Sickness Absences**

Over the last 12 months the average working days lost per employee is 9.5. This compares favourably to the Council average of 15.8.

### **7.2 Recruitment and Retention**

Turnover of staff last year was 4.2%. A substantial number of staff have been with WYPF for over 10 years. The table below shows a more detailed breakdown of experience of staff.



As a result of additional workloads resulting from the shared service partnership WYPF will shortly be undertaking a recruitment exercise to take on more staff.

### 7.3 Staff Qualifications

Staff are encouraged and supported to undertake pensions qualifications. This helps with their personal and career development and also ensures that we have staff with a high level of knowledge and understanding. The table below shows the number of staff with a pensions related qualification (other Finance and IT qualifications are also supported).

Staff Qualifications	FTE	%
Qualified Staff	42.4	37%
Part Qualified Staff	7.7	7%
No Relevant Qualifications	64.8	56%
<b>Total</b>	<b>114.9</b>	
Number in Training	11.0	10%

### 8.0 Conclusion

WYPF continue to work closely with the shared service partners to provide an efficient and effective service to all stakeholders across all Funds and Schemes.

## Appendices

These are listed below and attached at the back of the report	
Appendix A	Membership Numbers
Appendix B	Customer Feedback - WYPF
Appendix C	Customer Feedback - LBH
Appendix D	Customer Feedback - LPF
Appendix E	Employer Feedback - WYPF
Appendix F	Employer Feedback - LPF
Appendix G	Employer Feedback – LBH

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**Membership Numbers (listed in order of joining the Administration system)**

<b>SCHEME NAME</b>	<b>ACTIVES</b>	<b>DEFERREDS</b>	<b>PENSIONERS</b>	<b>BENEFICIARIES</b>	<b>PRESERVED REFUND</b>	<b>LEAVERS OPTIONS PENDING</b>	<b>TOTAL</b>
Councillors	0	106	140	12	1	0	259
Gratuity Payments	0	0	25	1	0	0	26
West Yorkshire - LGPS	99389	89128	79303	11624	11692	1874	293010
Teachers Compensation	0	0	1328	247	0	0	1575
West Yorkshire Fire (1992 Scheme)	123	103	2054	322	0	0	2602
West Yorkshire Fire (2006 Scheme)	5	94	7	3	3	0	112
West Yorkshire Fire (2006/RDS Scheme)	18	18	32	0	0	0	68
West Yorkshire Fire (2015 Scheme)	852	74	2	0	0	1	929
West Yorkshire Fire (2015/RDS Scheme)	10	0	0	0	0	0	10
South Yorkshire Fire (1992 Scheme)	90	54	1118	182	9	0	1453
South Yorkshire Fire (2006 Scheme)	0	34	2	1	1	0	38
South Yorkshire Fire (2006/RDS Scheme)	5	4	7	0	0	0	16
South Yorkshire Fire (2015 Scheme)	500	32	1	0	0	3	536
South Yorkshire Fire (2015/RDS Scheme)	5	0	0	0	0	0	5
North Yorkshire Fire (1992 Scheme)	51	29	435	83	0	0	598
North Yorkshire Fire (2006 Scheme)	10	142	17	2	0	8	179
North Yorkshire Fire (2006/RDS Scheme)	19	30	46	0	0	1	96
North Yorkshire Fire (2015 Scheme)	515	129	9	2	0	25	680
North Yorkshire Fire (2015/RDS Scheme)	25	1	0	0	0	1	27
Humberside Fire (1992 Scheme)	74	48	829	139	0	0	1090

Humberside Fire (2006 Scheme)	8	116	9	8	2	0	143
Humberside Fire (2006/RDS Scheme)	41	12	54	0	0	0	107
Humberside Fire (2015 Scheme)	600	80	4	0	0	4	688
Humberside Fire (2015/RDS Scheme)	25	1	0	0	0	1	27
Lincolnshire Councillors	0	36	43	3	0	0	82
Lincolnshire LGPS	22881	28171	19355	2622	2678	1337	77044
Lincolnshire Fire (1992 Scheme)	41	21	239	54	1	0	356
Lincolnshire Fire (2006 Scheme)	19	320	21	4	21	4	389
Lincolnshire Fire (2006/RDS Scheme)	17	12	35	0	0	0	64
Lincolnshire Fire (2015 Scheme)	507	173	1	1	3	56	741
Lincolnshire Fire (2015/RDS Scheme)	13	0	0	0	0	0	13
Royal Berks Fire (2015/RDS Scheme)	6	1	0	0	0	0	7
Royal Berks Fire (1992 Scheme)	41	65	407	54	1	1	569
Royal Berks Fire (2006 Scheme)	5	62	7	3	0	0	77
Royal Berks Fire (2006/RDS Scheme)	3	11	27	0	0	0	41
Royal Berks Fire (2015 Scheme)	366	59	1	0	0	4	430
Bucks and MK Fire (1992 Scheme)	30	45	357	68	2	0	502
Bucks and MK Fire (2006 Scheme)	4	163	15	5	2	0	189
Bucks and MK Fire (2006/RDS Scheme)	5	13	19	0	0	1	38
Bucks and MK Fire (2015 Scheme)	332	94	6	0	1	5	438
Bucks and MK Fire (2015/RDS Scheme)	2	0	0	0	0	1	3
Devon and Somerset Fire (1992 Scheme)	107	61	901	158	1	0	1228
Devon and Somerset Fire (2006 Scheme)	46	421	205	11	9	2	694
Devon and Somerset Fire (2006/RDS Scheme)	61	95	64	0	0	0	220
Devon and Somerset Fire (2015 Scheme)	1348	313	14	6	5	9	1695

Devon and Somerset Fire (2015/RDS Scheme)	44	1	0	0	0	1	46
Dorset and Wiltshire Fire (1992 Scheme)	79	62	641	92	3	1	878
Dorset and Wiltshire Fire (2006 Scheme)	12	277	23	10	3	19	344
Dorset and Wiltshire Fire (2006/RDS Scheme)	73	49	112	0	0	7	241
Dorset and Wiltshire Fire (2015 Scheme)	813	151	10	0	0	55	1029
Dorset and Wiltshire Fire (2015/RDS Scheme)	51	2	0	0	0	2	55
Unknown Modified Scheme	0	0	1	0	0	0	1
Tyne and Wear Fire (1992 Scheme)	113	77	1198	195	0	0	1583
Tyne and Wear Fire (2006 Scheme)	3	25	3	0	0	1	32
Tyne and Wear Fire (2006/RDS Scheme)	1	1	1	0	0	0	3
Tyne and Wear Fire (2015 Scheme)	417	13	0	0	0	1	431
Tyne and Wear Fire (2015/RDS Scheme)	4	0	0	0	0	0	4
Northumberland Fire (1992 Scheme)	28	22	272	52	0	0	374
Northumberland Fire (2006 Scheme)	10	87	6	4	1	4	112
Northumberland Fire (2006/RDS Scheme)	10	15	28	1	0	0	54
Northumberland Fire (2015 Scheme)	209	55	0	0	0	8	272
Northumberland Fire (2015/RDS Scheme)	4	3	0	0	0	0	7
Norfolk Fire (1992 Scheme)	44	47	380	72	0	0	543
Norfolk Fire (2006 Scheme)	15	103	13	9	0	3	143
Norfolk Fire (2006/RDS Scheme)	7	10	66	0	0	0	83
Norfolk Fire (2015 Scheme)	503	58	5	5	0	62	633

Norfolk Fire (2015/RDS Scheme)	14	0	0	0	0	1	15
Staffordshire Fire (1992 Scheme)	44	26	564	98	0	0	732
Staffordshire Fire (2006 Scheme)	22	318	68	3	0	1	412
Staffordshire Fire (2006/RDS Scheme)		38	20	0	0	0	85
Staffordshire Fire (2015 Scheme)	511	230	7	0	0	6	754
Staffordshire Fire (2015/RDS Scheme)	20	1	0	0	0	0	21
LB Hounslow LGPS	6032	7911	5715	849	1241	888	22636
LB Hounslow Teachers Compensation	0	0	176	31	0	0	207
Hereford and Worcester (1992 Scheme)	34	41	387	62	0	0	524
Hereford and Worcester (2006 Scheme)	19	125	24	5	0	2	175
Hereford and Worcester (2015 Scheme)	516	120	4	0	0	14	654
	137878	130239	116863	17103	15680	4414	422, 177

## Customer Survey Results – WYPF Members (1<sup>st</sup> April to 30<sup>th</sup> June 2019)

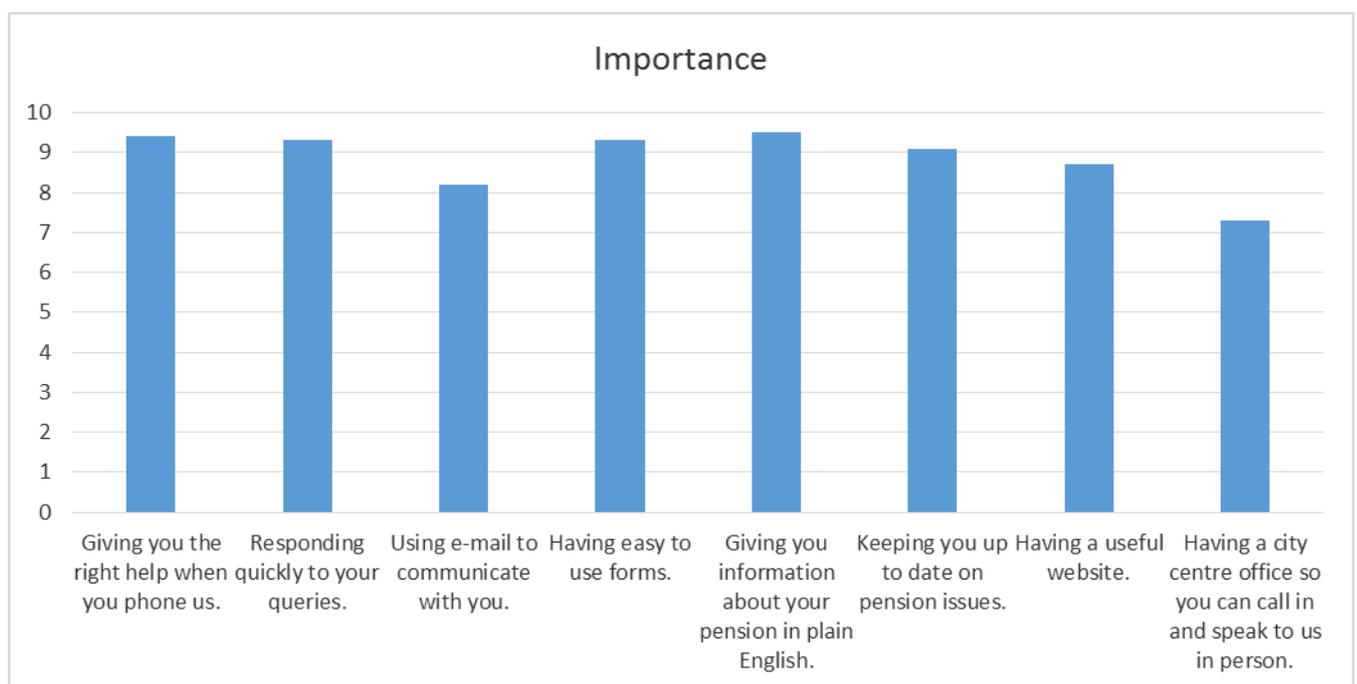
Over the quarter April to June we received **6** online customer responses.

Over the quarter April to June **609** sample survey letters were sent out and **93 (15.3%)** returned:

Overall Customer Satisfaction Score:

April to June 2018	July to September 2018	October to December 2018	January to March 2019	April to June 2019
79%	83.5%	84.8%	83.8%	84.1%

The charts below give a picture of the customers overall views about our services;



## Sample of positive comments:

Member Name /Number	Comments
911846 Letter	<p>To Sandra</p> <p>I would just like to thank one of your staff members Steve Pyrah, he was very professional and knowledgeable, I came to see him on three occasions to discuss my pension, he helped me come to a informed decisions, he answered all my questions and concerns and was very polite and helped me greatly. Once again thank you.</p>
1068292 Email	<p>Dear Ms Jepson</p> <p>Many thanks for resending, I can confirm that I have received them. Thank you for your assistance over the past few months, I really do appreciate all your help!</p> <p>Yours sincerely</p> <p>Victoria Cottrell</p>
1123932 Email	<p>Good morning Annamaria</p> <p>Can I firstly say thank you very much for your help yesterday it was very much appreciated especially when I was worried about missing the deadline date for linking my pension having not received a form in the post.</p> <p>I thought It may be easier and quicker to scan and return the form so, please attached linking form.</p> <p>Also, would you please be kind enough to send me the form for extra contributions to my pension.</p> <p>Again thanks very much.</p> <p>Would you also acknowledge receipt and let me know if I need to put a copy in the post?</p> <p>Manjit</p>
305913	<p>Very helpful, informative and efficient. Retirement, however welcome can be quite stressful, moving from one set of norms to another, however WYPF staff have patiently dealt with my queries and have very efficiently and competently helped me through the transition. Many thanks to you all</p>
1095317	<p>I would like specially mention Annamaria in the Bradford Office who has been over patient, helpful when transferring two pension to WYPF</p>
Online	<p>Very helpful and quick to respond.</p> <p>I would like to thank you with how helpful the staff dealing with my claim was. From phone calls to correspondence by email or letter.</p>

