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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Agenda for a meeting of the West Yorkshire Pension Fund Joint Advisory Group to be held on Thursday, 30 January 2020 at 1.00 pm in Ernest Saville Room - City Hall, Bradford

Members of the Committee

Bradford Members Councillors: Thornton Salam Winnard	**Calderdale Members** Councillors: Baines Lynn Metcalfe
Kirklees Members Councillors: Ahmed Asif Murgatroyd	**Leeds Members** Councillors: Dawson Harrand Scopes
Wakefield Members Councillors: Graham Shaw Speight	**Trades Union Members** Ms L Bailey (UNISON) Mr Chard (GMB) Mr A Goring (UNISON)
Scheme Members Vacancy Vacancy	

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

To:

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

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

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

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

Notes:

(1) Members may remain in the meeting and take part fully in discussion and voting unless the interest is a disclosable pecuniary interest or an interest which the Member feels would call into question their compliance with the wider principles set out in the Code of Conduct. Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.

(2) Members in arrears of Council Tax by more than two months must not vote in decisions on, or which might affect, budget calculations, and must disclose at the meeting that this restriction applies to them. A failure to comply with these requirements is a criminal offence under section 106 of the Local Government Finance Act 1992.

(3) Members are also welcome to disclose interests which are not disclosable pecuniary interests but which they consider should be made in the interest of clarity.

(4) Officers must disclose interests in accordance with Council Standing Order 44.

2. MINUTES

Recommended –

That the minutes of the meeting held on 25 July 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. WEST YORKSHIRE PENSION FUND AUDITED REPORT AND ACCOUNTS FOR 31 MARCH 2019 1 - 6

The report of the Director, WYPF, (**Document "O")** reminds Members that in order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes West Yorkshire Pension Fund (WYPF) must prepare an annual audited Report and Accounts.

The Reports and Accounts provide a summary of WYPF'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.

Recommended –

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

(Ola Ajala – 01274 434534)

5. WEST YORKSHIRE PENSION FUND 2019/20 REVISED ESTIMATES AND 2020/21 ORIGINAL ESTIMATES 7 - 14

The Director, West Yorkshire Pension Fund, will present **Document "P"** which reports that in accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to pension fund accounts and not to local authorities' general fund accounts.

The cost of services reported in Document "P" will be charged to WYPF accounts. The budget proposals in Document "P" will deliver pension administration services to over 430,000 pension scheme members, made up of 293,000 WYPF and 126,000 shared service partner members. We support over 800 active employers. The same resource will be used to manage over £15bn WYPF investment assets.

The number of partners in our pension shared cost service continue to grow it has increased from 7 two years ago to 19 (WYPF, Lincolnshire, Hounslow LGPS and 16 fire services). More plan to join us in 2020/21. Our service strategy is to maintain our service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance, as the quality of service is important to both employers and individual members.

Recommended

1. **That the projected outturn of £14.51m against budget of £14.61m be noted for 2019/20.**

2. **That a budget of £14.85m be approved for 2020/21.**

3. **That the total pension cost per member of £34.46 for 2018/19 (2017/18 £36.45) making WYPF the lowest cost LGPS scheme for 2018/19 be noted.**

(Ola Ajala – 01274 434534)

6. ACTUARIAL VALUATION 2019 AND CONSULTATION ON THE DRAFT FUNDING STRATEGY STATEMENT 15 - 62

The report of the Director, West Yorkshire Pension Fund (WYPF), (**Document "Q"**) advises Members that the next triennial Actuarial valuation of the West Yorkshire Pension Fund is being prepared based on the situation at 31 March 2019 and will determine the level of employers' contributions from 1 April 2020 to 31 March 2023.

Recommended –

1. **That the report be noted.**

2. **That the draft Funding Strategy Statement be approved.**

(Caroline Blackburn – 01274 432317

7. WEST YORKSHIRE PENSION FUND AUDIT STRATEGY MEMORANDUM

The report of the Director, West Yorkshire Pension Fund, (**Document "R" – to follow**) sets out the plan for the external audit of the West Yorkshire Pension Fund for the year ended 31 March 2020.

The report is presented in draft for Members' information and will be submitted to the Governance and Audit Committee at the meeting on 26 March 2020 for approval.

In accordance with Standing Order 38.2 of the Council's Constitution the Director, West Yorkshire Pension Fund, will explain at the meeting the reason the report was not available for public inspection five days before the meeting.

The views of Members are requested.

(Sharon Liddle - 0191 383 6311 / 07881 283343)

8. WYPF PENSIONS ADMINISTRATION REPORT 63 - 80

The report of the Director, West Yorkshire Pension Fund (WYPF) (**Document "S**") provides an update on WYPF's pensions administration activities over the last six months.

Recommended –

That Document "S" be noted.

(Yunus Gajra – 01274 432343)

9. SHARED SERVICE PARTNERSHIP UPDATE 81 - 100

The Director, West Yorkshire Pension Fund will present **Document "T**" which reports on current administration issues and performance for West Yorkshire Pension Fund's shared service partnerships.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

10. LOCAL GOVERNMENT SCHEME REGULATION UPDATES 101 - 106

The report of the Director, West Yorkshire Pension Fund, **Document "U**", updates Members 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)

11. REGISTER OF BREACHES OF LAW 107 - 112

The Director, West Yorkshire Pension Fund, will present a report (**Document "V**") which informs Members that, in accordance with the Public Service Pensions Act 2013, from April 2015, all Public Service Pension Schemes now 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 it 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 any breaches of the Pensions Code of Practice is maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2019/20 is appended to Document "V".

Recommended –

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

(Caroline Blackburn – 01274 434523)

12. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2020/21 113 - 136

The Director, West Yorkshire Pension Fund (WYPF), will present **Document "W"** which reports that, as part compliance with the LGPS Regulations 2013, WYPF prepare a written statement of the authority's policies in relation to such matters as it considers appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF are expected to achieve.

The Pensions Administration Strategy and Communications Policy are brought before the Joint Advisory Group each year to review and approve, particularly if there are any new regulations and revisions to working practices.

There are no changes to the Pensions Administration Strategy. The Communications Policy has been updated to reflect activities planned for 2020-21.

Recommended –

That the Pension Administration Strategy and the Communications Policy 2020/21 be approved.

(Yunus Gajra – 01274 432343)

13. THE PENSIONS REGULATOR - GOVERNANCE AND ADMINISTRATION 'DEEP DIVE' ENGAGEMENT REPORT 137 - 164

The report of the Director, West Yorkshire Pension Fund, (**Document "X")** introduces The Pension's Regulator's Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

Recommended –

That The Pension Regulator's findings, contained in Document X, be noted.

(Yunus Gajra – 01274 432343)

14. TRAINING CONFERENCES AND SEMINARS 165 - 166

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 "Y**") informs Members of training courses, conferences and seminars which may be of assistance. Full details about each event will be available at the meeting.

Members are requested to give consideration to attending the training courses, conferences and seminars set out in Document "L".

(Rodney Barton – 01274 432317)

15. EXCLUSION OF THE PUBLIC - CIFPA BENCHMARKING CLUB

Members are asked to consider if the item relating to the CIPFA Benchmarking Club (**Document "Z containing Not for Publication Appendix 2**") 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 Document "Z" containing Not for Publication Appendix 2 (CIPFA Benchmarking Club) 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.

16. CIPFA BENCHMARKING CLUB 167 - 196

The Director, West Yorkshire Pension Fund (WYPF), will present **Document "Z" which contains Not for Publication Appendix 2**, which reports that WYPF takes part in the CIPFA Benchmarking Club for Pensions Administration. The report provides information about the costs of WYPF's pensions administration service and compares those costs with other Local Government Pension Schemes funds who are part of the CIPFA Benchmarking Club.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

17. EXCLUSION OF THE PUBLIC - NORTHERN LGPS (NLGPS)

Members are asked to consider if the item relating to the creation of an investment pool, Northern LGPS, (**Document "AA" containing Not for Publication Appendices 1 & 2**) 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 Document "AA" containing Not for Publication Appendices 1 & 2, relating to the Northern Pool, 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.

18. NORTHERN LGPS 197 - 200

In accordance with the guidance from Government, West Yorkshire Pension Fund (WYPF) together with Greater Manchester and Merseyside are working towards the creation of an investment pool, Northern LGPS (NLGPS).

The report of the Director, West Yorkshire Pension Fund, (**Document AA**" **which contains Not for Publication Appendices 1 & 2**) sets out the progress in establishing the Northern LGPS (NLGPS) covering:-

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

Recommended –

That the progress to date, contained in Document "AA", be noted.

(Rodney Barton – 01274 432317)

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 January 2020. O

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

Summary statement:

The draft report and account was presented to JAG on the 25 July 2019, a few days before the 2018/19 final audited report and account was approved by CBMDC Governance and Audit Committee, after which it was signed by our auditor Mazars and CBMDC Director of Finance. The 2018/19 final audited accounts and report for West Yorkshire Pension Fund is available on our website.

The value of the Fund as at 31 March 2019 is £14,363.0m, a net increase of £796.4m (5.9%) on the asset value of £13,566.6m as at 31 March 2017. The increase in value is the result of positive market movements for the year. The final version of the report and account did not change from the version reported in July 2019, except for minor qualitative improvements in narratives and presentational improvements.

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 in the value of the transfer 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 (see separate agenda item).

RECOMMENDATION

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

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Ola Ajala
Financial Controller WYPF
Phone: (01274) 434 534
E-mail: 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 assets relating to First Bus West Yorkshire of £492.1m on the 22 March 2019. Favourable investment performance increased the value of assets certified by our actuary for transfer to £492.14 from the original estimate of £450m asset value at 31 March 2017.

	Triennial Valuation	Estimates	Actual
	31/03/2016 £m	31/03/2017 £m	31/03/2019 £m
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 £14,363.0m, a net increase of £796.4m, 5.9%, from 31 March 2018. The table below gives assets values for the last nine years including 2018/19:

Year to 31 March	Net Asset	Increase (Decrease)	Increase (Decrease)
	£m	£m	
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 moves in the value of assets.

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:

31-Mar-19	Annualised Return	Fund Specific Benchmark	Over
	%	%	%
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
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

2018/19 Administration cost per member

2.9 Our pension administration cost is the 6th lowest amongst LGPS fund in England & Wales for 2017/18, £15.23 per member. The lowest cost is £1.61 for Worcestershire , this figure is highly unlikely, however this is based on published government data. The highest is £81.51 for Southwark London Borough. Average is £22.28.

2018/19 Investment management cost per member

2.10 We have the lowest cost per member for investment management at £16.53, the highest cost is £553.02. The reason for this is our low cost of internal operations using directly employed staff to manage our investments, and using the same back office to support both investment and pension administration. In second place for is Lambeth London Borough at £25.18 and average is £189.59.

2018/19 Oversight and governance cost per member

2.11 On oversight and governance we have the 8th lowest cost at £2.69. The lowest is £0.00 for Lambeth London Borough and the highest is £43.50 for Flintshire Unitary Authority. Average is £10.89.

2018/19 Total cost per member

2.12 We have the lowest total cost per member (administration, investment and oversight & governance) at £34.46, 2nd lowest LGPS fund is Nottinghamshire with £65.91, the national average for LGPS in 2018/19 is £222.27 and the highest is £597.46 for London Pensions Fund Authority. There is a gap of £31.45 between West Yorkshire Pension Fund and Nottinghamshire.

TABLE 2:	Cost per scheme member						
Total number of funds 87	WYPF					All Local authority Pension Funds	
	2018/19		2017/18			2018/19	2017/18
	Rank	Cost per Member	Rank	Cost per Member		Cost per Member Avg	Cost per Member Avg
Pensions Administration	6th	£15.23	7th	£14.05		£22.28	£20.85
Investment Management	1st	£16.53	1st	£20.48		£189.59	£175.44
Oversight & Governance	8th	£2.69	5th	£1.92		£10.39	£8.96
Total	1st	£34.46	1st	£36.45		£222.27	£205.25

2018/19 Cost per member

2.13 The 2018/19 annual cost of administering the West Yorkshire Pension Fund per member is £15.23, investment management £16.53, oversight and governance £2.69, giving a total management cost per member of £34.46. 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. All statutory deadlines were met by WYPF, CBMDC and Mazars.

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 was 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

None

9 OPTIONS

The Joint Advisory Group 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 BACKGROUND DOCUMENTS

WYPF Reports and Accounts 2018/19 available on WYPF website
https://www.wypf.org.uk/Member/Publications/ReportAndAccounts/WYPF/ReportAndAccounts_WYPF_Index.aspx

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 January 2020.

P

Subject: WYPF 2019/20 revised estimates and 2020/21 original estimates.

Summary statement:

The latest spend forecast for 2019/20 is £14.50m against a revised budget of £14.63m, net underspend of £0.13m. In 2019/20 we increased investment in ICT, there is also increased volume of work in pension administration shared services, increased engagement with employers on covenant and governance work with Aon, and changes to investment costing. As a result pension services income went up for shared services. Based on this latest forecast our cost per member for 2019/20 is projected to be £41.40 (2018/19 £34.46). Compared to 2018/19 the biggest cost increase between 2018/19 and 2019/20 are - investment management transaction costs, replacement of computer servers and investment in MyPension members web module.

The latest government data for 2018/19 shows WYPF having the lowest total cost at £34.46. The 2nd lowest LGPS fund Nottinghamshire at £65.91. The latest WYPF project cost per member of £41.40 would still be £24 below Nottinghamshire (39% cheaper than Nottinghamshire). Based on this analysis WYPF will likely retain the 1st spot in 2019/20 and 2020/21.

The proposed budget for 2020/21 is based on zero base cost analysis of services resulting in a gross base budget of £15.20m. In order to maintain WYPF cost performance going forward we are looking at a number of cost savings activities to manage cost down to £43 per member, a budget of £14.85m is proposed. These savings activities will reduce printing costs, increased use of digital technology resulting in increased service efficiency and reduced cost.

Recommendation:

1. That the projected outturn of £14.51m against budget of £14.61m is noted for 2019/20.
2. That a budget of £14.85m is approved for 2020/21.
3. That the total pension cost per member of £34.46 for 2018/19 (2017/18 £36.45) making WYPF the lowest cost LGPS scheme for 2018/19 be noted.

Rodney Barton
Director WYPF

Portfolio:

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

Overview & Scrutiny Area:

1. SUMMARY

In accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to pension fund accounts and not to local authorities' general fund accounts. The cost of services reported in this report will be charged to WYPF accounts. The budget proposals in this report will deliver pension administration services to over 430,000 pension scheme members, made up of 293,000 WYPF and 126,000 shared service partner members. We support over 800 active employers. The same resource will be used to manage over £15bn WYPF investment assets.