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Corrective/ Preventive Actions</b>
1126536	<p>Misinformed. I was passed back a form and contacted you 3 times before my issue was sorted. It was time consuming and I got incorrect information on every phone call.</p>	<p>Response sent by Kate G;</p> <p>Thank you for completing and returning our customer survey form.</p> <p>I have reviewed your record and have to agree with you that we failed to provide you with the correct information.</p> <p>The wrong letter was sent to you advising that a payroll refund was due when actually the refund would be paid by WYPF. Your employer raised this point with us following your call to them and we subsequently sent the correct Refund Quote letter out to you. The refund has now been paid.</p> <p>This is not the standard of service that we aim to provide to our members.</p> <p>Please accept my apologies for the errors in dealing with your case.</p>
079267	<p>Good service but feels incomplete. Made a change of name, no confirmation sent, not sure if you returned marriage certificates as sent back without a cover letter and two companies had copies at same time. Overall good service but not complete.</p>	<p>Response sent by Sandra;</p> <p>Thank you for taking time to complete and return our customer survey. I am in the process of dealing with your query regarding your marriage certificate and the completion of the customer survey form.</p> <p>On 28th February we received an email with a photograph of your marriage certificate. On 4th March a letter was sent requesting the original certificate. This was never received, we have a very strict process in place with handling certificates and I can confirm unfortunately, the certificate was never received into our office. Did you send it by recorded delivery? If so, if you provide us with the tracking number, we may be able to trace it.</p> <p>On the 28th March a customer survey form was sent, this was sent after dealing with a transfer query, I will be feeding back to the team that these should not be sent while an ongoing query is outstanding, as I can see that this could cause confusion, if a customer is still waiting for a query to be dealt with.</p> <p>I am sorry that the process did not flow as well as it should have, your comments have been noted and will be reviewed by our senior management team during the next review of customer service.</p>

1020422	<p>Slow and careless. I transferred from 3 different providers so I had two others to compare with, the service was very poor compared to other two.</p>	<p>Response sent by Selma;</p> <p>Thank you for completing the Customer Survey form and I am disappointed to hear you found our service slow and careless.</p> <p>Your initial request for a transfer was received on 17th September 2018 and the transfer quote was sent to you on 15th October 2018. The statutory time limits for processing the quote is three months so we processed this within that time frame. The West Yorkshire Pension Fund (WYPF) received the receiving scheme form and member option form on 25th January 2019, but as the guarantee period had expired we were obliged to re-quote. This was sent to you on 7th February 2019.</p> <p>I note the WYPF received your option form and the receiving scheme form on 25 February 2019, however, the receiving form was incomplete and had to be returned to Royal London on 11th March 2019 for further completion. I also note that my colleague sent a letter to you requesting completing of your option form on 11th March 2019, but this had actually been received. Please accept my apologies for this oversight as that letter was sent to you in error. The WYPF were unable to make payment until the fully completed receiving scheme form was returned by Royal London. This was received on 19th March 2019 and payment was made to Royal London on 17th April 2019. The statutory deadline for making payment is 4th August 2019.</p>
782422	<p>Poor. No Explanation to my payment why it took more than 3 months. As the administrator of my pension I would have expected you to smooth over any problem caused by the delay of it.</p>	<p>Response sent by Dipika;</p> <p>Thank you for taking the time to complete and return the customer service form. I am sorry that you do not feel that you received the quality of service that you expected from WYPF.</p> <p>I have examined your pension record in full.</p> <p>I can confirm that WYPF received notification of your retirement from your employer on 25 February 2019 and can see that there was a delay in issuing your retirement pack. This was partially due to awaiting pay information from your employer for WYPF to assess and ensure your pension savings did not exceed the Annual Allowance set by HMRC. Once we had received this and carried out the assessment, your retirement pack was issued to you on 28 March 2019.</p> <p>We then received your completed option form on 02 April 2019 and we requested payment of your AVC fund from Prudential. As there is usually a delay in receiving AVC funds, we paid an interim payment of £24,247.59 to you on the 05 April 2019.</p>

		<p>On 03 May 2019 we received notification from our Finance Department that payment of your AVC fund had been received from Prudential. We calculated your final pension benefits on 03 May 2019.</p> <p>I do appreciate that you initially experienced some delay but once we received your AVC funds, payment of you final pension benefits was processed as soon as it was possible. Your comments have been noted and will be forwarded on to senior management when the next review of customer service is held. We will work to improve the standard of service that other members receive in this area in the future.</p> <p>Please accept my apologies for any inconvenience caused.</p>
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## Customer Survey Results - Hounslow Members (1<sup>st</sup> April to 30<sup>th</sup> June 2019)

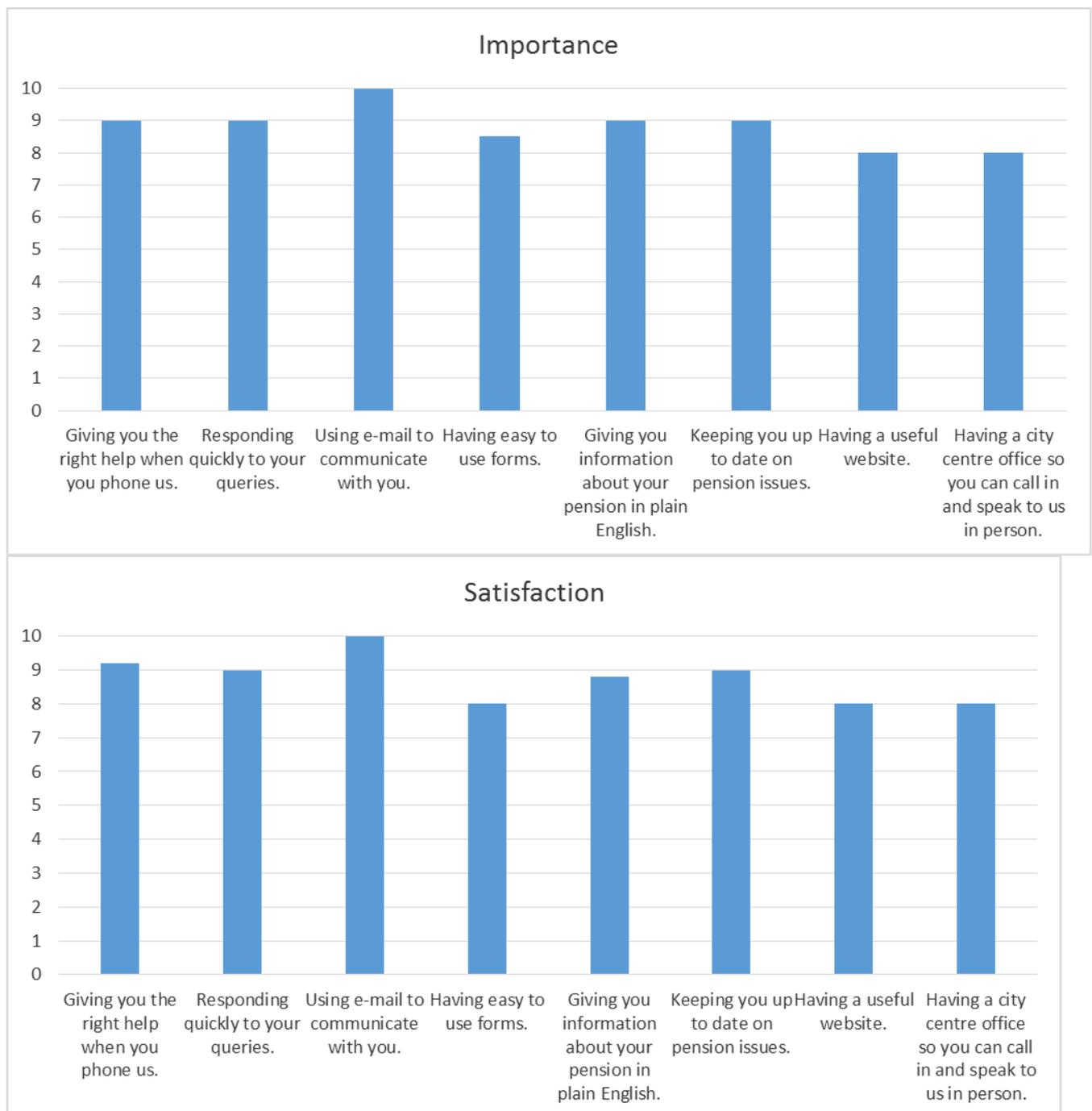
Over the quarter April to June we received **No** online customer response.

Over the quarter April to June **45** Hounslow member's sample survey letters were sent out and **5 (11.2%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019
97.5%	96.4%	87.9%

The charts below give a picture of the customers overall views about our services;



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
18038771	I do not have any problem.
18030975	Service was excellent.
18025648	Helpful and quick I am very pleased. All very competent.

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Corrective/ Preventive Actions</b>
None		

## Customer Survey Results - Lincolnshire Members (1<sup>st</sup> April to 30<sup>th</sup> June 2019)

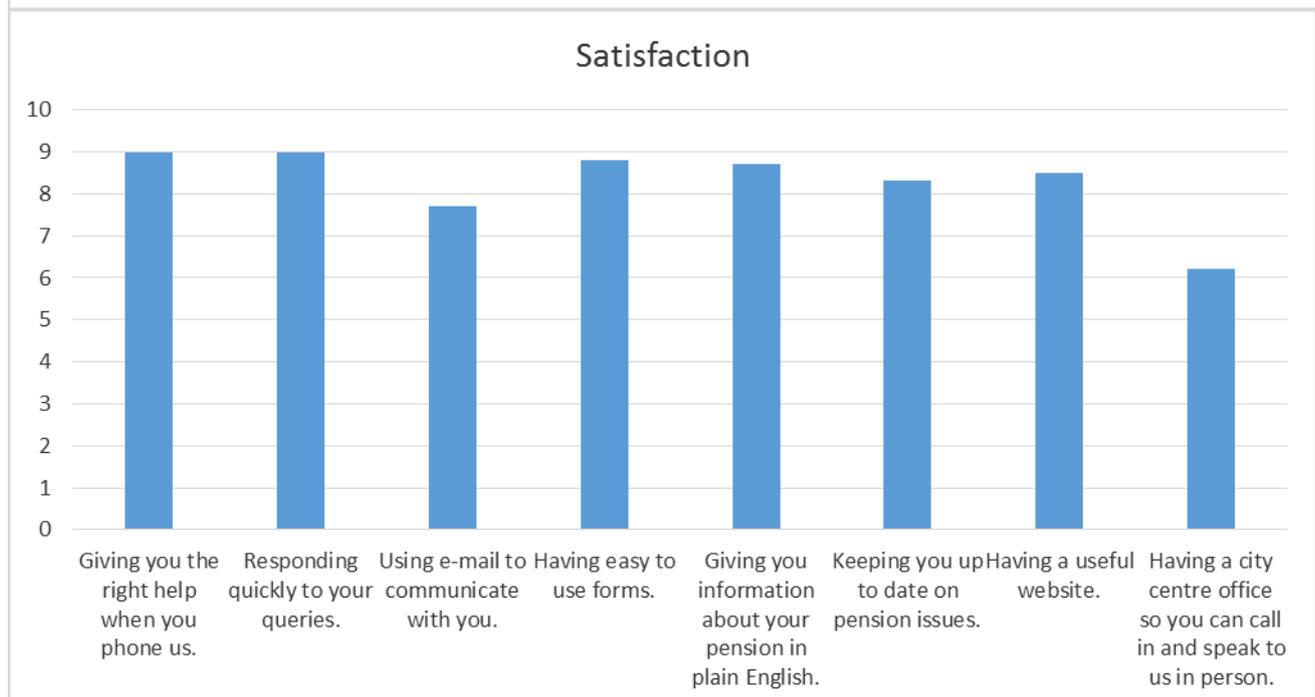
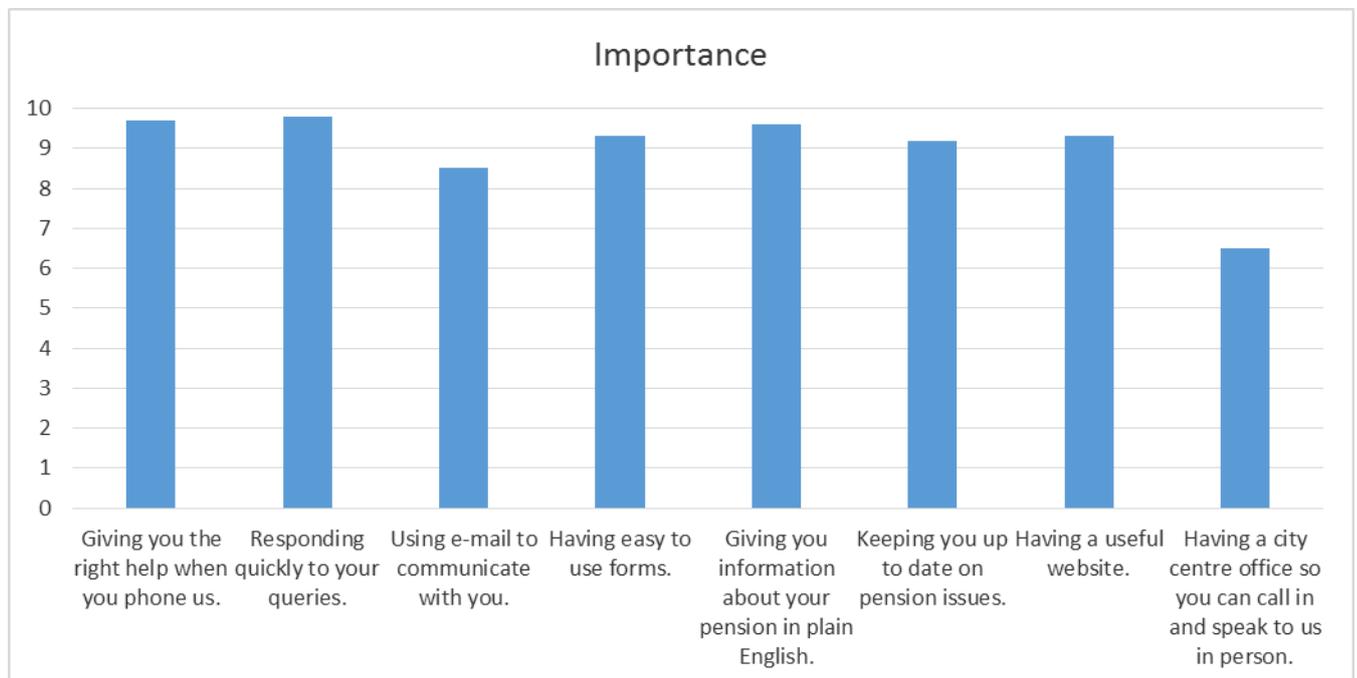
Over the quarter April to June we received **1** online customer response.

Over the quarter April to June **155** Lincolnshire member's sample survey letters were sent out and **34 (22%)** returned:

Overall Customer Satisfaction Score;

April to June 2018	July to September 2018	October to December 2018	January to March 2019	April to June 2019
72.1%	81.6%	81%	81.3%	83.5%

The charts below give a picture of the customers overall views about our services;



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
8051630 Email	<p>Good morning Jo</p> <p>My colleague received a compliment over the telephone last week for a William Wallace who was very helpful.</p> <p>I'm unable to find a staff member by that, I wonder if you can shed any light at all as we were hoping to get this over to his manager.</p> <p>Many thanks</p>
8025867 Email	<p>Hi Magda,</p> <p>Just had a phone call from Mr Charles Hutson, MN 8025867. He wanted to speak to you direct, but you had left for the day.</p> <p>Anyhow, he asked if I would pass on a message of thanks for the assistance you gave him when he rang on May 23<sup>rd</sup>. He is extremely grateful for your help, says he has received your letter and the list of payments which you enclosed, and he is very confident the information will help him resolve his tax problems.</p> <p>I promised I would pass on his comments.</p> <p>Cheers!</p>
8069587	<p>Excellent efficient speedy service in receiving my pension. I found the pension forecasts received very detailed and informative. Replies to my emails were also very clear and informative. I found the whole process of receiving my pension from WYPF very efficient and stress free.</p>
8124042	<p>Excellent. The staff were very helpful and friendly. I felt at ease asking questions to understand the process. They explained things very clearly and gave good support.</p>
Online	<p>Perfect. God bless you all. You're doing a brilliant job.</p>

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Corrective/ Preventive Actions</b>
8115095	<p>I was not really happy with the communication, I requested a transfer to another pension, have not been informed if this has happened.</p>	<p>Response sent:</p> <p>Thank you for returning your customer survey form.</p> <p>I note that we received the paperwork on 19/1/19 showing that you wanted to transfer your benefits to Royal London however at that point you had rejoined the pension scheme.</p> <p>The rules of the pension scheme do not permit you to transfer out whilst an active member of this scheme.</p> <p>Your preserved refund post has now been linked to your active post. Please let me know whether you</p>

		<p>would like me to send you hypothetical transfer details from your new post member number 8126562.</p> <p>Please accept my apologies for not writing to you sooner about this.</p>
8126129	<p>Poor, it is important you respond to inquiries but in my case it has not happened. I would like to know my pension worth as I will be going through a divorce and I have asked for this but have had no reply. Hopefully someone will reply now!</p>	<p>Response sent:</p> <p>Thank you for taking time to complete and return our customer survey.</p> <p>I note that you are waiting for a divorce quote on record 8126129.</p> <p>Unfortunately, I have looked through all your records and could find no request for a transfer quote for divorce purposes. Please complete the details below and return this letter in the pre-paid envelope attached and I will arrange to send details of your CETV as a matter of urgency.</p>

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**Employer Feedback  
Quarter 2 April – June 2019**

**Introduction to pensions – 27 June 2019 WYPF)**

**Feedback score: 93.42%**

<b>Comment</b>	<b>Action taken</b>
No comments	

**A summary of the compliments**

- None provided

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**Employer Feedback  
Quarter 2 April – June 2019**

**Complete Guide – 13 May 2019**

**Feedback score: 93.97%**

<b>Comment</b>	<b>Action taken</b>
None made	

**A summary of the compliments**

- Very informative
- Very informative course. Kaele and Stuart were able to answer any questions that were asked.

**Introduction to pensions – 27 June 2019 (LPF)**

**Feedback score: 93.42%**

<b>Comment</b>	<b>Action taken</b>
No comments	

**A summary of the compliments**

- None provided

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**Employer Feedback (Hounslow)  
Quarter 2 April – June 2019**

**Complete Guide – 29 May 2019**

**Feedback score: 94.72%**

<b>Comment</b>	<b>Action taken</b>
More exercises / calculations	Noted.
I needed more venue information as I am disabled.	Shared information with venue and will ensure more info on the booking pages.
Looking forward to additional workshops. Seating arrangements could be better - sitting sideways was not comfortable for the length of time.	The room was not ideal but was arranged by LBH for us. Comments passed to Hitesh.

**A summary of the compliments**

- Thank you for the way the information has been accessible and easier to understand
- Very informative course
- David's examples of real world scenarios added to the course content

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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 26 March 2019.**

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**Subject: Feedback from 2019 Annual Benefit Statements exercise and the functionalization of work production**

**Summary statement:** Since a change in the pension regulations resulted in an increase in requests for pension estimates from age 55, WYPF changed the information provided on its Annual Benefit Statement (ABS) to include figures for retirement from age 55, 60, 65 and state pension age. This feedback demonstrates the effects which the change brought about for WYPF administration in its working practices, and the benefits for members of the pension scheme.

**Recommendation:** That the Pension Board:

- notes the work undertaken to implement improvements to the ABS's for scheme members in order to provide more details of retirement figures
- notes that the range of benefit calculations provided in one statement enables members to be better financially informed about retirement options
- notes the improvements and increases in work production following the application of functionalised working methods in the Service Centre

---

Rodney Barton  
Director

**Portfolio:**

**[Insert where appropriate]**

Report Contact: Grace Kitchen  
Phone: (01274) 43 4266  
E-mail:  
grace.kitchen@bradford.gov.uk

**Overview & Scrutiny Area:**

**[Insert where appropriate]**

## **1. Summary**

- 1.1 WYPF have revised the information provided on the ABS for all members to provide better information to aid them in their personal financial planning.

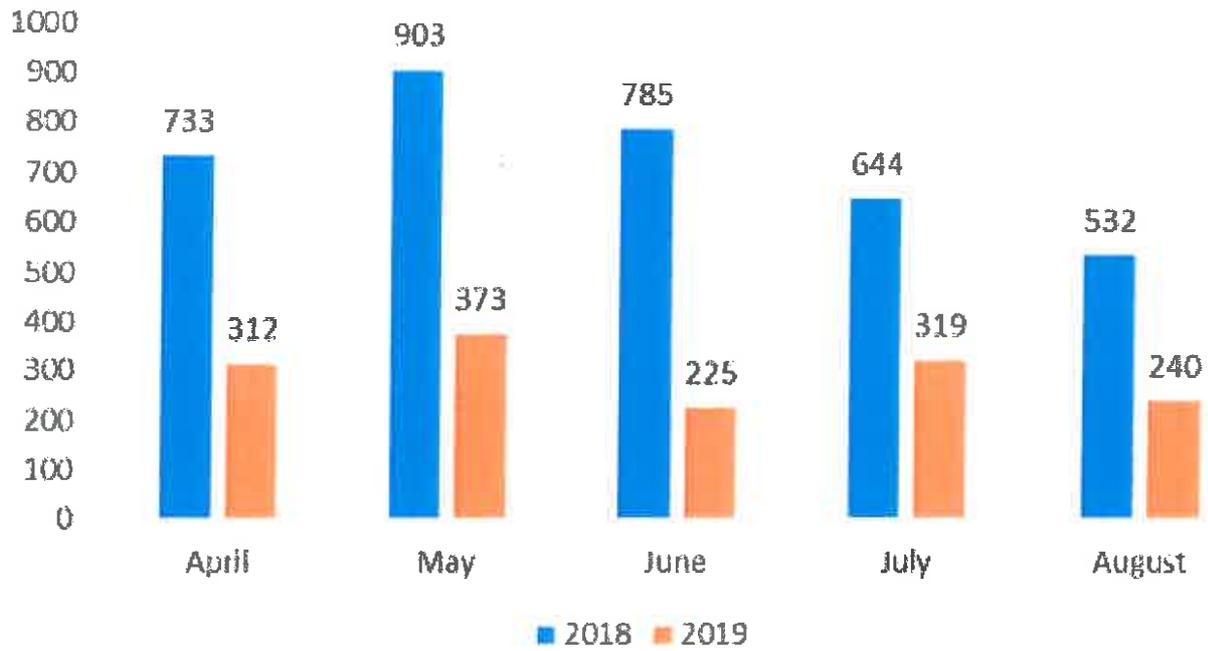
## **2. Background**

- 2.1 On average, over 22,000 pieces of work are handled by the Service Centre each month, of which in December 2018, 650 were estimates and 3157 were retirements.
- 2.2 In April 2014 the pension regulations changed and allowed members to take reduced retirement benefits from age 55 without employer consent subject to an actuarial reduction.. The changes resulted in an increase in the number of requests from employers and members for early retirement estimates.
- 2.3 Steps were taken by the employers and WYPF to deal with the increasing volume of estimate requests.
- 2.4 On 14<sup>th</sup> May 2017 an amendment to the regulations was issued allowing deferred members to take reduced deferred benefits from age 55.
- 2.5 Roughly 56,500 members were aged 55 plus in December 2018, about a quarter of all members. Knowing we would not be able to maintain our high standard of service delivery with the ever increasing requests for estimates, we decided to work towards providing figures at different ages for members, on their ABS.
- 2.6 A senior officer on the UPM team began work in March 2019 to provide more calculations from the pension management system which could be incorporated on current and deferred members ABS's.

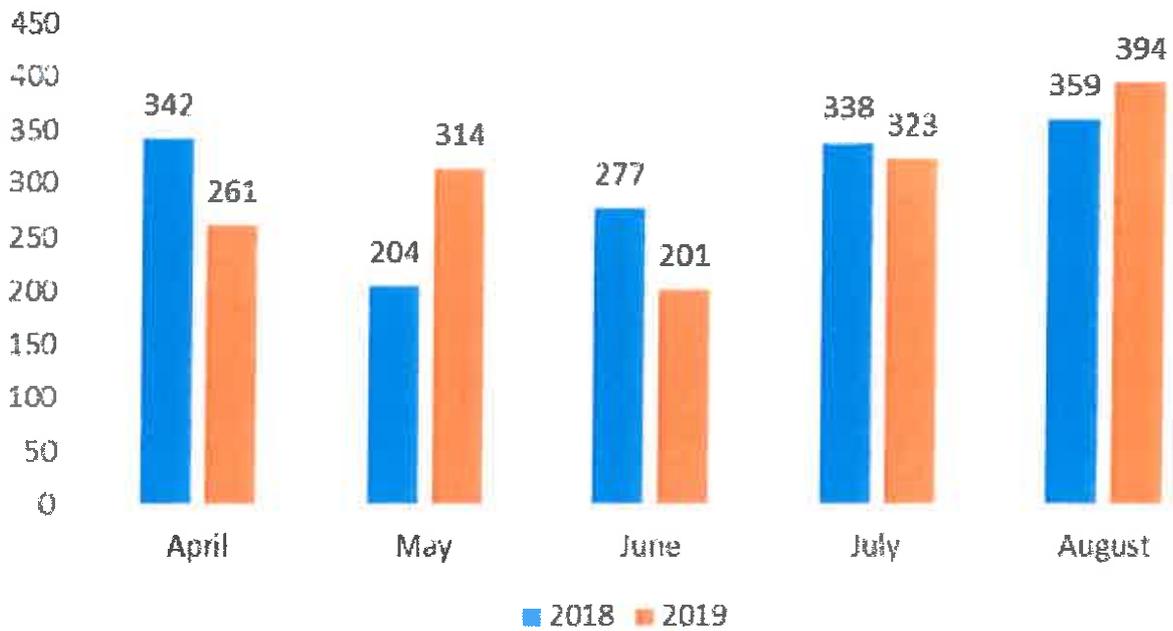
## **Recent Developments**

- 3.1 Production of ABS's commenced in April 2019. The redesign provided current and deferred members with retirement figures, at age 55 (or current age if over 55), at age 60 and at age 65. It also provided current members with retirement figures to the end of March 2019.
- 3.2 Staff in the Service Centre teams provide all the immediate pension calculations and services to current, deferred and retired members. We have previously made changes to how these staff members work and deal with the different areas of pension work. We functionalized the work into teams and allocated staff to these. However when we experience surges in any type of work, we are able to move work to other members of staff so that we can meet the demand. This is how we have dealt with the resulting increase in work from the regulation changes and higher demand from members.
- 3.3 Below are some statistics which reflect changes in work patterns and demands. They reflect changes from April to August 2018 (the last year of the old ABS) to April to August 2019 (first year of the new ABS).