The number of partners in our pension shared cost service continue to grow it has increased from 7 two years ago to 19 (WYPF, Lincolnshire, Hounslow LGPS and 16 fire services). More plan to join us in 2020/21. Our service strategy is to maintain our service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance, as the quality of service is important to both employers and individual members.

2. BACKGROUND

2019/20 Revised Estimate

2.1 The latest spend forecast for 2019/20 is £14.50m, resulting in underspend of £0.13m. In 2019/20 we invested in new computer servers to improve service resilience and increase digital capacity, we also purchased a new web services for members MyPension. This increased our cost base by £4 per member when compared to 2018/19 cost per member.

TABLE 1: WYPF ALL SERVICES	2018/19 Full Year Outturn	2019/20 BUDGET	2019/20 FORECAST DEC PD09	PD09 VARIANCE OVER(-) / UNDER(+)	2020/21 DRAFT BDGT ZERO BASED	2020/21 DRAFT BDGT IF CAPD @ £43 PER MBR
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
WYPF INVESTMENTS	4,800	6,713	6,513	200	7,045	6,699
WYPF OVERSIGHT + GOVERNANCE	782	905	1,024	-119	1,046	997
WYPF PENSION ADMIN	4,423	4,606	4,589	17	4,899	4,909
CHARGED TO WYPF ACCOUNT	**10,005**	**12,224**	**12,126**	**98**	**12,990**	**12,605**
OTHER INCOME	196	218	271	-53	96	96
CHARGED TO SHARED SERVICES	1,793	2191	2,100	91	2,100	2,150
TOTAL SPEND	**11,994**	**14,633**	**14,497**	**136**	**15,186**	**14,851**
SF3 COST PER MEMBER	**34.46**	**42.85**	**41.40**	**-**	**44.35**	**43.00**

2.2 The total cost of managing Pension Administration Shared Cost Service, WYPF Investment Management and WYPF Oversight and Governance cost is paid for by a charge to WYPF Fund Account and recharges to our service partners Lincolnshire Pension Fund, Hounslow Pension Fund, and Fire & Rescue services. Shared cost service income is estimated to be £2.10m in 2019/20 and £2.15m, in 2020/21.

2.3 We buy a number of services from CBMDC this is estimated at £0.46m for 2019/20 and 2020/21. In return we provide treasury support to CBMDC and for this we charge a small fee of £0.03m.

2.4 The budget estimates in Table 1 were prepared using cost forecasts and calculations to project the likely outturn for both 2019/20 and 2020/21. The forecast for 2019/20 is based on current staffing costs, career progressions and other pay adjustments. Other costs are based on detailed cost of services, contract prices and projected efficiency savings.

2020/21 Original Estimate

2.5 We are proposing a budget of £14.85m for 2020/20, an increase of £0.22m on 2019/20 budget. For 2020/21 we are targeting printing costs and postage for savings by using a new web services “MyPension” to provide newsletters and documents to members. We are also bringing in the next phase of monthly postings for active member data to improve automation and efficiencies and generate savings. These activities are targeted to deliver savings of £0.38m to maintain our total cost per member at £43.

2.6 The 2020/21 budget is focused on growing pension the administration shared service, investment pooling, increased service capacity, improved quality, strengthened regulatory compliance and improved data governance. These areas continue to have increased regulatory compliance monitoring and continue to be heavily regulated by government, and as such our activities are geared to maintain and improve performance on regulatory compliance.

Shared service cost per member

2.7 The projected shared service pension administration cost per member for 2019/20 is £16.01. This figure will be adjusted for actual cost in May 2020 before we close our accounts and the adjusted figure will be used to charge our shared cost service partners for 2019/20.

2.8 Our cost performance target on shared service cost per member for pension administration shared service is £17.00. The original estimate for 2020/21 will give us a projected shared service cost per member of £16.74 for 2020/21, this cost gives us a headroom of £0.26 for 2020/21. Our savings targets around printing and data

management activities and increasing shared service partners should yield some savings to push this cost down.

Relative cost of service

2.9 Our performance within LGPS using comparative data for local government pension schemes collected by DCLG is shown below. The data shows that for 2018/19 WYPF total cost of £34.46 is the lowest total cost within LGPS funds in England and Wales. Whilst, the average cost for all funds has gone up from £205.25 to £222.27 between 2017/18 and 2018/19, our cost went down by £1.99 from £36.45 to £34.46.

TABLE 2:	Cost per scheme member						
Total number of funds 87	WYPF					All Local authority Pension Funds	
	2018/19		2017/18			2018/19	2017/18
	Rank	Cost per Member	Rank	Cost per Member		Cost per Member	Cost per Member
Pensions Administration	6th	£15.23	7th	£14.05		£22.28	£20.85
Investment Management	1st	£16.53	1st	£20.48		£189.59	£175.44
Oversight & Governance	8th	£2.69	5th	£1.92		£10.39	£8.96
Total	1st	£34.46	1st	£36.45		£222.27	£205.25

2.10 Table 3 below shows the 2nd placed LGPS funds for 2017/18 and 2018/19. In each financial year the gap between WYPF total cost per member and Nottinghamshire the 2nd placed pension fund total cost per member is over £15. In 2016/17 there is a cost gap of £15.07 and in 2017/18 has gone up to £19.13. For the past two years the position for 2nd has been held by Nottinghamshire, with East Riding in 3rd place.

TABLE 3:	Cost per scheme members for 2nd best LGPS funds 2018/19 and 2017/18							
	Total		Pension Administration		Investments		Oversight	
Nottinghamshire Pension Fund	2018/19		2018/19		2018/19		2018/19	
	2nd	£65.91	5th	£15.41	3rd	£38.96	44th	£11.74
Nottinghamshire Pension Fund	2017/18		2017/18		2017/18		2017/18	
	2nd	£55.58	10th	£14.80	3rd	£37.09	13th	£3.70

Summary revenue account 2019/20 and 2020/21

2.11 Table 4 below provides a summary of the combined Pensions Administration and Investment Management budgets by type of spend, showing variances against the revised estimate for 2019/20 and original estimate for 2020/21.

TABLE 4: WYPF ALL SERVICES	2018/19 Full Year Outturn	2019/20 BUDGET	2019/20 FORECAST DEC PD09	PD09 VARIANCE OVER(-) / UNDER(+)	2020/21 DRAFT BDGT ZERO BASED	2020/21 DRAFT BDGT IF CAPD @ £43 PER MBR
	£000	**'£000**	**'£000**	**'£000**	**'£000**	**'£000**
Expenditure						
Accommodation	£337	291	369	-78	369	375
Actuary	£249	200	465	-265	300	297
Computer	£755	763	1,152	-389	1,152	1,071
Contingency	0	0	0	0	0	378
Employees	£7,062	8,628	7,390	1,238	8,167	8,114
Internal Recharge	£452	412	456	-44	456	218
Other Running Costs	£1,277	1238	1,345	-107	1,367	1,255
Transaction Costs	1,311	2,500	2,725	-225	2,725	2,500
Printing & stationery	552	600	595	5	662	405
	11,995	**14,632**	**14,497**	**135**	**15,198**	**14,851**
Paid for						
Charge to WYPF Account	-10,005	-12,225	-12,126	-99	-13,002	-12,605
Other Income	-196	-217	-271	53	-96	-96
Shared Service Income	-1,793	-2,190	-2,100	-90	-2,100	-2,150
	-11,995	**-14,632**	**-14,497**	**-135**	**-15,198**	**-14,851**

Accommodation
In 2019/20 overspend of £78k projected for Aldermanbury House. Caused by problems with heating and cooling systems, we are working with MJMapp and St Brides towards solutions for the whole building. £375k is projected for 2020/21.

Actuarial costs
Projected to spend £465k for 2019/20, overspend by £265k this is due to increased covenant, valuation and employers engagement work. For 2020/21 an increased budget of £297k is proposed.

Computer costs
Spend of £1,152k is projected, overspend of £389k as a result of replacing all our

computer servers and additional web service. These two investments increase service capacity and improve service resilience to deliver increased service automation and savings. In 2020/21 a budget of £1,071k is proposed.

Contingency

A service contingency provision of £378k is proposed for 2020/21 and will be allocated if needed.

Employee costs

Underspend of £1,236k is projected for 2019/20 is due to delayed service restructure and staff vacancies. For 2020/21 a budget of £8,114k is proposed based on current approved posts. This cost will be reviewed once a new structure is released by Bradford.

Recharges from Bradford

This charge covers Bradford ICT, Legal Services, Internal Audit, Corporate Services and Central Mailroom. Overspend of £44k is projected for 2019/20 the same estimate of £456k is proposed for 2019/20 and 2020/21.

Other running costs

Overspend of £107k is projected, this overspend is mainly due to increased investment in specialist analytical services, independent performance services and increased UK and overseas tax reclaim activities. A budget of £1,255k is proposed for 2020/21. This budget head covers external audit fees, insurance, foreign tax reclaim costs, legal fees, office furniture, communication facilities, office phones and a number of low value items.

Transaction costs

This is the cost of buying and selling financial assets – brokers fees, stamp duties and other fees. Overspend of £255k is projected due to increased investment activities. This budget head is difficult to forecast as it is driven by market movement and the need to manage investment strategies accordingly. A budget of £2.5m is proposed for 2020/21.

Printing and postage

Overspend of £5k is projected. In 2020/21 this budget area is targeted for savings of £195k, by using our new web service “MyPension” to deliver documents and newsletter to members.

Paid for:

WYPF

This is the amount charged to our account from the total spend, the estimated charge to our account is projected to go down by £99k compared to budget of £12,225k for 2019/20 and projection for 2020/21 is £12,605k.

Other Clients

This is the total recharges for IDRP work, teachers’ compensation costs, recharge for

Northern Pool work (GLIL) and a small recharge to Bradford Council for treasury services. £271k for 2019/20 and £96k for 2020/21.

Shared Cost Service Partners
This is the total projected recharges to Lincolnshire Pension Fund, Hounslow Pension Fund; and 16 fire authorities. £2,100k for 2019/20 and £2,150 for 2020/21.

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 statement. Information in this report will be used in WYPF financial statement for 2019/20. All financial implications are included in the body of this report and there are no other financial implications.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

Budget monitoring is key element of our risk management and control, this report allows management to report financial activities, planned expenditure and income; and our overall strategy for cost control and performance to the Joint Advisory Group.

6. LEGAL APPRAISAL

There are no other legal issues.

7. OTHER IMPLICATIONS

None

8. NOT FOR PUBLICATION DOCUMENTS

No

9. OPTIONS

The Joint Advisory Group should consider, approve the original estimate for 2020/21, note the projected outturn for 2019/20, or may make recommendations to management on any part of the report.

10. RECOMMENDATIONS

10.1 That the projected outturn of £14.51m against budget of £14.61m is noted for 2019/20.

10.2 That budget of £14.85m is approved for 2020/21.

10.3 That the total pension cost per member of £34.46 for 2018/19 (2017/18 £36.45) making WYPF the lowest cost LGPS scheme for 2018/19 be noted.

11. APPENDICES

None

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020

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Subject: 2019 Actuarial Valuation and consultation on the draft Funding Strategy Statement

Summary statement:

The triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) is being prepared based on the position at 31 March 2019, and will determine the level of employers' contributions for the period 1 April 2020 to 31 March 2023.

The indications are that WYPF will be 106% funded, compared to the situation at 31 March 2016 when it was 94% funded.

As a result each of the five district councils will see a slight reduction in their employer contributions.

Recommendations

- That this report be noted.
- That the draft Funding Strategy Statement is approved

Rodney Barton
Director

Portfolio:

Report Contact: Caroline Blackburn
Director
Phone: (01274) 432317
E-mail: Rodney.barton@bradford.gov.uk

Overview & Scrutiny Area:

1. Background

1.1 In accordance with the Local Government Pension Scheme Regulations the Fund is subject to an actuarial valuation by its consulting actuary as at 31 March 2019.

1.2 Employer contributions and funding levels are determined as part of the actuarial valuation. The primary rate of employer's contributions to the fund should be set so as to secure its solvency. The actuary must have regard to the desirability of maintain as nearly as constant a primary rate of employers contributions 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 Funding Strategy Statement.

2. Position at previous valuation (2016)

2.1 WYPF was 94% funded as at 31 March 2016, as determined by the consulting actuary, Aon, based on the assumptions agreed by the Fund.

2.2 The common contribution rate at 31 March 2016 was set at 16.2% of payroll. This is the contribution rate required together with employee contributions, to cover the cost of service being accrued by active members. In addition to this amount some employers also had accrued a deficit. In order to recover the deficit an additional monetary amounts were certified using a 22 year recovery period.

2.3 The contribution rates set for the five District Councils at the last valuation were:-

Council	**2017/18**		**2018/19**		**2019/20**	
	Contribution Rate	Deficit Payment	Contribution Rate	Deficit Payment	Contribution Rate	Deficit Payment
Bradford	17.5%	145,000	17.5%	149,700	17.5%	154,600
Leeds	15.6%	Nil	15.9%	Nil	16.2%	Nil
Calderdale	17.5%	Nil	17.5%	Nil	17.5%	Nil
Kirklees	16.1%	Nil	16.1%	Nil	16.1%	Nil
Wakefield	17.4%	962,00	17.4%	982,900	17.4%	1,014,900

3. 2019 Valuation

3.1 The provisional results of the actuarial valuation as at 31 March 2019 indicate that the Fund is 106% funded, compared with 94% as at 31 March 2016.

3.2 The market value approach has been adopted, and the provisional figures provided by the consulting actuary, Aon, are as follows:-

	2016 valuation £m	2019 valuation £m
Value of past service benefits		
Active Members	4,626.5	5,180.7
Deferred Members	1,803.4	2,050.7
Pensioners	5,536.0	6,264.8
Value of Liabilities	11,965.9	13,496.2
Assets	11,211.5	14,363.0
Past Service Surplus/ (Deficit)	(754.4)	866.8
Funding Ratio	94%	106%

4. Reasons for changes in the past service position

4.1 The initial valuation results using the 2019 basis show that the shortfall of £754.4M in the Fund at the previous valuation has become a surplus of £866.8M at this valuation.

4.2 The principal reasons for the change in the funding position are as follows:

- Investment returns above the discount rate adopted a the 2016 valuation
- Lower than assumed pay growth on pre 2014 benefits in the period
- A reduction in the real pay growth assumptions
- Changes to the demographic assumptions, particularly longevity

These have been partially offset by the following main factors, which have reduced the funding position:

- The change in the financial assumptions (principally the fall in the discount rate) relative to inflation (the discount rate is the expected future return on investments).
- Pension increases and revaluation on pension accounts being higher than assumed.
- Membership experience

5. Summary of Key Assumptions

	2016 valuation	2019 valuation
Probability of Funding Success	69%	75%
Discount Rate – scheduled bodies	4.7%	4.35%
Discount Rate – orphan bodies In service Left service	 4.1% 2.5%	 3.3% 1.6%
Discount rate - intermediate	n/a	4.1%,3.95%,3.8%
CPI pension increase	2%	2.1%
Pay growth	3.25%	3.35%

6. Primary contribution rate (future service cost)

6.1 The cost of future benefits has increased significantly (as a percentage of pensionable pay since the previous valuation).