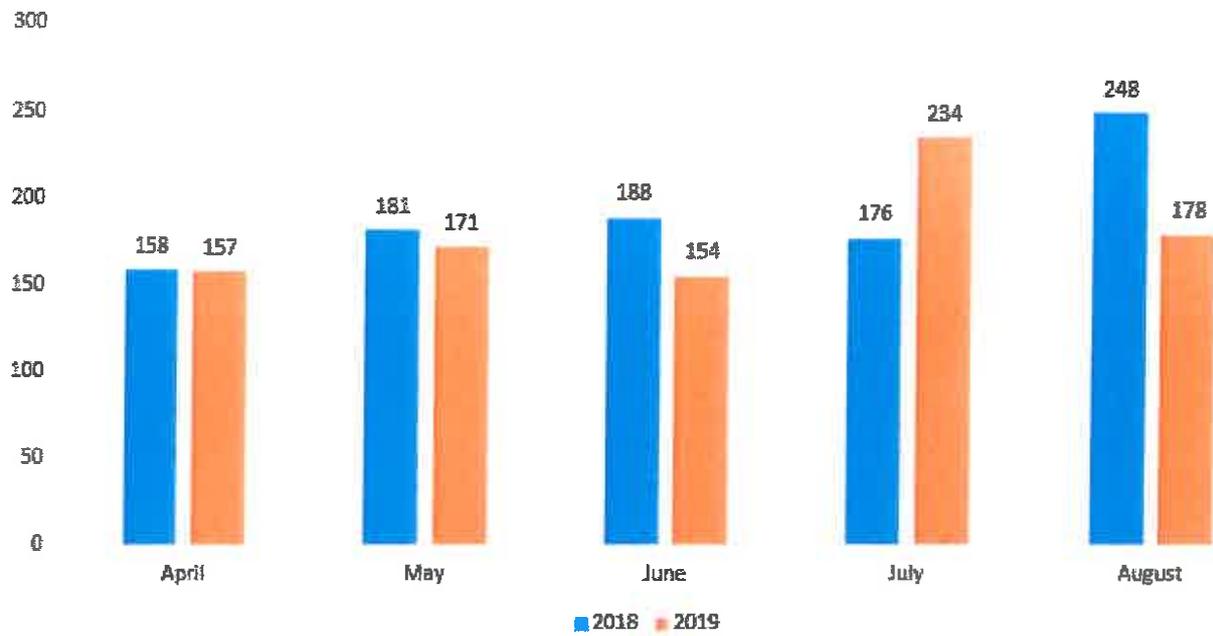
### Estimate



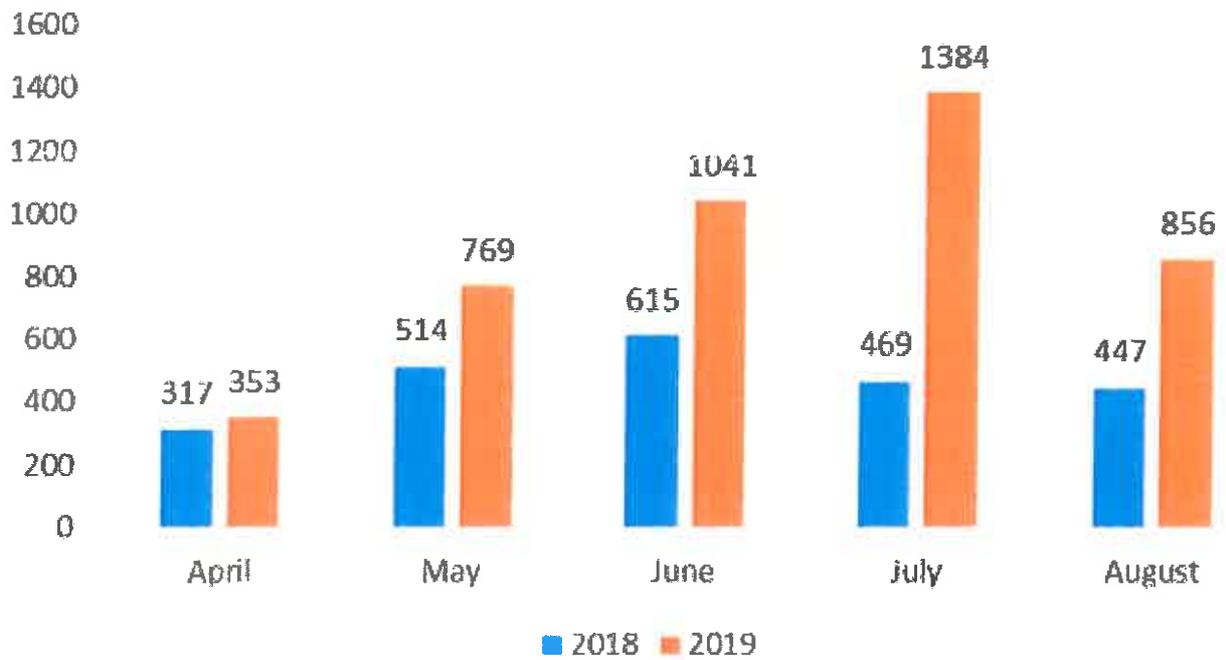
### Retirement Actual



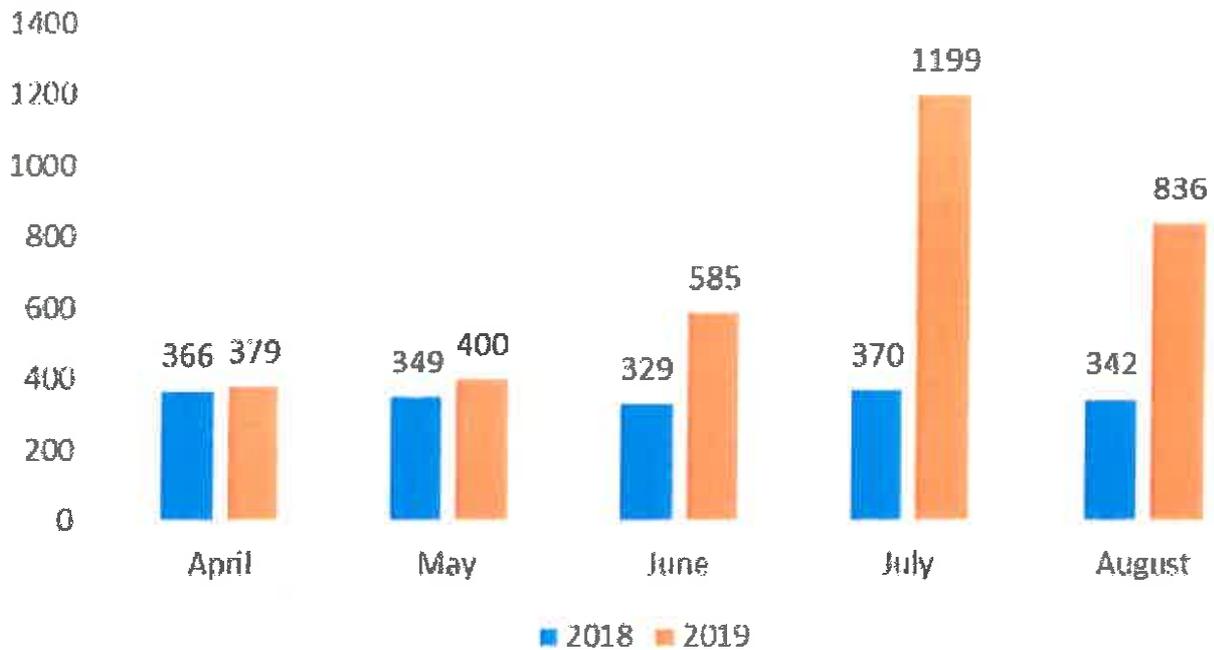
### Estimate Deferred



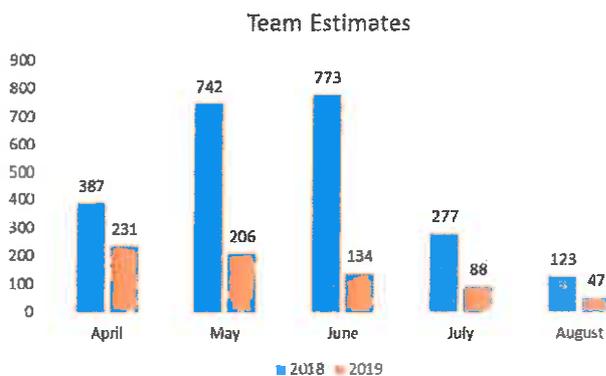
### Deferred Retirement Quote



## Deferred Retirement Actual



3.4 The total effect on the "Team Estimates" staff is as follows:



These figures tell us:

- There was an increase in people wanting a deferred retirement quote and/or payment because the 2019 DBS stated the hard- cash value they could receive 'now'
- There was a large reduction in people wanting estimates because the 2019 ABS and DBS quoted these figures as standard, so members didn't have to make a separate request
- There wasn't a material change in the number of retirement quotes and/or retirements, even though the 2019 ABS explained what the member could get if they finished work at the 'end of next month. It hasn't triggered a spike in retirements

*Figures provided by Anthony Butterfield of the UPM team.*

## **4. Recommendation**

### **4.1 That the Pension Board**

- notes the work undertaken to implement improvements to the ABS's for scheme members in order to provide more details of retirement figures
- notes that the range of benefit calculations provided in one statement enables members to be better financially informed about retirement options
- notes the improvements and increases in work production following the application of functionalised working methods in the Service Centre



## **Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 8 October 2019**

**K**

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**Subject: Local Government Pension Scheme Regulations update**

### **Summary statement:**

This report updates the Local Pension Board on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

### **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](mailto:tracy.weaver@wypf.org.uk)

**Overview & Scrutiny Area**

## 1 **Background**

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

1.2 Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.

## 2 **Consultation on Fair Deal – Strengthening pension protection**

2.1 On 10 January 2019 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on Fair Deal – Strengthening pension protection.

2.2 The consultation closed on 4 April 2019 and we are still waiting for MHCLG to publish its response.

## 3 **Consultation: Local valuation cycle and the management of employer risk**

3.1 On 8 May 2019 MHCLG issued a 12 week policy consultation called ‘LGPS: Changes to the local valuation cycle and the management of employer risk’.

3.2 The consultation closed on 31 July 2019.

3.3 MHCLG received around 280 responses and expect to publish their response in the autumn of 2019.

## 4 **Other LGPS matters**

### 4.1 **Actuarial Factors**

MHCLG has issued new actuarial factors for the purchase of Additional Survivor Benefits.

### 4.2 **McCloud and valuation guidance**

It was reported on 21 December 2018 that the Court of Appeal held that transitional protections that protected older judges and firefighters from the public sector pension scheme changes in 2015, were unlawfully discriminatory. This case is known as the ‘McCloud case’. Following the judgment, on 30 January 2019 the Government published a written statement that paused the HMT cost management process for public service pension schemes, pending the outcome of the application to appeal the McCloud case to the Supreme Court. On 8 February 2019, LGPS England & Wales Scheme Advisory Board (SAB) confirmed it had no option but to pause its own cost management process pending the outcome of McCloud.

As a results administering authorities were asked to inform SAB about their preference concerning the approach to the 2019 valuation. Specifically, whether they would prefer to receive guidance from SAB on how McCloud and cost management should be taken account in the 2019 valuation, or if they would prefer to determine their own approach taking advice from their actuarial adviser.

The majority of funds expressed a preference to receive central guidance which was issued on 14 May 2019.

CIPFA have also provided a separate note on accounting for McCloud and cost management.

The SAB advice note sets out their proposed approach in five key points and administering authorities are been encouraged to discuss this approach, together with the CIPFA guidance note, with their actuaries.

Earlier than expected, the Supreme Court, on 27 June 2019, denied the Government's request for an appeal in the McCloud case in respect of age discrimination and pension protection.

Further information on how any inequalities in the LGPS will be addressed is awaited.

#### 4.3 **Consultation on restricting exit payments**

On 10 April 2019 HM Treasury (HMT) opened a 12 week consultation called 'Restricting exit payments in the public sector: consultation on implementation of regulations'. The consultation documents can viewed on the [non-scheme consultation](#) page of [www.lgpsregs.org](http://www.lgpsregs.org). The consultation closed on 3 July 2019.

HMT received approximately 600 responses, and it is likely they will publish their response in the autumn of 2019. It is understood that HMT are to introduce the cap no sooner than 1 April 2020.

#### 4.4 **Scheme Advisory Board's Good Governance Report**

the Earlier in the year SAB commissioned Hymans Robertson to prepare a report on effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing governance models which can strengthen LGPS going forward.

On 31 July 2019 SAB published this report, which can be viewed at <http://lgpsboard.org/images/PDF/GGreport.pdf>.

next Hymans Robertson project team will now be assisting SAB in taking forward the stage of the project. Two working groups will be established to:

- define what is meant by good governance outcomes and provide the accompanying guidance, and
- focus on options for the independent assessment of outcomes and the mechanisms to improve the delivery of those outcomes.

#### 4.5 **GMP Indexation**

As a result of the abolition of contracting-out in 2016 HMT issued a statement on an interim solution regarding the indexation of Guaranteed Minimum Pensions (GMP). This interim solution applied to members who reached their State Pension Age between 6 April 2016 and 5 December 2018. In December 2018 this interim solution was extended to member's who reach their State Pension Age before 5 April 2021.

A further consultation is expected before 2021 to confirm the Government's long-term indexation, which it claims will also meet the requirements of GMP equalisation.

#### 4.6 **Third Tier employers**

In June 2018 2018 Aon presented members of SAB with a summary of the final draft of its report to review the current issues in relation to third tier employers participating in the LGPS.

The report did not make any recommendations, instead, it outlined a range of issues raised by stakeholders and how they envisage these concerns being resolved. A working group has been set up by SAB and it will be making recommendations on back of the initial report in due course.

#### 5 **Recommendation**

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



## **Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 8 October 2019**

**L**

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**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**

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

**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.

## **4 Breaches from April 2019**

4.1 The entries on the Register of Breaches for 2019/20 relate

- to the late payment of contributions, and
- Annual Benefit Statements not issued by 31 August 2019

## **5 Recommendations**

It is recommended that the Local Pension Board note the entries and action taken on the Register of Breaches.