The main reasons for this are:

- The changes in the financial assumptions, principally the fall in the discount rate relative to inflation, and
- An allowance has been made for the outcome of cost cap/McCloud

These have been partially offset by the changes in the demographic assumptions

6.2 The Primary contribution rate at 2016 was 16.2% and at 2019 is 18.6% of payroll.

7. Employer contributions

7.1 At the 2016 valuation the Funds funding strategy was to broadly achieve a position of 100% funding over 22 years. In practice the deficit recovery contributions were set based on each employer's or group of employers' underlying position using a recovery period appropriate to the employer.

7.2 As the Fund/main employers are now in surplus the Fund will maintain a recovery period of 22 years rather than amortising surplus over a shorter period.

7.3 For employers which are still in deficit additional employer contributions will be required to eliminate the deficit at 31 March 2019.

8. Employers' Contribution Rates

The proposed employer contribution rates for the five district councils for 2020/21 to 2022/23 will be:

	Primary contributions %		
	2020/21	**2021/22**	**2022/23**
Bradford	17.1%	17.1%	17.1%
Leeds	15.9%	15.9%	15.9%
Calderdale	17.1%	17.1%	17.1%
Kirklees	15.9%	15.9%	15.9%
Wakefield	17.5%	17.5%	17.5%

However with economic conditions being so uncertain, the Fund needs to take care that it does not find itself in a materially worse position at the 2022 valuation. The five councils have therefore agreed that the Funds Actuary will be asked to review the funding position annually. If necessary, should the Actuary identify that the funding position has deteriorated an increase in the contributions may be required.

9. Funding Strategy Statement

9.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement, and consult interested parties on its contents. Attached at Appendix A is the draft Funding Strategy Statement for the 2019 Valuation.

9.2 The draft Funding Strategy Statement has been consulted on with all stakeholders with a closing date of the 10 January. A summary of comments received are shown at Appendix B.

10. Conclusion

10.1 At 106% funded, WYPF is in a sound financial position, and will be in a better funding position than most local authority pension funds at the 2019 valuation.

11. Recommendations

- That this report be noted.
- That the draft Funding Strategy Statement is approved.

12. Appendix

- Appendix A – Draft Funding Strategy Statement (with tracked changes)
- Appendix B – Summary of comments received from the draft Funding Strategy Statement consultation

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Funding Strategy Statement

January 2020

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 Funding Strategy Statement (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 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, 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”).

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.

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;
- 4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund;
- 4.2.3 invest all monies held in accordance with the ISS;
- 4.2.4 maintain adequate records for each Scheme member;

- 4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;
- 4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;
- 4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;
- 4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;
- 4.2.9 provide membership records and financial information to the actuary promptly when required;
- 4.2.10 prepare and maintain a Funding Strategy Statement and Investment Strategy Statement in proper consultation with interested parties;
- 4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSSISS accordingly;
- 4.2.12 manage the valuation process in consultation with the actuary;
- 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer; and
- 4.2.14 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.
- 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 the secure scheduled bodies) 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 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
- 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- 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.

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 secure Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, the Solvency Target is set:

5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,

5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).

As at 31 March 2019 the long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed.

As at 31 March 2019 the solvency discount rate is therefore of 4% p.a.

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 Government bonds after exit.

5.7 For scheduled bodies with no guarantee from local or central government and 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 asset-liability modelling carried out by the Fund Actuary.

With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates

there is a 75% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period).

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 shortfall , set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above).The key assumptions used for assessing the Funding Target at the 2019 Valuation 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 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;
- 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.

At the 2019 valuation by virtue of having taken account of some of the above factors, the Administering Authority has adopted a less risky (more prudent) funding target than the scheduled and subsumption body funding target for scheduled bodies in the HE/FE sector. This is the intermediate funding target and the precise target depends upon the employer's assessed level of risk.

5.14 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 despite the approach taken on exit . This is known as the intermediate funding target and the precise target depends upon the employer's assessed level of risk. At the 2019 valuation this applies to admission bodies in the housing and HE/FE sectors.

5.15 For all other Admission Bodies whose liabilities are expected to be orphaned on exit the Administering Authority will have regards to the potential timing of such exit and any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the (ongoing orphan admission bodies funding target. It is not the same as the exit basis.

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, subject to any smoothing of contribution changes 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 and it is a prudent approach when the Fund's assets are greater than the liabilities (sum of the employers' funding targets). The recovery period is also 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 deficit. 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 period over which any adjustment to the level of contributions in respect of a surplus or deficit 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 and scheduled bodies with no local or central government guarantee - 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 or surplus;
- 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.
- 5.20.6 the views of the subsuming employer where the funding target adopted is dependent upon another employer subsuming the assets and liabilities post-exit

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.

5.22 Employer contributions required to meet the cost of future accrual of benefits for members after the valuation date (the “primary contribution rate”) are assessed based on each employer or group of employers’ membership, funding target and appropriate funding methodology.

5.23 The primary rates may be reduced if the employer or group’s notional sharer of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a shortfall of assets below the funding target. These past service (“secondary”) contributions 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 Fund, 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 achieved on the assets of the Fund to each employer a pro-rata principle has been adopted. From 1 March 2018 the investment performance will be allocated on a monthly basis via the unitisation process (applied retrospectively to 1 April 2016 in respect of any inter-valuation calculations where the employer asset value is taken from the output of the unitisation model).

5.24 The method and assumptions for assessing employer contributions at the 2019 Valuation are set out in Appendix 1.

5.25 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

- 5.25.1 a maximum 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.

- 5.25.2 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.
- 5.25.3 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, or by the Fund as an exit credit respectively, 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.

5.26 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.

5.27 Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:

- 5.27.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, 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 2020 will be adopted where appropriate and required;
- 5.27.2 retain a maximum 22 year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.28 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.

5.29 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 the 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.

Long-term cost efficiency

5.30 The Administering Authority believes 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. In particular, retention of a 22 year recovery period for the majority of employers ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate)

Smoothing of Contribution rates for admission bodies

5.31 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.

5.32 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.

5.33 The implication of this is that, where justified on affordability grounds , contribution rates for admission bodies subject to the ongoing orphan funding target may be relaxed i.e 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. It is expected , such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the ongoing funding target plus a contribution towards any shortfall 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 (unitisation)

5.34 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.

5.35 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.

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55.36 With effect from 1 April 2016 a unitised approach has been taken 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 last actuarial valuation) as its starting point and allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. The Administering Authority believes this results in a more accurate and transparent allocation of assets to employers and reduces the likelihood of unintended cross-subsidies between employers than other approaches. Further information on the model and how it operates is available on request.

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 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 reduces 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 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 ISS.

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, 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 ISS, 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 ISS 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 (pool) 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

7.4 The Fund mitigates these risks through diversification, investing 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 discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks.

7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experiences at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigations of the Institute of Faculty of Actuaries. If the Administering Authority

becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

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 in the Fund, and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

7.9 If significant liability changes become apparent between valuations, the Administering Authority will notify the affected 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. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

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 and employer activity where an employer consolidates its LGPS membership in another fund, leading to a transfer out of the Fund. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. 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,

- 7.10.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- 7.10.2 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),
- 7.10.3 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),
- 7.10.4 scheme changes and lower member contributions, as proviosionally agreed as part of the Scheme Advisory Board cost management process will lead to lower

member contributions which may not be immediately matched by higher employer contribuions ;

- 7.10.5 an increase in the take up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund.

7.11 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes 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. There are a number of uncertainties associated with the benefit structure at the current time including:

- 7.12.1 How Government will address the issues of GMP indexation and equalisation beyond expiry of the current interim solution from 6 April 2021
- 7.12.2 The McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal be age discrimination,and what that remedy might be in the LGPS in terms of its scope and form .
- 7.12.3 The outcome of the cost management process and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay

7.13 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers, new Fair Deal arrangements and greater flexibility on employer exit from the LGPS. Some of these mat affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is definitely going ahead as planned.

7.14 The Administering Authority will keep abreast of all the changes to the LGPS, both proposed and confirmed and discuss any proposals which may affect funding with the Fund Actuary as required. 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

7.15 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.

7.16 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. It has also developed a framework for analysing the risk posed by the larger Tier 3 employers and introduced additional funding targets at the 2019 valuation to reduce the risk of employers failing and exiting the Fund with a material shortfall relative to the exit liabilities. It does not consider it appropriate (or affordable for the employers concerned) to eliminate the risk of an unmet exit deficit and will ask the Fund Actuary to review the funding position of the short term and Tier3 employers between triennial valuations where it believes this is appropriate.

Governance risk

7.17 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, including a wholly owned company which does not participate in the Fund, or only participate. or an admission body closing the scheme to new entrants.

7.18 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 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.

7.19 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. The Fund will commission triennial reviews of any bonds as part of its risk management.

7.20 The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers.

Climate Change

7.21 The Systemic risk posed by climate change and the policies implemented to tackle them will fundamentally change economic, political and social systems and the global financial system. They will impact every asset class, sector, industry and market in varying ways and at different times, creating both risks and opportunities to investors. The Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Funds Actuary on the potential effect on funding as required.

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 Fund.

APPENDIX 1

Actuarial Valuation as at 31 March 2019

Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which member benefits are projected to increase in line with the salary increases and revaluation of pension accounts (as appropriate) 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 2019 valuation the discount rate is 4.35% p.a (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 3.3% 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 1.6 %(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 0.3 % in light of the market expectations of f t future increase in gilt yields. This is the ongoing orphan admission body funding target.

Housing associations, universities and colleges, where a risk assessment has been carried out and the employer has been allocated to one of the intermediate funding targets.

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.

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).

Post-retirement Mortality
Base Rates

Normal Health: Standard SAPS S2N Normal Health tables, year of birth base rates, adjusted by a scaling factor as set based on Fund experience.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor as set based on Fund experience..

Future improvement to base rates

An allowance for improvements in line with CMI_2018 for men or women as appropriate, with a long term rate of improvement of 1.50% p.a, sk of 7.5 and parameter A of 0.0.

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Other Demographic Assumptions
Allowance is made for withdrawals from service, death on service and retirements due to ill health.

McCloud/Cost Cap

0.9% of pay has been added to employer contributions based on Fund-specific calculations carried out by the Fund Actuary. This figure has been calculated across the Fund as a whole on the scheduled and subsumption body funding target assuming the following remedy:

- Compensation will apply to members who joined before 1 April 2014 (see below)
- Benefits will be the better of those accrued in the 2014 Scheme or those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach).
- Compensation will apply to members who retire from active service with immediate pension benefits, through normal health or ill health retirement (this is because transitional protections only applied to member retiring from active service with immediate pension)
- The remedy will not apply to spouses' or dependants' benefits. This is because transitional protections only applied to members' benefits.

The cost is split 0.2% of pay in respect of past service and 0.7% of pay in respect of future service where the past service cost has been spread over a recovery period of 22 years.

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.

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 member benefits are protected to increase in line with revaluation of pension accounts 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 2019 actuarial valuation

Discount rate (in service)	4.35% for Secure Scheduled bodies

	4.1% Intermediate (low risk Scheduled Bodies) 3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies) 3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies) 3.3% Ongoing Orphan admission Bodies Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)
Discount rate (left service)	4.35% Secure Scheduled Bodies 4.1% Intermediate (low risk Scheduled Bodies) 3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies) 3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies) 1.6% Ongoing Orphan Admission Bodies
Rate of general pay increases	3.35%
Rate of price inflation (RPI)	3.2%
Rate of price inflation (CPI)	2.1 %
Rate of pension increases (on benefits in excess of GMPs)	2.1%
Rate of pension increases on post-88 GMPs	1.9%
Rate of deferred pension increases	2.1%
Rate of GMP increases in deferment	3.35%

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,
- (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 a subsumption commitment is in place, the funding target for the admission body will generally be the same as that appropriate to the subsuming employer, unless the circumstances dictate otherwise.. Where such a commitment is not available, the orphan body funding target will generally be adopted, for the new admission 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 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. 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 body 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 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 body 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. Unless the shortfall amount were material, the allocation of the shortfall to all employers in the Fund would be carried out at the next formal actuarial valuation. 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

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.

New academies are currently considered to quality as indefinite participants in the Fund with full taxpayers backing , 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 any admission bodies for which an academy provides a subsumption commitment and also the default approach taken to the notional assets transferred to academies upon conversion.

For 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;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter. The likelihood of new members joining the Fund

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 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.

The Administering Authority ensures that it has sufficient investment in Government bonds to cover the orphan liabilities and at each triennial valuation the Fund Actuary notionally allocates assets to ensure the orphan liabilities are met in full, where those liabilities are measured by reference to the yield on gilts

Ongoing calculations for employers subject to the orphan admission body funding target will be carried out using assumptions which are intended to broadly 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 acdemies 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 subject to a maximum transfer of assets equal to the transferring liabilities. This unadjusted share of the Fund approach means 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.

In calculating the notional assets to transfer to a new employer the Actuary will consider the liabilities based on the confirmed benefits of the LGPS at the date of joining. However, for new employers joining after 31 March 2019 it may be necessary for the asset transfer to be revisited once the current uncertainties relating to the benefit structure of the LGPS from 1 April 2019 (see paragraph 7.12 above) are resolved.

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 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 and following discussion with the ceding employer as appropriate.

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).

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 generally 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 starting point for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body. However In determining the approach to adopt on exit the Administering Authority will also have regard to factors, including but not limited to

- The degree of funding risk attributable to the outgoing employer during its participation in the Fund ;
- The contributions paid by the outgoing employer to the Fund during its participation and:
- The circumstance in which the subsumption commitment was granted and any conditions attaching to that commitment.

And will then determine, on the advice of the Fund Actuary, the appropriate funding target to be adopted on exit when assets and liabilities are being subsumed.

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.

For exits on or after 1 April 2019 the Actuary will add 1% to the value of the exiting employer's liabilities as a prudent margin given the possibility of additional liabilities arising due to the McCloud/Sargeant case and GMP indexation and equalisation. However, the Administering Authority will not seek to recalculate the exit liabilities for exits on or after 1 April 2019 where the exit deficit (or credit) has already been paid as at the date this Statement comes into effect.

In determining this margin for prudence the Administering Authority has had regard to guidance prepared by the SAB[1] and the advice of the Fund Actuary. It will be kept under regular review as further information on the McCloud/Sargeant case becomes available.

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 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.

Exit Credits

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and this surplus is due to be paid to the exiting employers, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 3 months of the later of the exit date and the date when the employer has provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit.

- In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and its subsuming body that a condition of the subsumption commitment is there is no return of surplus to the departing employer on exit, and the Administering Authority is provided with written instruction to this effect, all of the former employer's assets and liabilities in the Fund will be transferred to the subsuming body, without an exit credit being paid to the departing employer. In the absence of satisfactory evidence of such an arrangement being in place, the administering authority will pay any exit credit to the departing employer as required by the Regulations.

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. The Administering Authority may also direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the fund at the date of exit in order to assess the effect of its failure ion the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAY) are aware to the extent of these liabilities.

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 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.

Where academies move between multi-academy trusts, for example where a MAT winds up and its academies transfer into different MATs (whether existing MATs within the Fund or newly-established MATs), the Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of any academy moving between MATs and of all academies within the exiting MAT. Where the exiting MAT is the scheme employer, and hence an individual funding position has not been maintained for the constituent academies, the assets notionally allocated to each of its academies will be derived by assuming each has the same funding level as the MAT as a whole. The calculation of the assets and liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the assets and liabilities transferring and to ensure that the residual position of the exiting MAT (if any of its liabilities are not transferring to a new academy or MAT) is correctly assessed for the purpose of invoking the Department for Education guarantee.

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 . If there are no new members by the time the suspension notice expires the Fund Actuary will carry out an exit valuation as at the date the suspension notice expires.

4. Responsibilities of employers in the Fund

Individual employers, Multi Academy Trust or the Department for Education 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 6th 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 Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

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Draft Funding Strategy Statement Consultation

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement, and consult interested parties on its contents.

1.2 The draft Funding Strategy Statement has been consulted on with all stakeholders with a closing date of the 10 January.

The Fund received two responses to the consultation which are shown below.

- **1st Comment**

We refer to the email from David Parrington on 11 December 2019, with a link to a copy of the draft 2019 FSS and also refer to my email to Tracy below. As we have discussed with Tracy, our proposed contributions following the preliminary results of the 2019 valuation represent a very substantial increase in both the primary contribution rate and the total cost, which in terms of the consultation response seem to go against the requirements stated in the draft FSS for the scheme actuary "*to have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible*", and for the Administering Authority "*to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years*".

We would like to suggest as part of the consultation that the actuarial methodology and/or assumptions be changed to deliver the desired stability of contribution rates or, if this is not deemed appropriate, perhaps the FSS could be re-drafted to reflect the actual experience of participating employers? We cannot be the only employer facing a substantial increase in cost this year. Could WYPF publish a table showing the rates of primary and total contributions for employers following the 2019 valuation, with a comparison showing the equivalent figures following the 2016 valuation?

WYPF response

Thank you for your e-mail.

I acknowledge your comments on the Funding Strategy Statement, however it is necessary consider our aim "to keep employer contribution rates to be as constant as possible" in full, i.e. without taking undue risks and also maintaining solvency of the Fund. As an admission body whose liabilities are expected to be orphaned following exit we have to take a more prudent approach.

As stated in the Funding Strategy Statement, where initial valuation results show that employer contributions need to change, the increase or decrease may be implemented in steps. For the 2019 valuation our general rule is that the stepping of employers contributions can be over a period of up to 6 years.

We could arrange a meeting to discuss further however it should be noted that we would not be able to agree to you paying employer contributions that would deteriorate your funding position, i.e. the primary contribution rate plus the interest on the deficit.

As part of the valuation exercise the Fund's actuary is required to issue an Employers Contribution Rates and Adjustment Certificate. The Employers Contribution Rates and Adjustment Certificate is contained in the valuation report produced by the actuary. A copy of the 2016 valuation report can be found on our Website and a copy of the 2019 valuation report will be added to the Website on completion of the valuation exercise in April.

Please find below details of my availability for a meeting:

Week Commencing 13/01/2020 - All day Wednesday;
Week Commencing 20/01/2020 – All Monday, Tuesday and Wednesday; and
Week Commencing 27/01/2020 – Any day.

- **2nd Comment**

More generally, board members need to see the advice from the Actuary before they can comment on the assumptions (it'd be helpful to circulate that in conjunction with the FSS).

In addition, on all the Recovery Plan stuff, it is very difficult to comment without understanding how it will impact on the various Employers. – it'd be helpful if you could outline the board's power in this regard for me. I.e. is it the board who sets this FSS and the future service rates for Employers, or is it the administrating authority with consultation from the board?

In terms of specific comments, I'd like to suggest the following In Section 3:

The current paragraphs need reordering, the first objective has to be to pay benefit in full.

Specific amendments suggestions (as they are currently numbered).
3.1.1. add: "for Local Authorities where were the covenant is strong, should be open to spreading surplus over a number of years even if that means reducing rates over the medium term."

WYPF response

Decisions about assumptions and recovery period etc are made at each valuation at a meeting held between the Funds Actuary and a Joint Advisory Group Valuation Sub Group (the sub group is made up of Chair and Deputy Chair of Joint Advisory group).

This meeting was held on the 23 September 2019 where the preliminary whole of fund results were reviewed and the final assumptions were agreed. The information provided by the Actuary at this meeting included an explanation in the movement of past service deficit/surplus and change in primary and aggregate contribution rates.

The assumptions agreed at that meeting (and which are stated in the Funding Strategy statement) have been used to calculate the funding position of the Fund at 31.3.2019 at 106 %. The main decisions agreed were to use a 75% Probability of Funding Success, a discount rate of 4.35% and retaining a recovery period of 22 years – given the Fund/ main employers are in surplus it is more prudent to retain this than reduce and amortise a surplus over a shorter period.

Many thanks for your comments about Section 3.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020.

S

Subject:

Pensions Administration

Summary statement:

This report gives an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities over the last six months.

Recommendation:

It is recommended that the Joint Advisory Group note the report.

Mr Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Phone: (01274) 432343
E-mail: Yunus.gajra@bradford.gov.uk

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 fifteen Fire Authorities. This includes pensioner payroll (except for the London Borough of Hounslow and South Yorkshire Fire and rescue Service), 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.

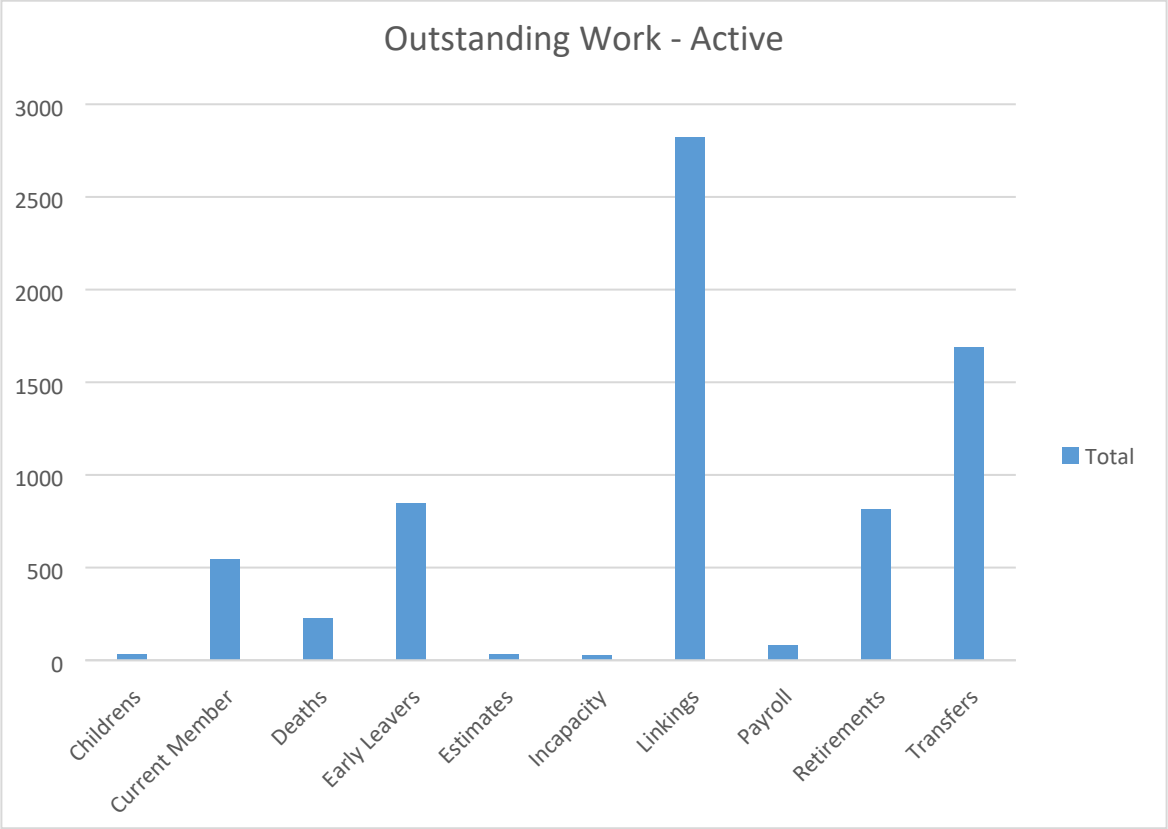
2.0 Performance and Benchmarking

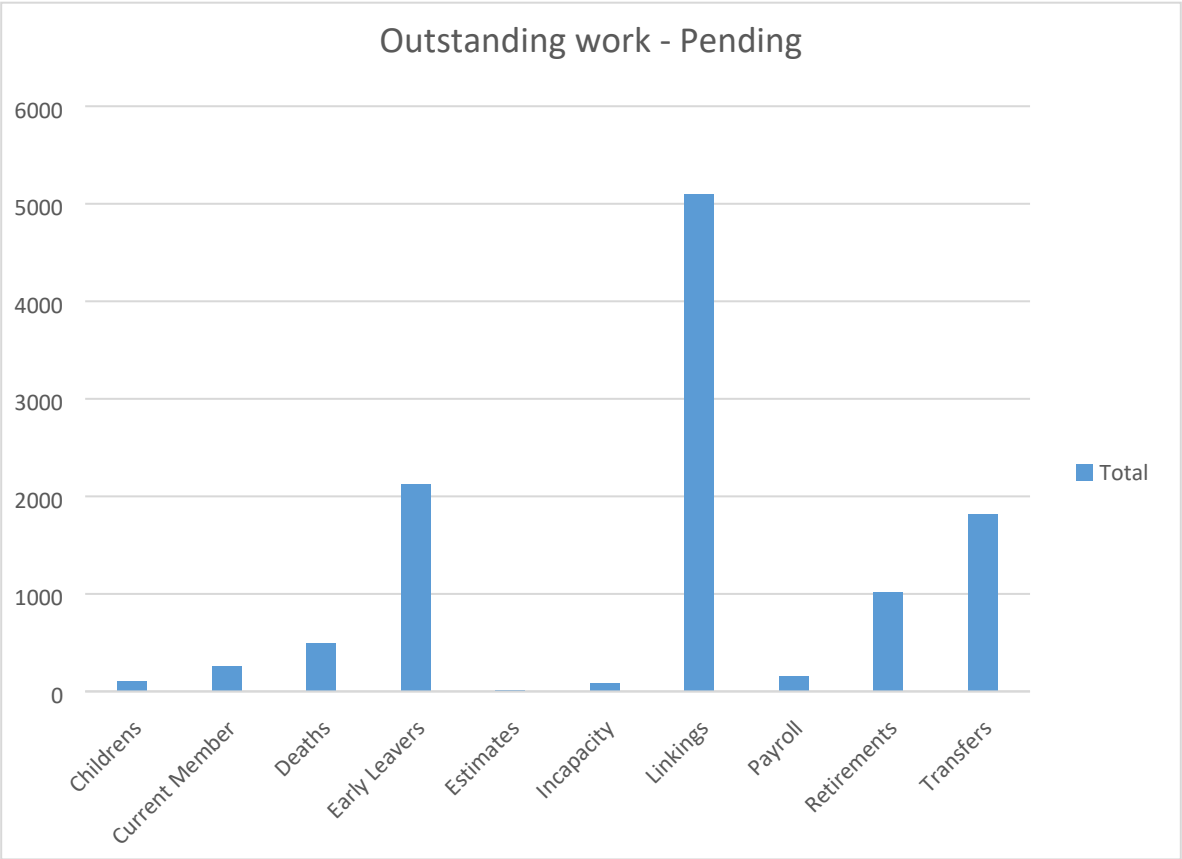
2.1 The table below shows the performance against key areas of work for the period 1 July 2019 to 31 December 2019.

KPI's for the Period 1.7.19 to 31.12.19					
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	677	35	677	85	100
Transfer In Actual	501	35	487	85	97.21
Divorce Settlement Pension Sharing order Implemented	15	80	15	100	100
Deferred Benefits Set Up on Leaving	7291	10	6878	85	94.34
Refund Quote	3049	35	2967	85	97.31
Refund Payment	2233	10	2200	95	98.52
Transfer Out Payment	214	35	206	85	96.26
Pension Estimate	1774	10	1607	75	90.59
Retirement Actual	1905	3	1885	90	98.95
Deferred Benefits Into Payment Actual	4490	5	4461	90	99.35
AVC In-house (General)	850	10	835	85	98.24
Deferred Benefits Into Payment Quote	4828	35	4664	85	96.6
Transfer Out Quote	1154	20	1078	85	93.41
Monthly Posting	4910	10	4782	95	97.39
Set Up New Spouse Pension	607	5	547	85	90.12
Divorce Quote	348	20	341	85	97.99
Change of Address	2866	5	2758	85	96.23
Change of Bank Details	968	5	845	85	87.29
General Payroll Changes	1095	5	1043	85	95.25
Age 55 Increase to Pension	8	20	8	85	100
NI adjustment to Pension at State Pension Age	87	20	81	85	93.1
Enquiry	54	5	50	85	92.59
DWP request for Information	211	10	206	85	97.63

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Life Certificate Received	2470	10	2387	85	96.64
Death Grant Nomination Form Received	10576	20	10461	85	98.91
Spouse Potential	122	20	115	85	94.26
Death Grant to Set Up	332	5	321	85	96.69
Initial letter Death in Retirement	1583	5	1544	85	97.54
Death In Retirement	1583	5	1473	85	93.05
Initial Letter Death in Service	35	5	35	85	100
Death In Service	35	5	33	85	94.29
Initial letter Death on Deferred	114	5	93	85	81.58
Death on Deferred	114	5	98	85	85.96
Estimates for Deferred Benefits into Payment	80	10	80	90	100
Update Member Details	12633	20	12608	100	99.8
Pension Saving Statement	34	20	34	100	100
Payment of Spouses/Child Benefits	607	10	574	100	94.56

2.2 Work in progress





The above graph 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:

Early Leavers – calculation of refunds, calculation of deferred benefits, contribution postings queries

Linkings – multiple employments where member can link those employments. This is one of the biggest area of work as a big proportion of members continuallly start and finish part time jobs.