## **6 Appendix**

- Appendix A – Register of Breaches 2019/20

## WYPF Breaches of the Law 2019 -2020

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
Sept 19	<b>Administration</b> <b>Issue of Annual Benefit Statements (ABS)</b>	189	Scheme regulations require an ABS be provided to each active member by the 31 August each year  At the 31 August 18 99.6% of statements had been sent out (91686/91973)	0.4% of active members will not have received their ABS within prescribed time limits	Only accurate ABS are sent out. Work is continuing to release ABS to be sent out as soon as the “block” has been cleared.	Not reported	Due to the improvement in the performance and the relative low numbers this breach is not regarded as of material significance	Outstanding ABS continue to be issues as soon as the ABS block has been resolved
April 19	<b>Administration</b> <b>Maintaining contributions</b>	147	Employee’s pension contributions must be paid to the manager of the scheme by the 19th day of the month following deduction or by 22nd day if paid electronically.  <b>Please see schedule below for details of employers who failed to make payment by the appropriate date.</b>	Contributions not received by the scheme within the prescribed timescales	<b>Immediate action:</b> 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 and are notified that further late payments may be reported to the Pensions Regulator.  <b>Continuing Action:</b> 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.	Not reported	All outstanding payments are chased up and all payments received	None

## WYPF Breaches of the Law 2019 -2020

## Employers who failed to pay make pay over employees contributions by the appropriate date - April 2019 onwards

Month	Employer	Date contributions due	Date paid	Value of late contributions	No of times late in last 6 months prior to this month	No of times late in last 12 months prior to this month
April 19	Basketball England	17/05/19	05/07/19	924.76	0	0
	Pool Parish Council	17/05/19	14/06/19	291.34	0	0
	Carroll Cleaning (Whetley)	17/05/19	11/06/19	73.67	0	0
	Carroll Cleaning (Wakefield)	17/05/19	11/06/19	27.32	0	0
	Carroll Cleaning (Holy Trinity)	17/05/19	11/06/19	51.72	0	0
	Carroll Cleaning (Birkenshaw Primary)	17/05/19	11/06/19	41.77	0	0
	Carroll Cleaning (Lee Mount)	17/05/19	11/06/19	16.59	3	6
	Carroll Cleaning (Thornbury)	17/05/19	11/06/19	28.43	0	0
	Carroll Cleaning (Frizinghall)	17/05/19	11/06/19	39.47	0	0
	Carroll Cleaning Lepage Primary)	17/05/19	11/06/19	56.86	0	0
	Carroll Cleaning (Nessfield)	17/05/19	11/06/19	207.92	0	0
	Carroll Cleaning	17/05/19	11/06/19	397.14	0	0
	Enviroserve (Calder High)	17/05/19	02/07/19	970.94	6	9

May 19	Basketball England	19/06/19	05/07/19	924.76	2	2
	Community Accord	19/06/19	11/09/19	264.69	3	4
	Leeds Housing	19/06/19	26/06/19	887.34	0	0
	Aspens Services Ltd Featherstone	19/06/19	05/07/19	478.09	1	1
	Mellors (was Aspens Oasis)	19/06/19	05/07/19	881.12	1	1
	Mellors (was Aspens Appleton)	19/06/19	05/07/19	1413.20	1	1

June 19	Community Accord	19/07/19	11/09/19	264.69	4	5
	Fleet factors Ltd	19/07/19	24/07/19	201.77	2	3
	Aspens services Ltd Featherstone	19/07/19	23/07/19	533.42	2	2

### WYPF Breaches of the Law 2019 -2020

	Mellors (was Aspens Oasis)	19/07/19	23/07/19	904.99	2	2
	Mellors (was Aspens Appleton)	19/07/19	23/07/19	1369.24	2	2
	Arcadis (UK) Ltd	19/07/19	06/08/19	6565.56	0	0
	Carlton Bolling	19/07/19	23/08/19	37551.71	0	0

<b>July 19</b>	Groundwork Leeds	19/08/19	23/08/19	1541.91	0	0
	Community Accord	19/08/19	11/09/19	264.69	5	6
	Aspens services Ltd Featherstone	19/08/19	06/09/19	537.14	3	3
	Consultant Cleaners Ltd WY Fire	19/08/19	28/08/19	102.47	0	0
	Mellors (was Aspens Oasis)	19/08/19	06/09/19	881.12	3	3
	Mellors (was Aspens Appleton)	19/08/19	06/09/19	1366.88	3	3
	Consultant Cleaners LTD (Westborough high school)	19/08/19	28/08/19	374.57	0	0
	Carlton Bolling	19/08/19	23/08/19	29615.69	1	1

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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 8 October 2019**

**M**

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**Subject: 2019 Actuarial Valuation**

### **Summary statement:**

The next triennial actuarial valuation of the Fund will be prepared based on the situation at 31 March 2019, and will determine the level of employers' contributions from April 2020 onwards.

### **Recommendation**

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

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Rodney Barton  
Director WYPF

**Portfolio:**

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**Overview & Scrutiny Area:**

## **1. SUMMARY**

This report provides West Yorkshire Pension Fund Pension Board with an update on the work undertaken to date for the West Yorkshire Pension Fund's 2019 Actuarial Valuation.

## **2. BACKGROUND**

- 2.1 In accordance with the Local Government Pension Scheme Regulations the Fund is subject to an actuarial valuation by its appointed consulting actuary at 31 March 2019.
- 2.2 The main aims of carrying out an actuarial valuation of the Fund are to:
  - Review the financial position of the fund,
  - Determine the employers contribution rates; and
  - Ensure that the legal requirements in relation to the actuarial valuation are met.
- 2.3 The Fund is working with the Fund's Actuary to ensure, wherever possible, any changes to employer's contributions are minimal, to help with budgeting and affordability for employers. This approach is consistent with the Regulations, which specify that the actuary must have regard to the desirability of maintaining as nearly constant a common rate as possible.

## **3. PROGRESS**

- 3.1 The Terms of Reference for the Actuarial Valuation at 31 March 2019 have been agreed with the funds actuary.
- 3.2 The actuary has completed the longevity analysis for the Fund, using data and experience from the last 5 years. This analysis indicates that there has been a slowdown in longevity improvements since the last valuation and this will be taken into account when agreeing the final demographic assumptions.
- 3.3 Data extracts for actives, deferreds, pensioners, preserved refunds and dependants records was supplied in early July and the validation of this information has been completed.
- 3.4 A meeting was held on the 23 September 2019 with the actuary, officers and the Chair of the Joint Advisory Group and Investment Panel to discuss and agree the final assumptions to be used for the Fund valuation.
- 3.5 As a result of the meeting on the 23 September the actuary will now finalise the whole Fund result. Following on from this the individual employers results including the assets, liabilities, primary contribution rate and any deficits payments required will be produced. At the 31 March 2019 the Fund had 430 employers in the Fund.

- 3.6 It is anticipated that the Employer's result will start to be provided from early November. The results for the 5 West Yorkshire Councils, West Yorkshire Police and West Yorkshire Fire and Rescue will be produced first, with the results for the other employers following.
- 3.7 The Fund's Actuary will present an item on the 2019 Valuation at the Funds Employers annual meeting on the 7 November. It is anticipated that the results for the majority of employers will not be available before this meeting, however employers will have the opportunity to hear from the Actuary on the outlook for the valuation.

#### **4. RECOMMENDATION**

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

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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 8 October 2019.**

# N

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**Subject: Update on the Guaranteed Minimum Pension (GMP)  
Reconciliation Exercise**

### **Summary statement:**

This report gives an update on the current position regarding the GMP reconciliation exercise

### **Recommendation**

That the Board note the update in this report and acknowledge the potential additional workloads anticipated from this exercise.

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Director

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## **1. Background**

- 1.1 An exercise is taking place across the pension industry to reconcile pension information held by all private and public sector pension schemes and Her Majesty's Revenue & Customs (HMRC).
- 1.2 The aim of the GMP Reconciliation Exercise is to ensure that pension schemes hold the correct information regarding members' contracted-out service.
- 1.3 It is important to reconcile the GMP element recorded on our system with that held on the HMRC system, to ensure that pensions coming into payment, together with those already in payment, are paid at the correct amount, and that the liabilities of the pension scheme, so far as GMP values are concerned, are represented accurately at each future valuation.

## **2.0 The Reconciliation Process**

- 2.1 HMRC's starting position is usually that its data is automatically correct (although this is not always the case as we have found) unless the pension fund can prove otherwise. This puts the investigative responsibility and costs fully onto the pension fund. The reconciliation will involve investigative work, reviewing data and benefit accrual.
- 2.2 As part of the process WYPF has registered with HMRC's scheme reconciliation service and has received a data file which lists all active, deferred, and pensioner members totalling 229,144 records.
- 2.3 Unlike some other Funds, WYPF is undertaking the exercise fully in house, thereby making substantial savings on costs that are being charged in the market place.

## **3. Stage 1**

- 3.1 We have run a number of reports to enable us to conduct a comparison with the HMRC file and the data held on our pension administration system. This process has provided some headline figures and an early indication of the potential size of the reconciliation issues. This has been used to undertake a baseline reconciliation followed by a more detailed reconciliation/comparison of the results. Early analysis has produced high level results based on data within the Civica pension administration system and data provided by HMRC as indicated below:

Matching Categories	Volumes of Data
Total records received from HMRC	229,144
Members with both a Pension Record and HMRC record but require further investigation	26,793
Members on the HMRC file but no WYPF Pension record found	7,386
Members not on the HMRC file but where our Pension records indicate that there is a contracted out liability	13,219

#### 4. Stage 2

4.1 Information from WYPF system has been uploaded onto the HMRC Workspace area for HMRC to respond to.

4.2 Initial responses have been received for:

- Members on the HMRC file but no WYPF Pension record found (Not in Scheme)
- Members not on the HMRC file but where our Pension records indicate that there is a contracted out liability (In Scheme - where there is a transfer in – 2056 records)

4.3 It is not expected that all variances will need to be investigated. Guidance has been issued by a working group set up by HM Treasury on the general approach that LGPS Funds should take in GMP Reconciliation. It recommends that the following member data should be reconciled:

- Scheme members who have not yet reached state pension age and who have any service between 6 April 1978 and 5 April 1997
- Non-members who the Pension scheme believe it has already discharged its liability (through, for example, transferring out their benefits to another pension scheme or payment of a refund of contributions).

4.4 The HM Treasury working group also provided the following recommendations on how any discrepancies identified through the reconciliation process should be dealt with:

- Pensioners that have been underpaid should receive their pension arrears in full, with interest in accordance with scheme rules.
- Cases where pensioners have been overpaid should be considered in the context of the overall extent of any overpayments, and a view taken over

whether there will be value for money recouping overpayments

- Where discrepancies are small, for example if a service period discrepancy is less than a year, or if the discrepancy in weekly GMP amount is no more than £2, schemes should use the data provided by HMRC in respect of any individuals who have not reached state pension age, or the data held by the scheme in respect of any individuals who have reached state pension age.

4.5 The Local Government Association (LGA) has recommended the following approach to post 5 April 1997 contracted out data:

- Where contracted-out records appear on HMRC records but no corresponding LGPS pension records exist within its fund, LGPS Administering Authorities should investigate all cases
- Where dates of contracted-out service differ, each LGPS Administering Authority should only investigate those cases where in its view there is a significant risk to LGPS benefits or process
- Where contracted out records do not appear on HMRC records but an LGPS pension record exists within the fund, each LGPS Administering Authority should notify HMRC of the discrepancy but only investigate those cases where in its view there is a significant risk to LGPS benefits or process.

4.6 WYPF is at this stage of the reconciliation process. Information received from HMRC is now being investigated by WYPF which is leading to further queries being raised with them.

4.7 Progress has been slower than originally planned due to other priorities and work commitments within the IT team.

## **5. Stage 3**

6.1 Once the liabilities have been identified there will need to be a reconciliation of the Pension Payroll, this will require the adjustment of pensions in payment.

6.2 As part of this final phase of the project, a communication strategy will need to be developed to ensure that communication is clear to individual pensioners affected by the reconciliation exercise, and where a pension in payment needs to be adjusted, to enable them to understand the potential impact of any adjustment.

## **6. Shared Service Clients**

- 6.1 WYPF is also undertaking the reconciliation work for Lincolnshire Pension Fund, Hounslow Pension Fund (at stage 3) and eleven of the fourteen Fire Authorities.

## **7. Resource Requirements**

- 7.1 Currently the project is being managed within the IT team, mainly because of the exchange of bulk information with HMRC. However, staff with pensions and pensions payroll knowledge will soon need to get involved with the project, particularly at the recalculation of pensions stage.

## **8.0 Conclusion**

- 8.1 GMP Reconciliation is a large-scale and reasonably long-term project. Work is underway and will continue for some time yet.
- 8.2 The GMP Reconciliation project has placed additional burden and pressures on the Fund but once records are reconciled it will mean that members are getting the correct benefits resulting from the GMP paid from WYPF and the State pension.

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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 8 October 2019.**

**O**

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**Subject: WYPF Data Improvement**

### **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.

### **Recommendation**

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

---

Rodney Barton  
Director

**Portfolio:**

**[Insert where appropriate]**

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**Overview & Scrutiny Area:**

**[Insert where appropriate]**

## 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 In 2018, for the first time, Local Government Pension Funds were required to report on the quality of common and scheme-specific data in their Pension Regulator scheme returns.
- 2.2 The Pensions Regulator's (tPR) guidance requires that scheme should:
- Continually review their data and carry out a data review exercise at least annually
  - Where a review of scheme's data identifies poor or missing data, a data improvement plan should be put in place to address these issues.
- 2.3 There are two types of data that should be measured: common data and scheme specific data.
- **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.
  - **Scheme specific data** (also known as conditional data) – essential to calculate benefits entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during and individual's member ship, for example transfers.
- 2.4 As a result of measuring the data a data score is calculated. A data score is the percentage of members in the scheme that have been assessed as having complete and accurate common or scheme specific data.
- 2.5 The latest version of the 2018/19 Data Improvement plan is at Appendix A. The plan has been updated with the results for September 2019.
- 2.5 In 2018 the Local Government Association (LGA) started a project to develop list of scheme specific data for the LGPS. Unfortunately this work was not completed until July 2019. As a result Funds were advised to assess what they thought were scheme specific data, and use this for 2018 tPR scheme return.
- 2.6 Work has now been completed by the LGA and a final list of scheme specific data to be used was launched on 8 July 2019. Work is continuing to adjust the data quality reports to take into account the new scheme specific requirements. The Data quality score that will be provided for the Pension Regulator scheme return in autumn will be produced using the final list of scheme specific data.