Retirements - Retirement quotes and actuals, deferred benefits into payment (quote and actual)

Transfers – Transfers in and out (quote and actual), AVC transfers, Divorce. The number of transfer out requests have increased dramatically since the introduction of Freedom and Choice which gives members access to their pensions.

3.0 Scheme Information

3.1 Membership for all schemes administered as at December 2019 was 439,792, an increase of 17,615 from the figures reported at the last meeting.

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
Total Scheduled			**454**	**22**	**16**	**14**	**478**
Admitted							
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
Total Admitted			**268**	**13**	**25**	**22**	**284**

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.

Over the quarter July to September we received **12** online customer responses.

Over the quarter July to September **679** sample survey letters were sent out and **110 (16.3%)** were returned:

Appendix 1 shows the full analysis of responses.

4.2 Employer Training

A number of Employer training sessions were held over the quarter July to September across locations covering all three LGPS Funds.

Appendix 2 shows feedback from the events.

5.0 Internal Disputes Resolution Procedures (IDRP)

5.1 All occupational pension schemes are required to operate an IDRP. 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 IDRP decisions for the period 1 July 2019 to 31 December 2019 is shown below:

	Number of Determinations	**Outcomes**	**Type**
STAGE 1	4		
		1 Referred back	1 Recovery of overpayment
		3 Turned down	1 Payment of benefits before age 55 1 Not allowed to link previous membership
STAGE 2	4		

AGAINST EMPLOYER	3	3 Referred back to employer to reconsider	2 Tier of ill health pension benefits 1 Not entitled to ill health pension benefits
AGAINST WYPF	1	1 Referred back to WYPF to reconsider	1 Ceasing child's pension during placement

6.0 Administration Update

6.1 Work has started on giving Pensioner members the option to commute their trivial pension for a one off lump sum payment. Members of the Lincolnshire Pension Fund who have a pension of under £500 per annum have been targeted in the first instance. Two hundred and thirty six members fall into this category. This will be rolled out to members of WYPF and Hounslow in due course.

6.2 ISO 9001 Quality Audits

The following internal quality audits were completed by WYPF staff:

New Members

AVC's

Estimates

Any suggestions for improvements to working practices will be analysed by the relevant managers.

In addition SGS undertook the annual external surveillance audit to ensure that we were complying with the ISO 9001 standards. It is pleasing to report that WYPF passed the audit without any non-conformities.

6.3 Bradford Council Internal Audits

Audit's on 'Transfers In' and' were undertaken in October by the Council's Internal Audit section. Three recommendations in total were made which have all been agreed and implemented.

6.4 Security Breaches

During this period nine Security Breaches were logged which were reported to the Council's Data Protection Officer. These were all deemed to be isolated incidents due to human error and were not reported to the ICO.

6.5 Data Score

As part of the annual return to The Pensions Regulator (TPR) WYPF is required to report a data quality score by measuring the quality of our data for common data and scheme specific data. The latest scores are:

Common Data	95.88%
Scheme Specific Data	85.28%

This is reduction on the scores reported at the last meeting which were:

Common Data	96.24%
Scheme Specific Data	98.49%

6.6 The reduction in the common data scores is primarily due to an increase in missing addresses as a result of sending out deferred benefit statements.

6.7 The reduction in the scheme specific data scores is due to additional checks undertaken as a result of revised guidance received from the Pensions Regulator and the Scheme Advisory Board, and WYPF programme not picking up the correct fields on some new data elements. This is due to the late receipt of the specification from MHCLG which meant that WYPF's programmes were not thoroughly tested. This will be rectified in time for the next quarter.

6.8 WYPF has devised a Data Improvement Plan (DIP) which identifies the issues and the resolutions required. The DIP will be reviewed on a quarterly basis.

7.0 Conclusion

WYPF continues to work closely with 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 1	Customer Feedback
Appendix 2	Employer Feedback

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Appendix 1

Customer Survey Results – WYPF Members
(1st July to 30th September 2019)

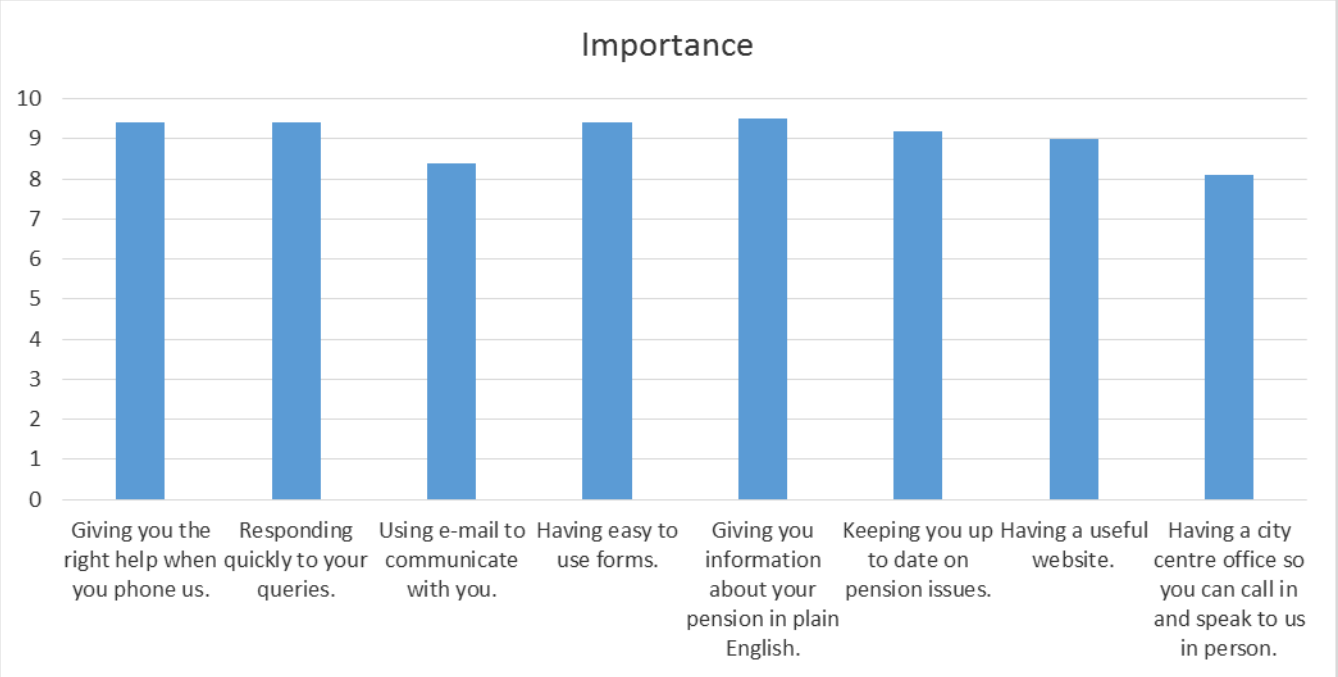
Over the quarter July to September we received **12** online customer responses.

Over the quarter July to September **679** sample survey letters were sent out and **110 (16.3%)** returned:

Overall Customer Satisfaction Score:

July to September 2018	October to December 2018	January to March 2019	April to June 2019	July to September 2019
83.5%	84.8%	83.8%	84.1%	87.1%

The charts below give a picture of the customers overall views about our services;



Sample of positive comments:

Member Name /Number	Comments
704337 Phone Call	Mr XX Called to thank everyone for their help with putting his pension into payment. He said the whole process was professional, friendly and polite and very efficient. He wanted to particularly he wanted to say a big thank you to XX, who he said was very friendly, polite and helpful when he came into the office to complete his retirement pack. He said well-done everyone concerned you made the whole process very easy.
187467 Email	In June, I unexpectedly lost my mum. While trying to deal with the grief, I learned that there was work to be done to take care of my mum's affairs. I had never dealt with anything like this before and had no idea how to take care of it. Early on in the claims process I spoke with XX, XX was empathetic and took the time to explain in detail the claims process. XX made herself available and was responsive and patient throughout the process. She also helped coordinate the payment to the funeral service which was a huge relief. XX is an asset to your organization, and during this difficult time went above and beyond to help me.
765765 Email	This email was received for XX in context of annual allowance payment Once again, thank you so much for your help yesterday, you went the extra mile and made the whole experience a pleasant one. Have a great Friday and a wonderful weekend.
Online	Fantastic. As I live abroad I thought I would experience difficulty. No problems whatsoever, e-mail response excellent and written reply fast and efficient. Letters in plain English and easy to understand format. Keep up the good work.
1072078	Efficient and effective, helpful and reliable service. Dealt my case very professionally.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
1077196	The forms for a balance transfer to a different scheme was too difficult. Unfortunately my experience was not good. I ended up taking the sum of the allocated amount, no	Response sent by Team Manager; Thank you for completing the customer survey form after you took a refund of your contributions. I note that you were interested in transferring out your benefits to Legal and General, but due to the delays and difficulties you were experiencing, you

	transfer happened.	decided to take a refund of your contributions instead. I can appreciate that you found the process difficult due to the amount of correspondence between us and Legal and General. Unfortunately, we found missing information on Legal and General's documents which needed to be completed and checked. In order to combat Pension Scams the West Yorkshire Pension Fund (WYPF) is required to ensure that a transfer of benefits only takes place to a legitimate and registered scheme. The WYPF required proof that the Legal and General Master Trust scheme was registered with The Pensions Regulator (TPR) and it took some time for us to receive the required documentation. There was also a discrepancy with the name of the scheme quoted on the Receiving Scheme Form and your Member's Option form and in order for the transfer to take place the name on both documents had to be the same. These checks may seem excessive, but if a transfer took place a member could lose most if not all of their savings. They could also receive a tax charge of up to 55% of the value of their pension for taking what is classed as an 'unauthorised payment' for tax purposes.
1034004	A very poor service. Poor communication resolving a very simple query task of transferring my pension taking a very extended period of time to achieve. I will not be recommending this service in future.	Response sent by Team Manager; Thank you for completing the customer survey form relating to your experience in transferring out both your deferred pensions to the NHS. I have assessed your case and can totally appreciate your frustration at the length of time it took to transfer your benefits to the NHS. I can see from your file that some of the delays were the fault of the NHS as we had not received all the required forms and also the Receiving Scheme form had to be sent back to the NHS as it had not been fully completed for your deferred record 1034004. I do agree that the West Yorkshire Pension Fund (WYPF) could have written more promptly to the NHS when chasing these and I apologise for the delays caused by WYPF. The original letter requesting payment of the transfer was made by the NHS on the 24th October 2017, and having reviewed your case I can see that WYPF didn't receive all the necessary forms to instigate payment of the transfer for your deferred record 175754 until 27th March 2019, however, I can see that it would have been possible to make the transfer out payment on your deferred record 1034004 on 10th December 2019. Instead, it is apparent that revised quotes and forms were sent to you and the NHS in January 2019 for both records, when this should only have applied to your

		deferred record 175754. Please accept my apologies for this oversight and the delays caused by the WYPF during this process and for any inconvenience or upset caused. I can assure you that in reviewing your case I am able to make sure that the same errors do not happen to another WYPF member in the future.
1013753 (online)	Reasonable. Did not meet your own dead line for payment.	Response sent by Team Manager; Thank you for completing the customer service questionnaire that was recently sent to you. You commented that 'Did not meet your own dead line for payment'. Usually we aim to release payment within 3 days from the later of receipt of your pension claim form or the date of retirement. I have reviewed your record and I can confirm we received your Pension Claim form on 05 August 2019 and payment was checked and released on 12 August 2019. In your case we didn't achieve this, please accept my apologies for this. We have received a high volume of requests for payment of benefits since the regulations changed to allow deferred members to claim their benefits from the age of 55. Once again, I'm sorry we didn't achieve the level of service we aim to provide to our members.
1096577 (online)	Terrible	Response sent by Team Manager; Thank you for completing the customer survey form after you transferred your benefits to Legal and General. I can appreciate that you found the process difficult and time consuming due to the amount of correspondence between us and Legal and General. Unfortunately, we found missing information on Legal and General's documents which needed to be completed and checked. In order to combat Pension Scams the West Yorkshire Pension Fund (WYPF) is required to ensure that a transfer of benefits only takes place to a legitimate and registered scheme.The WYPF required proof that the Legal and General Worksave Pension Plan was registered with The Pensions Regulator (TPR) and it took sometime for us to receive the required documentation. There was also a discrepency with the name of the scheme quoted on the Receiving Scheme Form and your Member's Option form and in order for the transfer to take place the name on both documents had to be the same.

		These checks may seem excessive, but if a transfer to a scammer went ahead a member could lose most if not all of their savings. They could also receive a tax charge of up to 55% of the value of their pension for taking what is classed as an 'unauthorised payment' for tax purposes.
1096876	Laborious. Dreadful. Not easy. The process took nearly 5 months to transfer my pension because of your ineptitude. I was consistently given incorrect information by your workers and you implied that pension could not be transferred rather I had to cash it in. I knew this to be incorrect and only because I persisted did I get the result I wanted.	Response sent by Team Manager; Thank you for taking time to complete and return our customer survey. I have reviewed your record in light of the comments that you made on the above survey form about the delays and frustration in getting your benefits transferred to Aviva. As a scheme we have three months in which to provide transfer out information; your request for a transfer out quote was received on 27.03.19 and the quote was sent on 30.04.19. We received your transfer option forms on 17.06.19 however there were inconsistencies in the scheme name and the information provided by Aviva was incomplete. Queries were raised with Aviva and the corrected forms were received on 18.07.19 however these now did not agree with the information on the member's transfer option form so Aviva were asked to contact you to complete the form again. Your completed member transfer form was received on 21.08.19 and we sent the transfer payment on 31.08.19. I am sorry that you feel our service was not up to standard but the delays have been due to the inaccurate completion of forms and whilst I appreciate that this must have been frustrating for you, it was not in our control. We aim to provide a good standard of service to our members and will review the forms to see if we can clarify any of the details.
1003674	Slow service. Lack of communication, slow resolution, poor service, would not recommend WYPF.	Response sent by Team Manager; Thank you for taking time to complete and return our customer survey. I have reviewed your record in light of the comments that you made on the above survey form about the delays in getting your benefits transferred to The People's Pension Scheme. As a scheme we have three months in which to provide transfer out information; your request for a transfer out quote was received on 10.02.19 and

		the quote was sent on 09.03.19. We received your transfer option forms on 17.05.19. The receiving scheme stated that it was a Master Trust however it did not appear on the Pensions Regulator's list of authorised master trusts. On 29.05.19 we queried this with the scheme and they replied on 01.07.19 to say that they were in the process of obtaining authorisation from the Pensions Regulator. Following a telephone call on 14.08.19, we received a formal request for payment on 19.08.19 and were able to confirm their authorisation on the Pensions Regulator's list of master trusts. We sent the transfer payment on 23.08.19. I am sorry that you feel our service was not up to standard but the delays have been due to the receiving scheme not having the appropriate regulatory authorisation in place and whilst I appreciate that this must have been frustrating for you, it was not in our control. We aim to provide a good standard of service to our members and I think that we should have informed you about the delay. I will review our processes to include updates to members where appropriate. Please accept my apologies for any inconvenience caused.

Employer Feedback (All funds)
Quarter 3 July – September 2019

Ill Health – July 2019

Feedback score:
WYPF 94.97%
LPF 96.09%
HPF 91.81%

Comment	Action taken
Possibly some 'live' cases where we need to discuss possible options and outcomes. Maybe the ombudsman ones could be done without knowing the outcome?	Passed to course owner
Possible reference to actual LGPS regulations	Passed to course owner

A summary of the compliments

- Course structure and pace was good
- Very interesting course. Covered all the questions I had regarding ill health. Course material and packs excellent as always
- The workshops are always run smoothly and kept to timescales

Employer Responsibilities – September 2019

Feedback score:
WYPF 94.97%
LPF 98.53%
HPF 95.73%

Comment	Action taken
None recorded	

A summary of the compliments

- Was very interesting and learnt a lot for things we need to do as an employer
- An excellent workshop, very thorough and clear - lots to take back to work!
- Good content and hand-outs, left with more knowledge

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020.

T

Subject:

Shared Service Partnership update

Summary statement:

This is a report on current administration issues and performance for WYPF's shared services partnership.

Recommendation:

It is recommended that the Joint Advisory Group note the report.

Mr Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Phone: (01274) 432343
E-mail: Yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

Background

1.0 Introduction

1.1 WYPF provide shared service pensions administration to:

- Lincolnshire Pension Fund
- London Borough of Hounslow Pension Fund
- Sixteen Fire Authorities

2.0 Scheme Information

2.1 Update on each of the three servicess is provided at:

- Appendix 1 - Lincolnshire Pension Fund
- Appendix 2 - London Borough of Hounslow Pension Fund
- Appendix 3 – Fire Authorities

3.0 Conclusion

3.1 WYPF provides an efficient and cost effective shared service to both the Local Government and Fire Scheme partners. In particular, WYPF is recognised for the high standards of service not only to the members of the schemes but also to the administrators who value the expert knowledge and guidance provided to them. WYPF is regularly approached for discussion and engagement on possible additional business.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Customer Survey results – Lincolnshire Pension Fund
Appendix B	Customer Survey results – Hounslow Pension Fund
Appendix C	Customer Survey results – Fire Services

Lincolnshire Pension Fund

1.0 Scheme Information

1.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	22,641	27,703	828	23,172	2,662
Percentage of Membership	29.40	35.98	1.07	30.09	3.46
Change from Last Quarter	-65	-444	-179	+666	+28

Undecided is someone who has left their employment but is **undecided as to the action that they now want to take with regard to their pension benefits.*

1.2 Number of Employers in the Lincolnshire Pension Fund

Scheduled			**As at 31.3.18**	**Number Admitted**	**Changes +/-**	**Number Leaving**	**As at 31.3.19**
Schedule 1		Local Authorities	17	0	0	0	17
		Academies	154	10	0	0	164
		Others – active	34	0	1	2	33
		Others – defunct	73	0	2	0	75
Schedule 2		Town and parish Councils	27	0	0	1	26
		Others – actives	0	0	0	0	0
		Others – defunct	5	0	0	0	5
Total Scheduled			310	10	3	3	320
Admitted							
Admission			31	2	0	1	32
Others		Actives	0	0	0	0	0
		Defunct	15	0	0	0	15
Total Admitted			46	2	0	1	47

2.0 Member Contact

2.1 Over the quarter July to September we received **2** online customer responses.

Over the same quarter **190** Lincolnshire member's sample survey letters were sent out and **25 (13.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2018	October to December 2018	January to March 2019	April to June 2019	July to September 2019
81.6%	81%	81.3%	83.5%	87.9%

Appendix 1 – Customer survey results.

3.0 Internal Disputes Resolution Procedures

3.1 All occupational pension schemes are required to operate an IDRP. 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 Pension Fund Manager. Stage 2 appeals are considered by WYPF.

Stage 1 appeals against the fund

No appeals currently outstanding.

Stage 1 appeals against scheme employers

Two appeal decision in this period. One appeal currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
28/6/2019	Appeal against being refused an ill health pension.	Referred to LCC as scheme employer. Turned down.	27/8/2019
31/7/2019	Appeal against service details.	Referred to LCC as scheme employer.	
3/7/2019	Appeal against overpayment of pension.	Referred back to WYPF to contact employer to clarify how they intend to proceed with the overpayment.	1/8/2019

Stage 2 appeals

One appeal decision in this period. One appeal currently outstanding

Date application received	Reason for appeal	Current position/Outcome	Date decision letter sent
4/5/2019	Reason for employment terminating / access to unreduced benefits.	Turned down.	2/8/2019

23/9/2019	Maladministration - Incorrect ABS	Being worked on.	

Ombudsman

3.2 One case outstanding

Date application received	Details of complaint	Current position/outcome	Date complete
5/7/2019	Appeal against service used in pension calculation.	Being dealt with by LCC Legal. Information provided to them. Further information provided to LCC Legal in September.	

4.0 Data Score

4.1 As part of the annual return to The Pensions Regulator (TPR) WYPF is required to report a data quality score by measuring the quality of our data for common data and scheme specific data. The latest scores are:

Common	95.69%
Scheme Specific	73.05%

This is reduction on the scores measured in September which were:

Common	96.12%
Scheme Specific	85.69%

4.2 The reduction in the common data scores is primarily due to an increase in missing addresses as a result of sending out deferred benefit statements.

4.3 The reduction in the scheme specific data scores is due to additional checks undertaken as a result of revised guidance received from the Pensions Regulator and the Scheme Advisory Board, and the WYPF programme not picking up the correct fields on some new data elements. This is due to the late receipt of the specification from MHCLG which meant that WYPF's programmes were not thoroughly tested. This will be rectified in time for the next quarter.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Customer survey results

Hounslow Pension Fund

1.0 Scheme Information

1.1 Membership numbers in the Hounslow Pension fund are as follows:

Numbers	Active	Deferred	Undecided*	Pensioner	Frozen	Total
LGPS	6,695	7,695	1,033	6,962	1,245	23,630
Percentage of Membership	28.33%	32.56%	4.37%	29.46%	5.27%	100%
Change from Last Quarter	+54	-283	+154	+248	+7	+180

Undecided is someone who has left their employment but is **undecided as to the action that they now want to take with regard to their pension benefits.*

1.2 Number of Employers in the Hounslow Pension Fund

Scheduled			As at 31.3.18	Number Admitted	Changes +/-	Number Leaving	As at 31.3.19
Schedule 1		Local Authorities	4	0	0	0	4
		Academies	25	0	0	0	25
		Others – active	3	1	0	0	4
		Others – defunct	3	0	0	0	3
Schedule 2		Town and parish Councils	0	0	0	0	0
		Others – actives	0	0	0	0	0
		Others – defunct	1	0	0	0	1
Total Scheduled			36	1	0	0	37
Admitted							
Admission			20	0	1	1	20
Others		Actives	0	0	0	0	0
		Defunct	20	0	1	0	21
Total Admitted			40	0	2	1	41

2.0 Member Contact

2.1 Over the quarter July to September we received **No** online customer response.

Over the same period **88** Hounslow member's sample survey letters were sent out and **5 (5.7%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019
97.5%	96.4%	87.9%	81.6%

Appendix B – Customer survey results.

2.2 An update on the pensions administration provision was provided at the Hounslow Annual general Meeting held on 21st November. Officers were also available after the meeting to discuss individual pension issues with members.

3.0 Internal Disputes Resolution Procedures

3.1 All occupational pension schemes are required to operate an IDRP. 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 Pension Fund Manager. Stage 2 appeals are considered by WYPF.

Stage 1 appeals against the fund

Date of Claim	Stage	Nature of Dispute	Decision
18/09/2019	Stage 1	Time limit not extended to allow linking of previous membership	Decision upheld
11/10/2019	Stage 1	Tax deducted from death grant due to it being paid after 2 years of death.	Turned down Maladministration identified

Stage 1 appeals against Employer

Date of Claim	Stage	Nature of Dispute	Decision
22/02/2019	Stage 1	Refusal to release deferred benefits early on ill health grounds.	Referred back to Employer to reconsider

Stage 2 appeals

No appeals outstanding.

Ombudsman

3.2 No appeals outstanding.

4.0 Data Score

4.1 As part of the annual return to The Pensions Regulator (TPR) WYPF is required to report a data quality score by measuring the quality of our data for common data and scheme specific data. The latest scores are:

Common	95.69%
Scheme Specific	73.05%

This is reduction on the scores measured in September which were:

Common	96.12%
Scheme Specific	85.69%

4.2 The reduction in the common data scores is primarily due to an increase in missing addresses as a result of sending out deferred benefit statements.

4.3 The reduction in the scheme specific data scores is due to additional checks undertaken as a result of revised guidance received from the Pensions Regulator and the Scheme Advisory Board, and

4.4 WYPF programme not picking up the correct fields on some new data elements. This is due to the late receipt of the specification from MHCLG which meant that WYPF's programmes were not thoroughly tested. This will be rectified in time for the next quarter.

Appendices

These are listed below and attached at the back of the report	
Andix B	Customer survey results

Fire Services Shared Service

1.0 Scheme Information

1.1 Membership numbers in the Fire Schemes are as follows:

Fire Authority	Actives	Deferred	Pensioner	Undecided	Frozen Refund
West Yorkshire	1,011	299	2,430	0	3
South Yorkshire	578	132	1319	0	10
North Yorkshire	629	360	601	3	0
Humberside	727	265	1,055	4	2
Lincolnshire	585	591	361	30	26
Royal Berkshire	421	208	504	2	1
Bucks and Milton Keynes	337	336	478	2	5
Devon and Somerset	1,628	942	1,383	21	15
Dorset and Wiltshire	978	590	906	84	6
Tyne and Wear	553	123	1,409	2	0
Northumberland	275	194	373	4	1
Norfolk	618	228	552	73	0
Staffordshire	598	623	772	7	0
Hereford and Worcester	564	318	488	9	0
Durham and Darlington	438	192	591	0	0

Undecided is someone who has left their employment but is **undecided as to the action that they now want to take with regard to their pension benefits.*

2.0 Member Contact

2.1 Over the quarter July to September we received **No** online customer response.

Over the same period **82** Fire member's sample survey letters were sent out and **19 (23.2%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019
88.6%	87.8%	88.8%	87.9%

Appendix C – Customer survey results.

3.0 Annual Benefit Statements

3.1 Annual Benefit Statements were issued to active members of the scheme by the statutory deadline of 31 August, except for the RDS Modified scheme members, which is a small specialised group of members. These were issued by the end of October and reported to the Pensions regulator as a breach by the Fire Authorities.

This was due to the limitations of the system software, which have now been rectified by the supplier.

3.2 Some positive feedback received from members regarding the new style format of the Annual Benefit Statement:

Member 1 - This is the first statement he's received that he's understood clearly and is the most relevant to him by quoting his estimated pension benefits at 30 years and age 55. He wanted me to pass on how clear they are this year.

Member 2 - I have just had a conversation with XXXX regarding his possible retirement next year – all questions answered to his satisfaction. However, he would like to pass on his congratulations and endless thanks to those who have put in the work to produce "the most informative and helpful" ABS he has ever received. Easy to understand and gives all the answers anyone would need when reviewing their pension benefits. "Very well done". He must have liked it because he said it half a dozen times!!!

3.3 Pension Savings statements were issued to members who breached the Annual allowance, before the deadline of 6 October.

4.0 Fire Tax Training

4.1 WYPF commissioned Barnett Waddingham to provide Pensions Tax Awareness & Workshop to staff. The morning session covered:

- Annual allowance
- Lifetime allowance
- Some considerations for members
- Freedom & Choice reform & MPAA -Money Purchase annual allowance.

The afternoon covered 'Pensions Tax Workshop' which involved looking at different scenarios.

Appendices

These are listed below and attached at the back of the report	
Appendix C	Customer survey results

Appendix A

Customer Survey Results - Lincolnshire Members
(1st July to 30th September 2019)

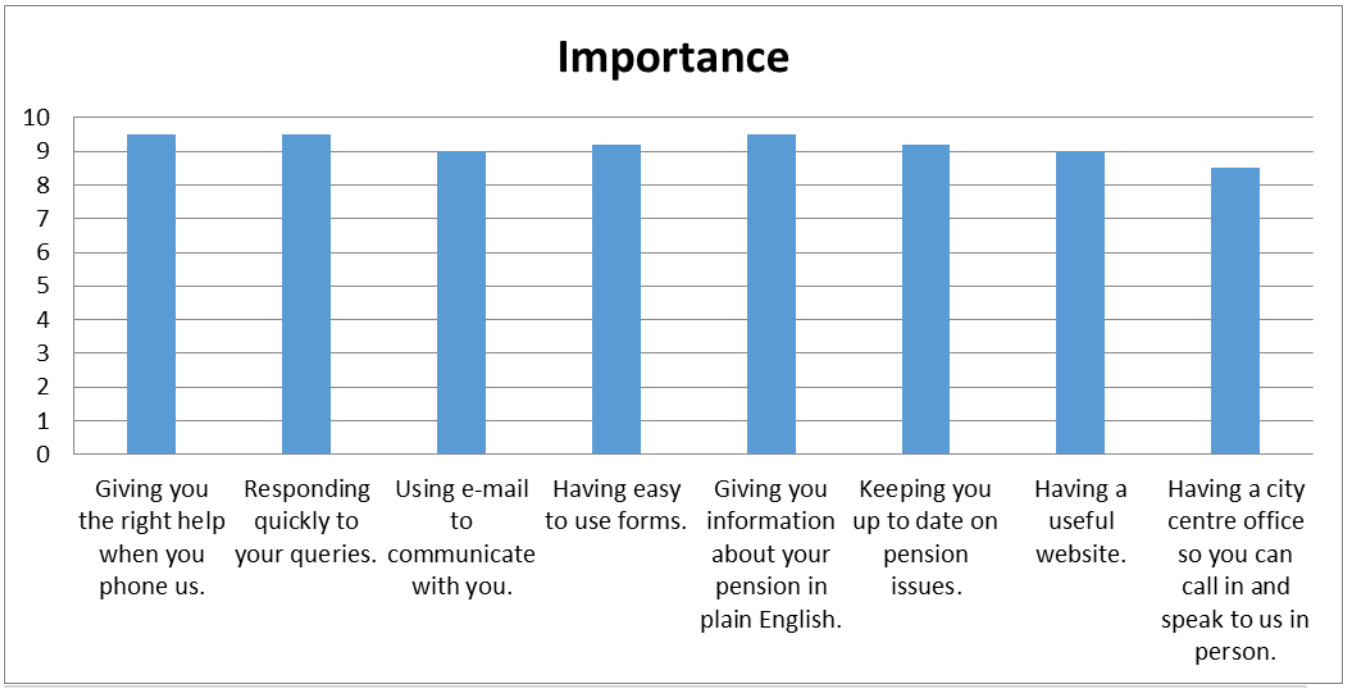
Over the quarter July to September we received **2** online customer responses.