2.7 A copy of the list of Scheme specific data the Fund is required to monitor against can be found at Appendix B.

### **3. APPENDIX**

- Appendix A – 2018/19 Data Improvement Plan
- Appendix B – List of Scheme Specific data issued by the LGA

### **4. RECOMMENDATION**

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

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## West Yorkshire Pension Fund

### Data Improvement Plan 2018/19

#### 1. Introduction

- 1.1 This document defines the data improvement plan of the Pension Administration section of West Yorkshire Pension Fund (the Fund).
- 1.2 The Fund collects and holds large amounts of digital and paper based data and is heavily reliant on the timely receipt of quality data from employers, in order to effectively administer the Local Government Pension Scheme (LGPS).
- 1.3 Fundamentally, the purpose of the LGPS is to pay the correct pension benefits to its members when they become due. It is therefore imperative that the Fund achieves and maintains the highest possible data quality standards, to comply with its core functions and to ensure the cost effective use of resources.
- 1.4 The LGPS continues to face ongoing legislative change with oversight of administration and governance now falling under the remit of the Pension Regulator, with a heightened responsibility on scheme managers and local pension boards to ensure data is readily available and fit for purpose at all times.
- 1.5 The legal requirements relating to scheme record keeping are set out in the Public Service Pensions (Record Keeping and Miscellaneous Amendments) Regulations 2014.
- 1.6 The Pension Regulators guidance requires that schemes should:
  - Continually review their data and carry out a data review exercise at least annually
  - Where a review of the scheme's data identifies poor or missing data a data improvement plan should be put in place to address these issues

#### 2. The Pension Regulator Annual Scheme Return

- 2.1 Annually the Pensions Regulator (tPR) issues a scheme return which should be completed and returned. From 2018 each Pension Fund is required to include in the return a Data Quality Score which has two types of data:
  - **Common data** – used to identify scheme members and includes name, address, national insurance number and date of birth.
  - **Scheme-specific data** – essential to calculate benefit entitlement such as pensionable pay and service history. It also encompasses data relating to events that occur during an individual's membership, for example transfers etc.
- 2.2 tPR has issued a quick guide on measuring scheme data which states that one piece of missing data, such as a current address on a deferred member's record should be reported to them as a failed record.

### 3. Key Objectives

The key objectives of this plan are to:

- Ensure member, pensioner, deferred and beneficiary records are maintained as accurately as possible to ensure benefits are paid correctly on time, members receive a high standard of service and the fund is able to meet legal obligations.
- Ensure Investment and Administration costs are reliable/correct.
- Ensure data supplied to the Fund's actuary for the valuation is as accurate as possible so the correct liabilities can be calculated.
- Ensure the Fund complies with tPR's Code of Practice.

### 4. Outcomes

Outcomes of an improvement in the data held by the Fund are:

- Improvement of tPR data score for Common and Scheme Specific (also known as conditional) data.
- Increase in the number of Annual Benefit Statements (ABS) issued by 31 August each year./members aware of the value of their benefits.
- Reduction in the number of Internal Dispute Resolutions (IDRPs) received for incorrect calculation of benefits or delays in paying benefits.
- Reduction in the number of queries from the Fund's Actuary at valuation time.
- Reduction in the number of queries received when ABS are sent out.
- Reduction in administration costs due to increased efficiency.
- Reduces the likelihood of the Government Actuary Department rejecting data for the scheme valuation.
- Improves accuracy for IAS19 valuations.
- Reduction in delays for calculating and paying retirement benefits, death benefits, transfers out.
- Reduction in the queries between WYPF and Employers
- Reduction of breaches recorded on the Breaches Register (e.g. due to ABS being issued late).

## **5. Additional general responsibilities relating to Data Improvement as follows:**

### **5.1 Fund Officers**

- Fund officers continually review and ensure data collected is fit-for-purpose and processes are in place to monitor accuracy and timeliness. All processes have working instructions in place to assist with staff training, understanding and compliance.
- Team Managers are responsible for ensuring that staff have the appropriate level of UPM access to fulfil their duties and access is withdrawn upon the member of staff leaving WYPF. This minimises the risk of accidental loss, errors and unauthorised activity.

### **5.2 Scheme Employers**

- The Fund is reliant upon the accuracy, completeness and timeliness of data submitted by scheme employers and any third party agencies that they may utilise e.g. outsourced payroll providers.
- The Fund will work with scheme employers throughout the year to support the provision of data to the required standard.
- Details of the information employers are required to provide and the financial penalties should they fail to do so are detailed in the Fund's Pensions Administration Strategy.

## **6 Ongoing Data Cleansing**

### **6.1 Monthly Returns data quality checks**

WYPF embraced monthly contribution postings several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member records. The benefits include ensuring that employee's contributions, member's personal details, and financial records are up to date, accurate and complete.

### **6.2 LGPS National Insurance Database**

Administered by South Yorkshire Pension Fund Authority on behalf of the Local Government Association (LGA), the secure National Insurance Database was developed for Local Government Pension Scheme (LGPS) administering authorities to share data to prevent duplicate payment of death grants. This follows changes to Scheme Regulations in 2014 where payment of a death grant in respect of a member with entitlement across multiple membership categories is restricted to an aggregate payment value in relation to any active or pensioner/deferred membership. When processing the death of a scheme member, officers will check the LGPS National Insurance Database for the existence of membership at other LGPS Funds. (Please note not all LGPS administrators are part of this database).

### **6.3 'Tell Us Once' Service**

The secure LGPS National Insurance Database also facilitates the integration of the Fund's membership profile into the Department of Work and Pensions (DWP) 'Tell Us Once' service (TUO). The service allows a person registering a death to request that the DWP pass on the deceased's information to other government services and council services. If the deceased is a member of the Fund, as determined by the LGPS National Insurance Database, an email notification is received informing the designated officers that a copy of the death certificate is accessible on the secure government gateway.

### **6.4 National Fraud Initiative**

The National Fraud Initiative (NFI) matches electronic data within and between public and private sector bodies to prevent and detect fraud. These bodies include police authorities, local probation boards, fire and rescue authorities as well as local councils and a number of private sector bodies. WYPF submit data to National Fraud Initiative on a regular basis to identify deceased members and members who are no longer entitled to receive a pension.

### **6.5 Mortality screening and tracing service**

WYPF engage with a Tracing Bureau for both monthly mortality screening and for members we don't have a current address for. For deferred members, where a current address for a lost contact cannot be found by the Tracing Bureau, a more detailed check is carried out 3 months before payment of pension is due.

### **6.6 Annual Benefits Statement (ABS) checks**

Before producing an ABS each year certain checks are applied to active records to ensure accurate data is used in the production of the ABS. These checks include:

- Ensuring contributions are received for every month during the year,
- Checks to make sure there are no spikes in care pensionable pay,
- Checks to ensure the final pay has not increased by 20% or decreased by 10%,
- Checks to ensure there aren't any outstanding processes,
- Address check to compare the address held on the record and that supplied on the monthly return,
- Identifying casual workers.

If these checks identify further information is required from an employer the ABS production for this case will be blocked and a query will be referred back to the employer. Upon receipt of the appropriate information the record will be updated and the ABS will be released for production.

### **6.7 Deferred pensions increase**

As part of the annual deferred pensions increase process certain data errors are identified and pensions increase is blocked until they are resolved. These errors include:

- Incorrect elements present,
- Spouse elements that don't match member elements,
- Incorrect dates for the first entry after the member is deferred,
- Data errors are corrected to allow deferred pensions increase to run on to individual deferred folders.

### **6.8 Annual deferred benefit statements**

Before producing the annual deferred benefit statements data errors that would result in potentially incorrect statements being produced are identified. These include:

- Deferred pensions increase not updated
- Multiple 'normal payment' dates being held on the deferred folder
- Multiple entries for the same date shown on the pension history screen
- Initial entries on the pension history missing
- Service start date mismatches

Once these errors are resolved and the records is updated the deferred ABS will be released for production.

## **7 Data errors**

When tackling data errors the following considerations will be used when making the decision on the priority of errors to be resolved:

- Priority identified on the error report
- Data improvement plans objectives

## **8. Frequency**

Data Quality reports will be run on a quarterly basis to measure the data quality scores and identify any further action that may be required.

## **9 Appendices**

- Appendix A details the Data Quality scores and errors
- Appendix B details to work planned to deal with the data errors identified.

## Appendix A WYPF results

	Nov 18	Feb 19	June 19	Sept 19
TPR Score – Common	95.83%	96.19%	96.15%	96.24%
TPR score - Conditional	97.86%	98.38%	93.61%	93.79%

<b>Breakdown of activities</b>	Nov 18	Feb 19	May 19	Sept 19
Count of Missing, Bad or Temp NI Number	457	440	444	445
Count of Surname Missing	3	3	3	4
Count of Forename(s) Missing	4	4	4	5
Count of Sex Missing	113	98	89	82
Count of Bad Date of Birth	6	6	5	82
Count of Address Missing	9887	8982	8793	8678
Count of Postcode Missing	151	147	147	144
Count of No Date Joined Scheme	27	26	26	25
Count of No Folder Status History	6	7	7	6
Count of Folder Status/ Status History Mismatch	123	146	251	89
Count of Multi FolderStatHist Entries on Same Day	174	184	223	236
Count of Missing or Bad Expected Retirement Date	1342	1319	1288	1282
Count of No Folder Scheme History	26	25	26	25
Count of Missing Date Joined Employer	33	28	27	28
Count of Missing Earnings	3516	1478	858	584
Count of Invalid Part Time Service Present	5	1	1	1
Count of Missing CARE Benefit	4048	2098	1464	1103
Count of Missing CARE Revaluation Rate	3311	1446	871	606
Count of Invalid PSO or Sharing Order	228	227	228	227
Count of Invalid Contracted Out Date	26	24	30	30
Count of Missing Initial Pension (Def)	97	104	109	110
Count of Invalid Deferred Payment Date	63	100	15	43
Count of Missing Initial Care Pension (Def)	216	228	221	224
Count of Missing SPA Date (Def)	8	2	2	3
Count of Missing CARE Initial Pension	30	32	31	35
Count of Beneficiary Link to Pensioner Missing	2619	2545	2496	2433
Count of Beneficiary Type Missing	2619	2545	2496	2433
Count of start data inconsistency		3477	2859	2822
Count of missing final salary (Def)			6923	7437
Count of invalid transfer in present				48

Appendix B at November 18

Data Category	Category	Issue at November 2018	Priority	Resolution required	Responsibility	Progress/ Notes	Deadline
NI Number	Common	454 cases where Temp NI	Low				
		43 actives		Obtain correct Ni number from employer	Comms		Nov19
		43 beneficiaries		Report to be expanded to identify if beneficiary lives overseas	IT	Spot checked and cases are overseas beneficiaries who may not have ever been to UK therefore will not have a NINO	Nov19
		46 deferred members		Write to member to obtain NI	Comms		Nov 21
		2 deferred ex-spouse		Write to exspouse to obtain NI	Comms		Nov 21
		7 leaver options pending		Write to member to obtain NI once leaver form received	Service Centre		Nov 21
		1 pensioner			SC5	This is a pensioner from the Isle of man and HMRC have informed us to not use the Nino of file	completed
		312 preserved refunds			Service Centre	All file notes have been reviewed and not been able to identify NINO from the records.	Nov 21
Surname and Forename	Common	7 Cases	Low		Development Team		
		3 deferred (forenames)		Interrogate records			Nov 21
		1 leaver options pending (forenames)		Interrogate records			Nov 21
		2 deferred (Surnames)		Interrogate records			Nov 21

		1 Leaver options pending (surname)		Interrogate records			Nov 21
Sex	Common	113 cases	Low		Development Team		
		93 active		To interrogate records manually and update as required			Nov 21
		2 deferred		To interrogate records manually and update as required			Nov 21
		18 leaver options pending		To interrogate records manually and update as required			Nov 21
Date of Birth	Common	6 cases	Medium		Comms IT Service Centre		
		1 active		Interrogate record or obtain info from employer			Nov 20
		3 beneficiary pensioner		Report to exclude cases where DOB is with 12 months of data of death		3 records are for children's pensions so are correct.	Nov 20
		2 deferred		Interrogate record			Nov 20
Address and postcode	Common	9887 addresses missing and 151 post codes missing	Low				
		421 Actives		Contact Employer for addresses	Comms		Nov 21
		15 beneficiaries		Interrogate record	SC5		Nov 21

	6890 deferred		Tracing service on a rolling program	Service Centre		Rolling program
	4 deferred ex spouse		Tracing service on a rolling program	SC5		Rolling program
	1 full commutation			SC5		
	104 leaver option decisions		Obtain info from former employer	Employers		Nov 19
	114 pensioners		Interrogate record	SC5		Nov 21
	1 pensioner deferred		Interrogate record	SC5		Nov 21
	2334 preserved refunds		Accurate Data Service engaged to carry out address tracing for deferred and preserved refunds members	Service Centre		Nov 21
	1 pensioner (post code)		Postcode checker	Service Centre		Nov 21
	150 preserved refunds (postcode)		Accurate Data Service engaged to carry out address tracing for deferred and preserved refunds members	Service Centre		Nov 21
	3 serious ill health		Postcode checker	Service Centre		Nov 21