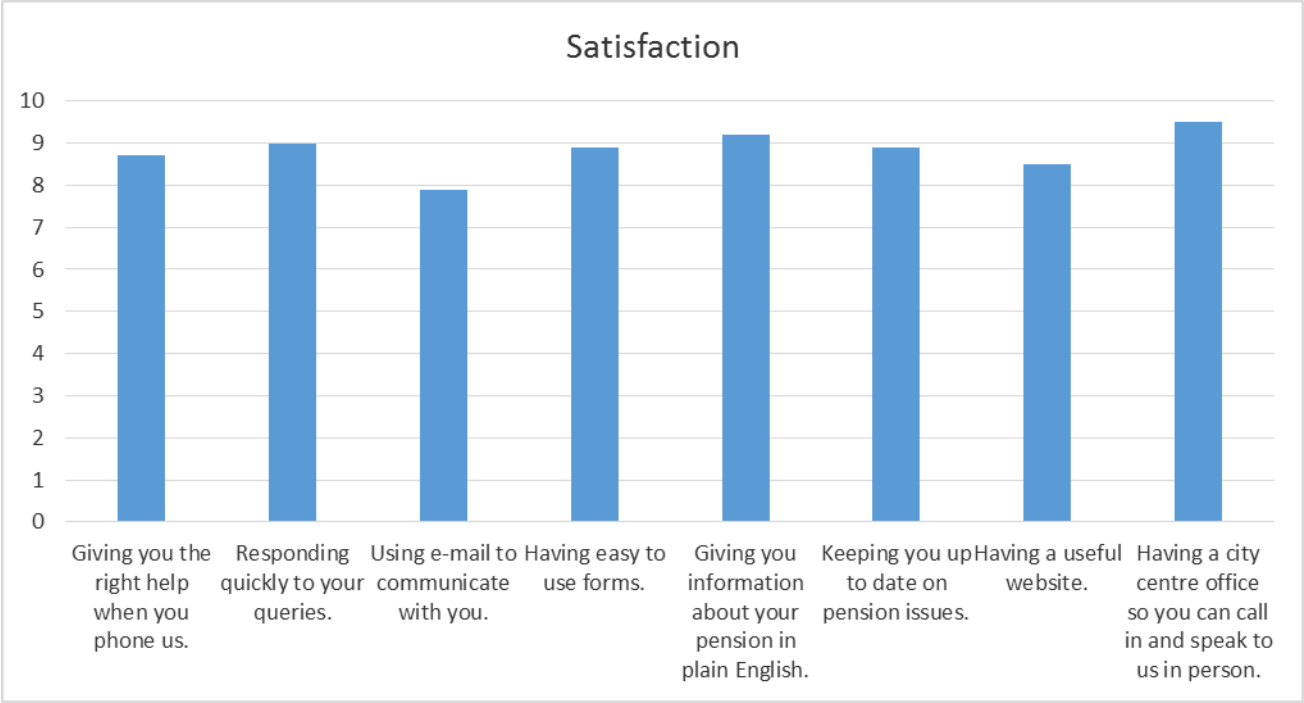
Over the quarter July to September **190** Lincolnshire member's sample survey letters were sent out and **25 (13.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2018	October to December 2018	January to March 2019	April to June 2019	July to September 2019
81.6%	81%	81.3%	83.5%	87.9%

The charts below give a picture of the customers overall views about our services;





Sample of positive comments:

Member Number	Comments
8059637	Excellent, the pension claim was smooth. My first email enquiry about my pension was dealt promptly and as far as my employer had confirmed my retirement, receipt of lump sum was very quick. Thank you
811510	Having had electronic paper and written communications with WYPF recently, everything I have been asked for has been provided as early and promptly possible. Excellent verbal communication from staff who I have been spoken to on the telephone.
8097404	Very speedy hassle free service. I only contacted you twice after you contacted me. I wish all services were this easy. Outstanding.
8121114	Competent and professional with clear communications in writing and over the telephone with most pension jargon explained. Took bit longer what I anticipated. Cheryl Jepson was particularly helpful.
Online	Efficient, clear to understand figures and provided within 3 weeks which is acceptable. I have no bad comments to make about how I was treated, I were given a timescale which was adhered to, so I can only praise how I were dealt with.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
8018848	It has not been the best experience I am afraid. It has a big decision to retire early. Trying to get a figure for my pension forecast was slow, laborious and long waited. Very unhelpful when I tried to phone except for one nice lady. It seemed that even though it was my money we were telling about WYPF were reluctant to give me a figure. Sorry but there is a huge scope for improvement. One lady I spoke to was so grumpy that it push me off ringing again. Perhaps that is the reason why she answers the	Response sent by Team Manager Thank you for taking time to complete and return our customer survey. I am sorry that you are not completely happy with the service that West Yorkshire Pension Fund (WYPF) has provided. I have reviewed your pension record and note you were asked to request an estimate via your employer. Before members make a decision to retire we ask members to contact their employer to request an estimate of benefits on the member's behalf. The employer is able to provide us with the accurate pay

	phone to put people off.	figures we need to calculate member's pension benefits. Unfortunately, there was some delay in updating your account with the monthly postings before the 2019 ABS could be issued. As soon as this was identified, it was put right and your 2019 ABS issued. I note your comments about how you felt regarding the level of service you received when you telephoned our offices. I would like to apologise for this as WYPF aim to provide our members with a good service. Your comments have been noted and will be reviewed by our senior management team during the next review of customer service. Please contact me if I can be of any further assistance.

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Appendix B

Customer Survey Results - Hounslow Members
(1st July to 30th September 2019)

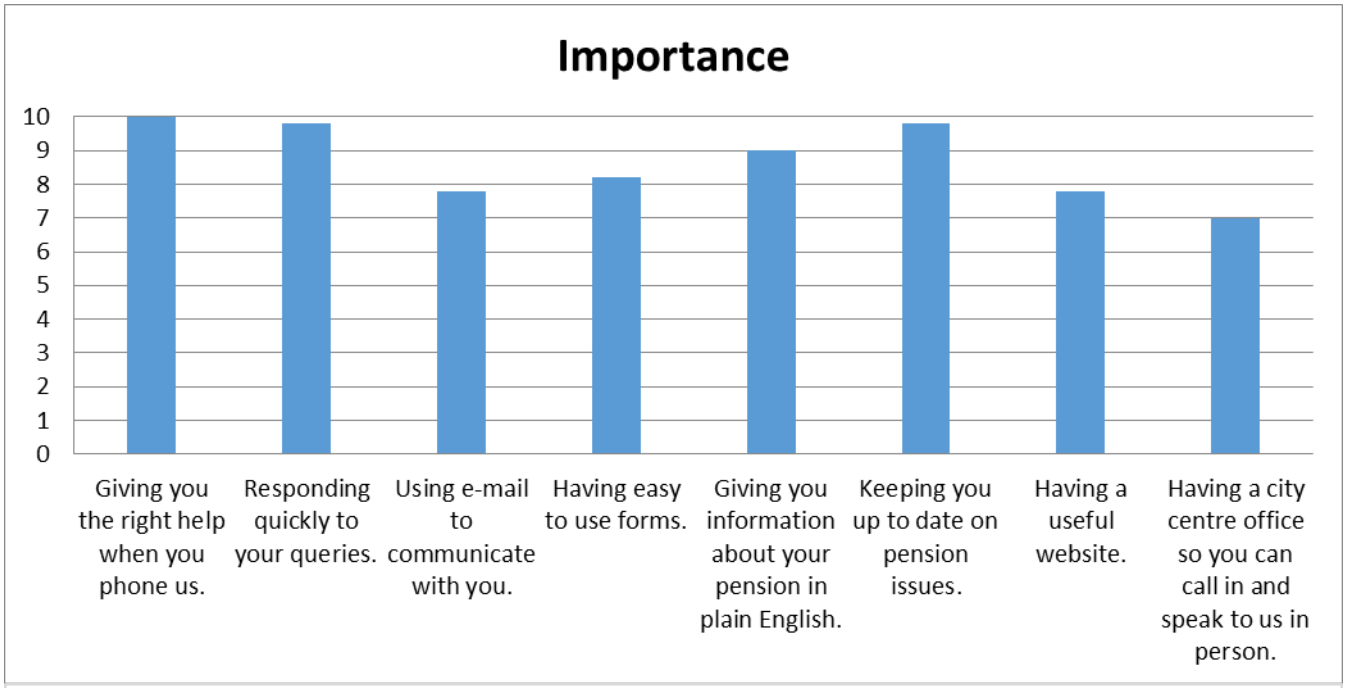
Over the quarter July to September we received **No** online customer response.

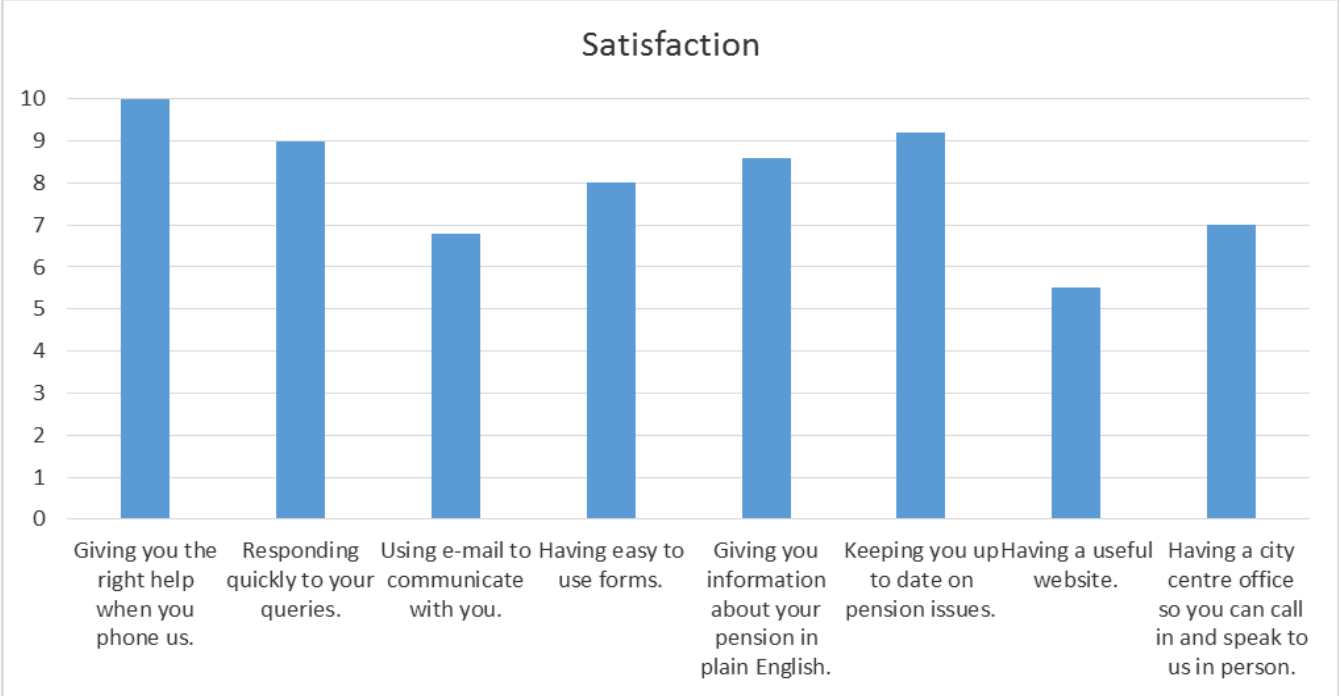
Over the quarter July to September **88** Hounslow member's sample survey letters were sent out and **5 (5.7%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019
97.5%	96.4%	87.9%	81.6%

The charts below give a picture of the customers overall views about our services;





Sample of positive comments:

Member Number	Comments
18101034	Very helpful and answered questions.
18031081	Very satisfactory friendly staff. Helpful informatory guidance when needed. A friendly responsive service with staff who generally work to help and support pension holder.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
18100515	Unfortunately it was all lead by me and you were slow to respond. You need to be a customer focus and follow up on customers requests. I was not satisfied with the service provided. I hope you will be more proactive in the future with other customers. Hounslow LBC were more helpful.	This is a case where member wanted to transfer out his benefits to another provider. No significant delays have occurred. Transfers can be time consuming as information has to be provided and processed by the new scheme who will also contact the member during the process. Until WYPF receive option forms from the member the transfer cannot be finalised. Under the LGPS regulations a transfer quote must be provided within 3 months of the date of request which in this case was met.