No Date joined scheme	Common	27 cases:	Medium				
		1 active		Interrogate record	Service Centre		Nov 20
		1 preserved refund		Interrogate record	Service Centre		Nov 20
		25 pensioner ex spouse		Interrogate records	Sc5		Nov 20
No folder Status	Common	6 cases:	High				
		1 Active		Interrogate records	Service Centre		Nov 19
		5 beneficiary pensioner		Interrogate records	Sc5		Nov 19
Folder Status/ Status History mismatch	Common	123 cases:-	Medium				
		22 active		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
		3 deferred		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
		1 deferred ex spouse		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
		68 leaver options decision		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
		5 pensioner		Review cases as it	Finance		Nov 19

				appears they might be changes to folder status from monthly postings			
		18 preserved refunds		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
		6 serious ill health		Review cases as it appears they might be changes to folder status from monthly postings	Finance		Nov 19
Multi folderStatus 2 entries on Same day	Common	174 cases :-	Low				
		8 deferred		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
		18 leaver options decision		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21
		133 pensioner		Need to look at each case as it appears they might have moved onto 2 status on the same day	Sc5		Nov 21
		1 pensioner ex spouse		Need to look at each case as it appears they might have moved onto 2 status on the same day	Sc5		Nov 21
		14 preserved refund		Need to look at each case as it appears they might have moved onto 2 status on the same day	Service Centre		Nov 21

Missing or bad expected retirement date	Common	1342 active cases	Low	Spot check a number of records and identify if bulk update is required	IT		Nov 21
No folder scheme history	Common	26 cases:-	Medium				
		1 active		Interrogate record	Service Centre		Nov 20
		25 pensioner ex spouse		Interrogate record	Sc5		Nov 20
Missing Date joined employer	Scheme specific	33 active cases	Low	To interrogate records poss intrafunds transfer	Service centre		Nov 21
Missing earnings	Scheme specific	3516 active cases	High	Majority Awaiting leaver/pensioner benefits to be calculated in Service Centre	Service Centre		Deal with in accordance with KPI targets
Invalid part time service present	Scheme specific	5 cases:-	Low				
		1 deferred		Interrogate records PT indicator but no PT hours recorded –	Service Centre		Nov 21
		4 actives		Interrogate records PT indicator but no PT hours recorded –	Service centre		Nov 21
Missing CARE benefits	Scheme specific	4048 active cases	High	Either outstanding leaver form to be received – To be chased up monthly by Comms or outstanding work in service centre.	Service Centre/ Comms		Deal with in accordance with KPI targets

Missing CARE revaluation rate	Scheme specific	3311 active cases	High	Either outstanding leaver form to be received – To be chased up monthly by Comms or outstanding work in service centre.	Service Centre Comms	Working with the employers is resulting in outstanding leaver forms being sent in Work in the service centre is reducing backlogs.	Deal with in accordance with KPI targets
Invalid PSO or Sharing Order	Scheme specific	228 cases:	Low	IT to alter the report so it does not pick up ex spouse surname	IT		
		59 actives					Nov 21
		36 deferreds					Nov 21
		133 Pensioners					Nov 21
Invalid contracted Out date	Scheme specific	26 cases:-	Low				
		11 actives		Interrogate records	Service Centre	Nov 21	
		1 deferred		Interrogate records	Service Centre	Nov 21	
		8 pensioners		Interrogate records	SC5	Nov 21	
Missing initial pension (DEF)	Scheme specific	97 deferred cases	Low	Possible bare EPB cases. To interrogate and sample records	IT		Nov 19
Invalid deferred Payment date	Scheme specific	63 deferred cases	Low	KN -Historic cases which are updated an annual basis via a report.	MSM (KN)		Annual rolling program

Missing SPA date (DEF)	Scheme specific	8 deferred cases	Low	Team to investigate	Service centre(TE L)		Nov 21
Missing CARE initial Pension	Scheme specific	30 pensioner cases	Low	Email sent to IT 18/12/18 asking for the report to be expanded as the majority of cases appear to be correct	IT		Nov 19
Missing initial CARE pension (DEF)	Scheme specific	216 deferred cases	Low	Team to investigate  Spot check a number of cases as it might be where member joined right at the end of the year and no care benefits	Service Centre		Nov 21
Beneficiary link to Pensioners missing	Scheme specific	2619 beneficiary pensioner cases	Low	Speak to MSM - Pensioner Services	SC5		Nov 21
Beneficiary type missing	Scheme specific	2619 beneficiary pensioner cases	Low	Speak to MSM – Pensioner Services	SC5		Nov 21

This improvement plan primarily aims to address the key issues identified from the Funds Data Quality review and data quality score and details the plans in place to improve the data we hold.

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## 1.1 Member Benefits

Scheme specific data to be tested	TPR Guidance	Status of members	Recommended Tests
Divorce Details	If a member has had a pension sharing order, check that full details of the benefits transferred to the ex-spouse/ex-civil partner are present.	Actives, deferreds and pensioners	<p>Check there is a value for pension debit</p> <p>Dates for the calculation and payment should be equal to or later than 01/12/2000</p> <p>Check there is a value for a transfer out in respect of the divorce</p> <p>Check the pension debit split is valid. E.g. not 0, blank or over 100%</p>
Transfers in	If benefits have been transferred in, check that all relevant details are recorded. This will include (as a minimum) the details of the previous scheme, the amount of the transfer value (split between protected rights and non protected rights and, if relevant, split between the amount received in respect of the member and employer contributions and AVCs), benefits secured, (if relevant) contracting out details.	Actives and deferreds	<p>Date the transfer in was received is present</p> <p>Ensure the transfer in value isn't blank or 0</p>

Additional Voluntary Contribution (AVC) Details and other additional benefits	Check that there is a history of any AVCs paid, type of investment, current provider, and (if relevant) benefits being secured	Actives and deferred	<p>Ensure an AVC start date is present</p> <p>Added years contract must have a period of added years</p> <p>Added pension contract must have amount of added pension</p>
Total Original Deferred Benefit	Check that total original deferred benefit is present (either derived or explicit).	Deferred	<p>Check there is a total initial pension and current pension</p> <p>Check there is a PI effective date and that it is later than the date the member joined the fund</p>

Tranches of Original Deferred Benefit	Check that there is a breakdown of the various tranches of the total deferred benefit. This must identify tranches with different rates of increases either in deferment or in payment, and tranches with different contingent spouse's/civil partner's benefits. Likely to include such items as pre/post 1997 splits, pre/post 2005 splits, Barber splits, VFM underpin etc. Details of the date at that any tranche is payable, if different from the scheme's normal retirement date, will also be required. The sum of the individual components must equal any total deferred pension that is recorded on the system.	Deferred	Ensure member has the relevant tranche  If a member has service between 01/04/2008 (09 S&NI) and 31/03/2014 (15 S&NI) then ensure there is a 60ths tranche  If a member has service post 31/03/2014 ensure they have a CARE tranche
Total Gross Pension	Check that a total pension is present (either derived or explicit).	Pensioners (including suspended tier 3)	Check there is a total initial pension and current pension  Check there is a PI effective date and that it is later than the date the member joined the fund

Tranches of Pension	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.	Pensioners (including suspended tier 3)	<p>If a member has service between 01/04/2008 (09 S&amp;NI) and 31/03/2014 (15 S&amp;NI) then ensure there is a 60ths tranche</p> <p>If a member has service post 31/03/2014 ensure they have a CARE tranche</p> <p>If the member has 50/50 benefits ensure there is a 50/50 tranche</p> <p>Latest PI date applied equals the latest PI date processed</p>
Total Gross Dependant Pension	Check that a total pension is present (either derived or explicit).	Dependant	<p>Check there is a total initial pension and current pension</p> <p>Check there is a PI effective date</p>
Tranches of Dependant Pension	Check that there is a breakdown of the various tranches of the total pension, identifying tranches with different rates of increase and contingent spouse's/civil partner's benefits. The sum of the individual components must equal any total pension that is recorded on the system.	Dependant	<p>Ensure member has the default tranche</p> <p>If a member has service between 01/04/2008 (09 S&amp;NI) and 31/03/2014 (15 S&amp;NI) then ensure there is a 60ths tranche</p> <p>If a member has service post 31/03/2014 ensure they have a CARE tranche</p>

## 1.2 : Member Details

Date of Leaving	For trust-based schemes, check that member has a date of leaving that is after date joined	Deferreds and pensioners	Check that all non-active members have a date of leaving  Ensure that date joined is present and later than 01/01/1900. Date joined should also be earlier than date of leaving
Date Joined scheme	Check that the date joined scheme is present, later than date of birth, and not earlier than date joined company. False dates should be classed as missing data.	Actives, deferreds and pensioners	Check that all key dates (date joined, DoB, Date of hours changes, date joined employer) are present and later than 01/01/1900
Employer Details	For members of multi-employer schemes check that date joined employing company is present and is later than date of birth. False dates should be classed as missing data.	Actives, deferreds and pensioners	Employer details such as the members employer and date joined employer are present.
Salary	Check that there is at least one relevant salary within the last 12 months of membership.  Check that a relevant salary exists for each of the last 5 renewal periods of membership and is greater than £0.50.	Active and deferreds	Ensure at least one relevant salary present in last 12 months of membership

### 1.3 : Care Benefits

CARE Data	Check that accrued benefit details are present if they are updated and recorded annually. If benefits are calculated from first principles when member leaves, all relevant salary & contribution will be required instead.	Actives, deferreds where active or date of leaving is after 31/03/2014 (15 S&NI)	Main or 50/50 benefits must be recorded for each year unless the member joined after the end of the previous scheme year
CARE Revaluation	Check that there is a history of revaluation percentage for the accrued pension for each relevant year, if benefits have not been not uprated and recorded annually.	N/A	Revaluation field must be present and have an entry for each 31/03 from 2015 (16 S&NI) to date

### 1.4 : HMRC

Benefit Crystllation Event (BCE) 2 and 6	Check that full details of the dates and amounts paid at each benefit crystallisation event, including details of LTA percentage used, are present.	Pensioners (including suspended tier 3) that left after 05/04/2006	Check that crystallisation date is present and not earlier than date of leaving, that a PLA value and % are present and also PCLS amount present if a lump sum paid
Lifetime allowance	Check that the date and amount of any lifetime allowance charge paid is present.	Pensioners (including suspended tier 3) that left after 05/04/2006	If PLA is higher than 100% an LTA charge should be recorded

Annual allowance	None	Active	Check all active members have had an annual allowance calculation run for each scheme year
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### 1.5 : Contracting Out

Date Contracted Out	Check that this is present and not earlier than 06/04/1978.	Actives, deferreds and pensioners	Ensure that the following are stored on the member's record:  Contracted out date present if active before 06/04/2016  Contracted out date must be after 05/04/1978  Contracted out date must be earlier than 06/04/2016
NI contributions and earnings history	Check that members have a full contracted-out history during any period contracted out on a GMP basis. A verified GMP, agreed with NISPI, would be an acceptable alternative. Not required for reduced rate females.	Actives, deferreds and pensioners	A non-active must have a date of retirement and date of leaving  EITHER a full NI earnings history OR a GMP must be present
Pre-88 GMP	Check that a member with at least one month of pre 4/88 contracted out service has a pre 88 GMP. GMP must be divisible by 52. May be derived if total GMP and post 4/88 GMP are recorded.	Deferreds and pensioners	Ensure that the following are stored on the member's record:  Total GMP at exit must be present if Date Contracted Out < 06/04/1988  Total GMP at exit must not be less than post-88 GMP  Total GMP at exit must be divisible by 52

Post-88 GMP	Check that a member with at least one month of post 4/88 service contracted out on a GMP basis has a post 88 GMP. Can be derived or explicit.	Deferreds and pensioners	<p>Ensure that the following are stored on the member's record:</p> <p>Total GMP at exit must be present if Date Contracted Out &gt;05/04/1988 and &lt; 06/04/1997</p> <p>Post-88 GMP at exit must be present</p> <p>Post-88 GMP at exit must be divisible by 52</p>
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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 8 October 2019.**

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**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.

A presentation on 5 risks from the 22 above their tolerance levels identified in this report will be given, 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.

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Rodney Barton  
Director

**Portfolio**

Report Contact Yunus Gajra  
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**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 a presentation 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 all risks over time.
- 2.2 The risks to be covered at this meeting are:-

- Risk 31(b) External fraud – Returned payments/payslips
- Risk 43 Customer satisfaction drops below acceptable levels
- Risk 44 Payroll failure
- Risk 45 Industrial Action
- Risk 48 Prompt payment of pension

## 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

# **WYPF Departmental Risk Management and Opportunities Report**

## **Introduction**

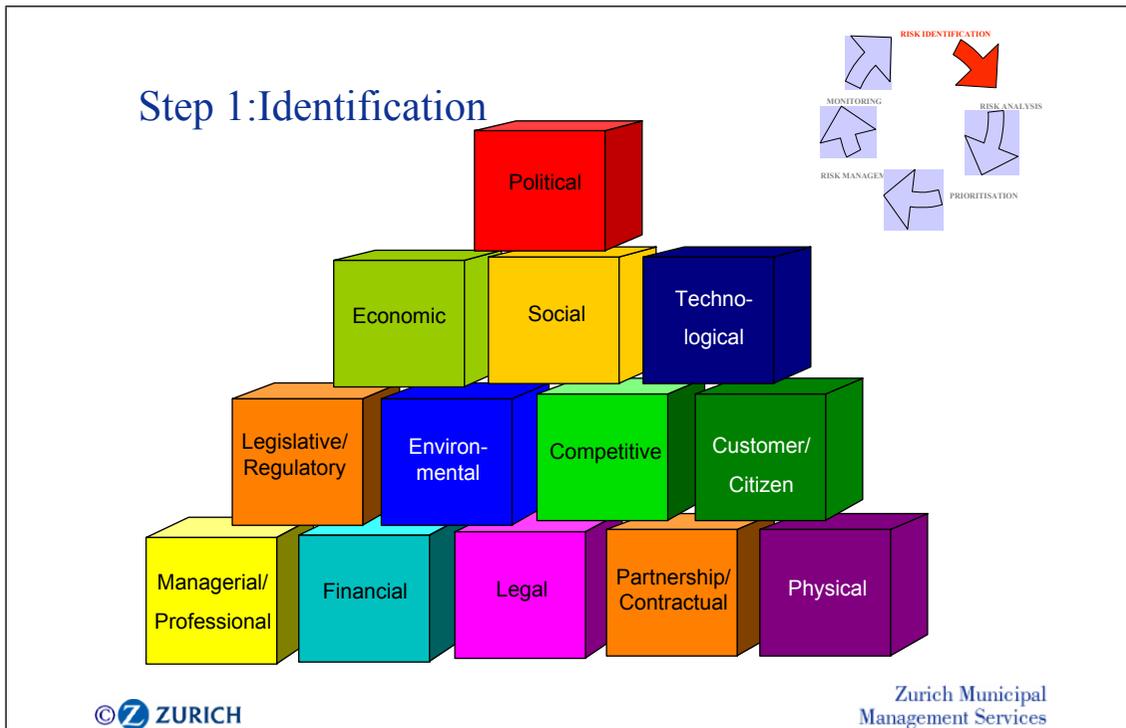
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed 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

### 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
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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

**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

### 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:

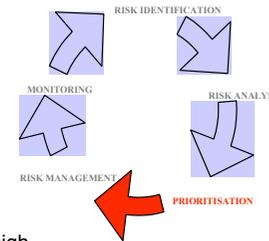
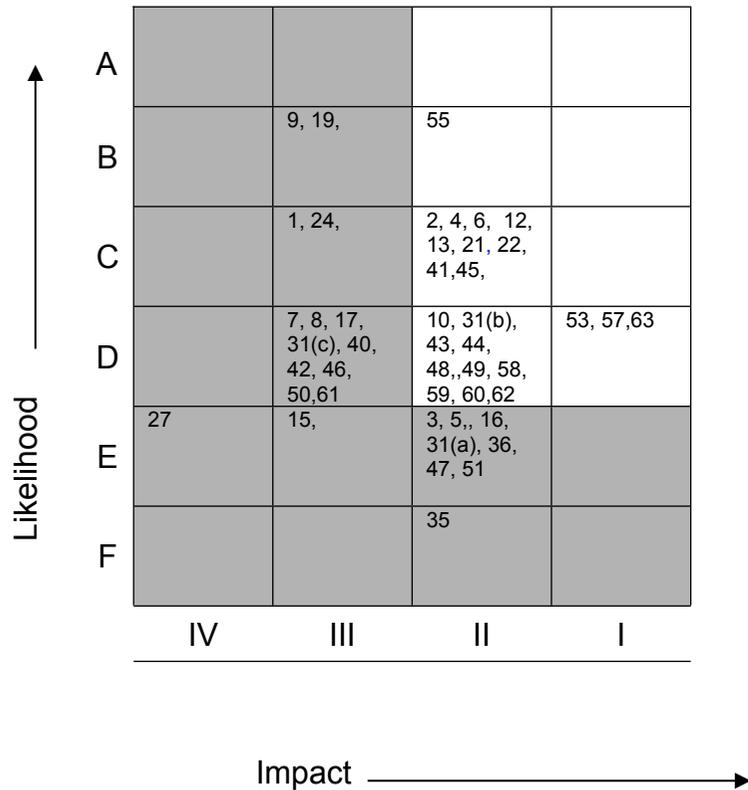
Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG and Pension Board members
10	Improved Pensions and Investments systems are not developed
12	Lack of information 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, 46 risks have been identified and framed into scenarios. The risks identified have been rated, 23 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"> <li>• Falls in expected investment returns</li> <li>• Fall in markets values</li> <li>• Rising inflation</li> <li>• members living longer</li> </ul> <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 400+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and Iss become out of date</li> </ul> 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"> <li>• Civica user group</li> <li>• LGPS group</li> <li>• Payroll user group</li> </ul>	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 Hafiz Rahman	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.	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.	Hafiz Rahman	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,	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure.	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	Hafiz Rahman/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 <sup>rd</sup> 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"> <li>• Budget doesn't meet demand</li> <li>• Criticised for not providing a good service</li> <li>• Bad publicity</li> </ul>
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"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>• Political impact</li> <li>• Customer complaints about 'pension pay-offs'</li> </ul>

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"> <li>• The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level</li> <li>• Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisors and do not challenge advice</li> <li>• panel composition not representative of all bodied in the Fund</li> <li>• 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</li> <li>• Unstable contribution rates</li> <li>• Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF</li> </ul>

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"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and ISS become out of date</li> <li>• Less time to make up any deficits so more unstable contribution rates</li> </ul>
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"> <li>• Budget cut</li> <li>• Actively look at outsourcing/partnership</li> <li>• Look at alternatives</li> <li>• Project process unmanageable</li> <li>• Lack of trust in information provided</li> <li>• Closer scrutiny of pension fund activities</li> </ul>
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"> <li>• Loss of effective support</li> <li>• Learning curve</li> </ul>

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"> <li>• Loss of control over budget spend</li> <li>• Imposition of "Bradford" systems inappropriate to WYPF</li> <li>• Politicises JAG and Investment Panel</li> <li>• Service delivery reduced</li> <li>• Diversion from core activity</li> </ul>
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"> <li>• Admin costs rise to unacceptable levels</li> <li>• Culture change</li> <li>• Cost pressure</li> <li>• Fail to become provider for Yorkshire region</li> <li>• Staff relocation</li> <li>• Staff redundancies</li> <li>• Bad publicity for Bradford</li> <li>• Become provider for Yorkshire</li> <li>• Increased resource requirement</li> <li>• Good publicity</li> </ul>

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"> <li>• Risk of non-compliance – bad publicity and fines</li> <li>• Dilutes development of systems</li> <li>• Increased admin costs</li> <li>• Increased communications costs</li> </ul>
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"> <li>• E-government cannot be supported</li> <li>• Increased time and support needed for number crunching</li> <li>• Less added value support</li> </ul>
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"> <li>• People can't access vital information in a timely manner</li> <li>• Sustainability issues</li> <li>• Transcription errors</li> <li>• Delays</li> <li>• Invalid employer contribution rates set</li> <li>• Invalid ABS's sent to members</li> <li>• ABS's not sent to members</li> <li>• Non compliance</li> <li>• Bad publicity</li> <li>• Key objective not met</li> </ul>
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"> <li>• Can't back up the data</li> </ul>

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"> <li>• Loss of service</li> <li>• Permanent data loss</li> <li>• Loss of income</li> <li>• Inability to pay pensioners</li> </ul>
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"> <li>• other systems available but enforced change time consuming</li> <li>• pressure on staff</li> </ul>
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"> <li>• Loss of data</li> <li>• Corrupt data</li> <li>• Incorrect payments</li> <li>• Breach of DP Act</li> </ul>

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"> <li>• Learning curve</li> <li>• Pressure on remaining staff</li> <li>• Reduction in service delivery</li> <li>• Delays in development work</li> </ul>
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"> <li>• Benchmarking costs rise</li> <li>• Increased pressure on staff</li> <li>• Don't adopt legislation</li> <li>• Service criticised</li> <li>• Duties and responsibilities not fully adopted</li> <li>• Ombudsman cases</li> <li>• Incorrect payment of benefits</li> <li>• Growing complexity of administration</li> <li>• Risk of non compliance</li> <li>• Key objective not met</li> <li>• studies not completed</li> <li>• general pensions knowledge declines</li> <li>• give ill advice</li> <li>• pressure on staff</li> <li>• staff don't have up to date, consistent knowledge and understanding</li> </ul>
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"> <li>• Staff frustrated</li> <li>• Reduced level of service to other employers</li> </ul>

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"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> <li>• Adverse impact on service delivery</li> <li>• Loss of experienced staff</li> <li>• Stagnation</li> <li>• Carrying vacancies</li> </ul>
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"> <li>• Act 'ultra vires'</li> <li>• Promises made that can't be met</li> </ul>
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. <a href="#">Link with 8</a>	Don't develop PI's within an overall performance framework	<ul style="list-style-type: none"> <li>• Can't manage performance effectively</li> <li>• Fail to meet explicit objective</li> </ul>

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"> <li>• overpaid pensions</li> <li>• court cases</li> <li>• time commitment</li> <li>• key objective not met</li> </ul>
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 <a href="#">Link with 13</a>	Unable to provide service	<ul style="list-style-type: none"> <li>• key objective not met</li> </ul>
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"> <li>• loss of income</li> <li>• key objective not met</li> </ul>
40	D3	Political/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"> <li>• Panels, fund managers, advisors operate in an un-coordinated way or set their own parameters for performance</li> <li>• Individuals performance not gauged and remedied where necessary</li> <li>• Sub-optimal performance of investments</li> <li>• Poor long term investment performance</li> <li>• Missing assets</li> <li>• Disputes over title</li> <li>• Late reports</li> <li>• Changes to assumptions mid stream</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Targets not set</li> <li>• Timescales not set</li> </ul>
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"> <li>• Low funding level will raise ER's contribution rate</li> <li>• ER's contribution rate unsustainable pressure on LGPS from Central Govt.</li> <li>• Employers cease admitting new members</li> <li>• Employers stop joining the Fund</li> <li>• Then becomes risk 4</li> </ul>

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"> <li>• Review in-house provision</li> <li>• Budget cuts</li> <li>• Service cuts</li> <li>• Partnership arrangements</li> <li>• Bad publicity</li> </ul>
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"> <li>• Fines</li> <li>• Bad publicity</li> <li>• Shrinking user base</li> </ul>
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"> <li>• Pensions not paid</li> <li>• Backlog of work on return</li> <li>• Delayed SAP implementation</li> <li>• Additional admin work to input strike breaks</li> </ul>
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"> <li>• Increase in employer contribution rate across the Fund</li> <li>• Increase in liabilities across the Fund</li> </ul> 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"> <li>• Data falls in the wrong hands and used for criminal purposes</li> <li>• Bad publicity</li> <li>• Loss of trust and confidence in WYPF</li> </ul>
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"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYPF reputation</li> <li>• Increase in number of complaints. Callers/Visitors</li> </ul>
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"> <li>• Impact on service provision (Staff, Employers, Scheme Members etc)</li> <li>• Crucial tasks are not performed</li> </ul>
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"> <li>• Information could be passed on</li> <li>• Records updated inappropriately</li> <li>• Contravene DP Act</li> </ul>
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"> <li>• Funds might go bust resulting in losses for the Fund</li> </ul>
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"> <li>• Will not be able to provide a pensions administration service to the FA's</li> <li>• Will not be able to pay pensions or process work</li> <li>• ICT systems not available</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>

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"> <li>• Increase in opt outs from the scheme</li> <li>• Reduction in public sector workforce leading to reduction in pension scheme membership</li> <li>• Possible strike action</li> </ul>
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"> <li>• Salary details will not be posted to members records</li> <li>• Benefits will not be able to be calculated accurately</li> <li>• IT systems will not be action the returns from Employers</li> <li>• Timescales not met</li> </ul>
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"> <li>• Will not be able to provide a pensions administration service to LPF or LB of Hounslow</li> <li>• Will not be able to pay pensions or process work</li> <li>• ICT systems not available</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> </ul>
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"> <li>• Does not meet government target</li> <li>• Bad publicity</li> <li>• Key objectives not met</li> </ul>
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"> <li>• No custodian in place to hold assets</li> <li>• No record of how much assets are worth</li> <li>• Adverse impact on investment performance</li> </ul>
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"> <li>• Adverse impact on investment performance</li> </ul>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• Inefficient banking processes</li> </ul>
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"> <li>• 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.</li> </ul>
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"> <li>• Vulnerable to extortion</li> <li>• Damage to WYPF reputation</li> <li>• Impact on service delivery</li> <li>• Bad publicity</li> <li>• Fines by tPR</li> </ul>
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"> <li>• Massive fines by the ICO</li> <li>• Damage to WYPF reputation</li> <li>• Bad publicity</li> <li>• Loss of contracts</li> </ul>

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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 8 October 2019**

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**Subject: Training, Conferences, Seminars**

### **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 and seminars listed may assist Board Members.

### **Recommendation**

Consideration is given to attendance by Board Members at the events in Section 1 and members note the requirement to complete the Pension Regulators toolkit training.

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Rodney Barton  
Director

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**Portfolio:**

**[Insert where appropriate]**

**Overview & Scrutiny Area:**

**[Insert where appropriate]**

## 1. Training Events

1.1 If any Pension Board member would like any specific training through one to one meetings with the in-house team, then this can be arranged.

1.2 Pension Board members should consider the following events.

- **LGPS Fundamentals Training 2019** – (3 separate days)  
17 October/14 November/5 December 2019  
Leeds
- **LGPS Annual Governance Conference**  
23 -24 January 2020  
York
- **Schroders Trustee Training 2019**  
22 November 2019  
Leeds
- **LAPFF Annual Conference**  
4, 5 & 6 December 2019  
Bournemouth - venue tbc

If you would like to attend any of these event please let the Technical and Development Manager (Caroline Blackburn) know so arrangements can be made to book a place.

### 1.3 Pensions Regulator toolkit

It is the intention that all Pension Board members carry out the Pension Regulators toolkit training. Once completed a copy of the completion certificate should be given to the Technical and Development Manager.

The Trustee toolkit is a free, online learning programme aimed at trustees of occupational pension schemes.

The Trustee toolkit includes a series of online learning modules and downloadable resources developed to help you meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

<https://trusteetoolkit.thepensionsregulator.gov.uk/>

1.4 Other online training is available at **Aberdeen Standard Life Learning Gateway**  
Web based training provided by Aberdeen Standard Life  
<https://www.aberdeenstandard.com/en/uk/adviser/investment-tools/learning-gateway>

## 2. Recommendations

Consideration is given to attendance by Board Members at the events in Section 1

Pension Board Members note the requirement to complete the Pension Regulators toolkit training.