Customer Survey Results - Fire Members
(1st July to 30th September 2019)

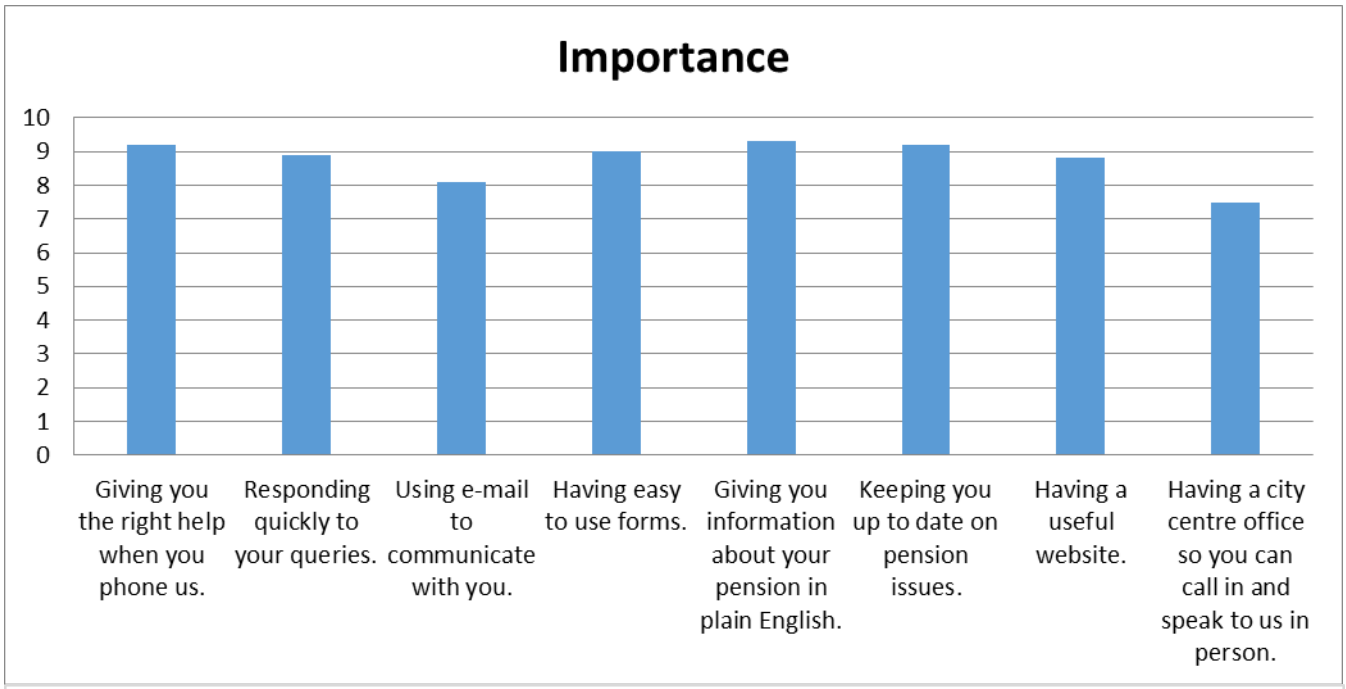
Over the quarter July to September we received **No** online customer response.

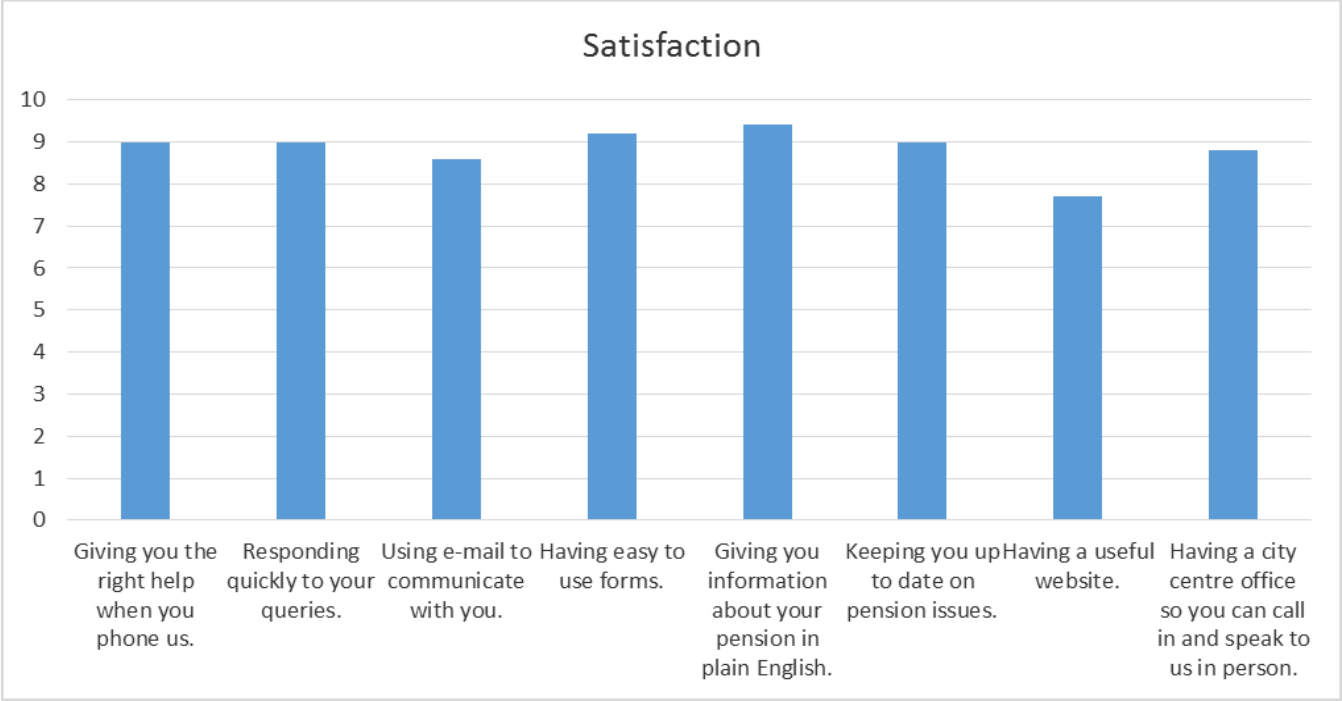
Over the quarter July to September **82** Fire member's sample survey letters were sent out and **19 (23.2%)** returned:

Overall Customer Satisfaction Score;

October to December 2018	January to March 2019	April to June 2019	July to September 2019
88.6%	87.8%	88.8%	87.9%

The charts below give a picture of the customers overall views about our services;





Sample of positive comments:

Member Name /Number	Comments
13000293 Phone Call	Email of staff member - Mr XX said this is the first statement he's received that he's understood clearly and is the most relevant to him by quoting his estimated pension benefits at 30 years and age 55.
1000534 Phone Call	Email of staff member - I have just had a conversation with Mr XX (M/N 1000534) regarding his possible retirement next year – all questions answered to his satisfaction. However, he would like to pass on his congratulations and endless thanks to those who have put in the work to produce "the most informative and helpful" ABS he has ever received. Easy to understand and gives all the answers (well most otherwise he wouldn't have phoned – I added that bit J) anyone would need when reviewing their pension benefits. "Very well done" He must have liked it because he said it half a dozen times!!!
12001129	Very impressed with your service, it felt very personal as this is important time of my life. Thank you for making the process simple, the communication and form filled in were excellent. I really appreciate the payment summery better I received two weeks before I retired, it put my mind at rest. Would like to Thank XX who came to our service for my retirement seminar.
13005097	All phone calls I made to your office was dealt with very knowledgeable individuals which gave me the satisfaction of knowing I would receive a very professional service. I have had very quick response from WYPF once I had put my resignation for retirement purposes. So far all has gave very well which I thank you for.

Complaints/Suggestions:

Member Number	Comments	Corrective/ Preventive Actions
14001573	Having a single point of contact makes the transition into retirement easier. Difficulties on numerous occasions trying to log into pension portal. System does not recognise the email address login when trying to reset passwords even though it is correct one used for all correspondence.	Response sent by Team Manager: Thank you for taking time to complete and return our customer survey. We are currently in the process of updating My Pension online, this should eliminate the log in issues we encounter from time to time, please bear with us until the upgrade is complete, we expect this to be a little later this year. If you require any assistance accessing the portal in the meantime, please call us and we will do our best to rectify the issue. Your comments have been noted and will be reviewed by our senior management team during the next review of customer service.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020

U

Subject: Local Government Pension Scheme Regulations update

Summary statement:

This report updates the Joint Advisory Group on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

Recommendation:

It is recommended that Members note this report.

Rodney Barton
Director

Portfolio:

Report Contact: Tracy Weaver
Phone: (01274) 433571
E-mail: 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 MHCLG issued a consolation on Fair Deal – Strengthening pension protection.

2.2 This consultation sought views on proposals to amend the rules of the LGPS that would require service providers to offer LGPS membership to individuals who have been compulsorily transferred from an LGPS employer. The proposals include a new approach to achieve this, the 'deemed employer', as an alternative to obtaining admission body status. The consultation also includes proposals that would automatically transfer assets and liabilities when employers in the Scheme are involved in a merger or takeover. The proposals are broadly welcomed.

2.3 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'. The consultation documents are available on the scheme consultations page of www.lgpsregs.org

3.2 The consultation closed on 31 July 2019.

3.3 MHCLG have reported it had received around 280 responses and that it expected to publish its response in the autumn of 2019, however this has not been issued to date.

4.1 The Local Government Pension Scheme (Amendment) Regulations 2019

The above regulations were laid before Parliament on 5 November 2019 and were effective from 31 December 2019. They amend the LGPS (Transitional Provisions, Savings and Amendment) Regulations 2014 by introducing survivor benefits payable under the earlier regulations for opposite-sex civil partnerships. A person who is the surviving opposite-sex civil partner of a deceased member will be provided with a survivor pension calculated on the basis that the survivor is a widow or widower, depending on their gender.

5 Other LGPS matters

5.1 Actuarial Factors

MHCLG has issued new actuarial factors for the purchase of Additional Survivor Benefits.

5.2 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 (E&W 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/cost management should be taken into 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 / cost management.

The SAB advice note sets out their proposed approach in five key points and administering authorities are 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.

5.3 Consultation on restricting exit payments

On 10 April 2019 HM Treasury 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. The consultation closed on 3 July 2019.

5.4 HMT have reported it received approximately 600 responses, and said that it was hoping to publish its response in the autumn of 2019. It is understood that HMT are to introduce the cap no sooner than 1 April 2020.

5.5 **Scheme Advisory Board's Good Governance Report**

Early in 2019 SAB commissioned Hymans Robertson to prepare a report on the 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.

Hymans Robertson's project team will now be assisting SAB in taking forward the next 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.

5.6 **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.

5.7 **Third Tier employers**

In June 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.

6.0 Other Pension Matters

6.1 The Pensions Ombudsman

On 19 December 2018 the Government published a consultation seeking views on proposals for a new function at the Pensions Ombudsman (TPO) for the earlier resolution of disputes prior to a determination; allowing employers to make complaints or refer disputes to TPO on behalf of themselves; and associated signposting provisions.

On 8 August 2019 the government published its response to the consultation. On the whole, responders were supportive of the government's proposals. Going forward, the government will:

- collaborate with HMT and the FCA to ensure the services work to support the best interests of parties that will use those services, and
- bring forward legislation to provide a framework for the proposals

6.2 Pension Schemes Bill 2019

On 14 October 2019 the Pension Schemes Bill was confirmed in the Queen's Speech and, following the General Election, was re-introduced on 19 December 2019.

The Bill will introduce:

- A framework for "collective money purchase schemes";
- Provisions to enable pension dashboards;
- New criminal offences for failure to comply with a contribution notice, avoidance of an employer debt and conduct risking accrued scheme benefits;
- A new requirement for trustees of occupational defined benefit schemes to determine (with the agreement of the employer) a strategy for ensuring that pensions and other benefits under the scheme can be provided over the long term; and
- Restrictions on the right to a statutory transfer, unless prescribed conditions are met.

6.3 September 2019 rate of CPI

On 16 October 2019, the Office for National Statistics announced that the Consumer Prices Index (CPI) rate of inflation for September 2019 was 1.7%.

Government policy in recent years has been to base both pensions increase under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI for September of the previous year. Confirmation is awaited from the Government that the revaluation of pension accounts and the pensions increase to apply to deferred LGPS pensions and LGPS pensions in payment in April 2019 will be 1.7%.

7.0 Recommendation

It is recommended that the Joint Advisory Group note the report.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020

V

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 now come under the remit of The Pensions Regulator.

Section 70 of the Pensions Act 2004 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 any breaches of law is maintained in accordance with West Yorkshire Pension Fund (WYPF) Breaches Procedure.

Recommendation

This report and entries on the Register of Breaches of Law are noted.

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Caroline Blackburn
Phone: (01274) 434523
E-mail: caroline.blackburn@wypf.org

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 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.

1.2 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.

1.3 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 and unreported breaches.

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

3. Breaches from April 2019

3.1 The entries on the Register of Breaches for 2019/20 relate to either:

- the late payment of employees' pension contributions by employers, or
- non-issue of Annual Benefit Statements by the 31 August 2019 to a small number of active members.

4. Recommendation

4.1 It is recommended that the Joint Advisory Group note the entries and action taken on the Register of Breaches.

5. Appendix

- Appendix A – Register of Breaches 2019/20

Appendix A

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	**Administration** **Issue of Annual Benefit Statements (ABS)**	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	**Administration** **Maintaining contributions**	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. **Please see schedule below for details of employers who failed to make payment by the appropriate date.**	Contributions not received by the scheme within the prescribed timescales	**Immediate action**: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee and are notified that further late payments may be reported to the Pensions Regulator. **Continuing Action:** Employers are closely monitored. Records of each employer who fail to make payment each month are maintained along with details of the number of late payment occasions.	Not reported	All outstanding payments are chased up and all payments received	None

Appendix A

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 Lapage 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	19/0619	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

Appendix A

WYPF Breaches of the Law 2019 -2020

	SPIE LTD	19/07/19	22/07/19	1166.69		
	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
July 19	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
August 19	Basketball England	19/09/19	01/10/19	924.75	1	1
	Aspens Services Ltd Featherstone	19/09/19	03/10/19	177.61	4	4
	Mellors (was Aspens Oasis)	19/09/19	03/10/19	193.34	4	4
	Mellors (was Aspens Appleton)	19/09/19	03/10/19	1363.01	4	4
Sept 19	Leeds Society for the Deaf and Blind	19/10/19	21/10/19	398.59	1	1
	Innovate Services Ltd (Crossflats)	19/10/19	22/10/19	547.10	2	1
Oct 19	Pool Parish Council	19/11/19	22/10/19	291.34	0	1
Nov 19	Bishop Wheeler	19/12/19	23/12/19	46748.80	0	0
	Mountain Healthcare Ltd	19/12/19	06/01/20	308.23	0	0

Appendix A

WYPF Breaches of the Law 2019 -2020

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020.

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Subject:

Pensions Administration Strategy and Communications Policy 2020/21

Summary statement:

As part compliance with the LGPS Regulations 2013 WYPF prepare a written statement of the authority's policies in relation to such matters as it considers appropriate in relation to procedures for liaison and communication with scheme employers and the levels of performance which the employers and WYPF are expected to achieve.

The Pensions Administration Strategy and Communications Policy are brought before JAG each year to review and approve, particularly if there are any new regulations and revisions to working practices.

There are no changes to the Pensions Administration Strategy. The Communications Policy has been updated to reflect activities planned for 2020-21.

Appendix A – Pensions Administration Strategy
Appendix B – Communications Policy

Recommendations:

It is recommended that the Pension Administration Strategy and the Communications Policy 2020/21 be approved.

Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

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West Yorkshire Pension Fund

Pension Administration Strategy

Contents

Regulatory framework and purpose

1. The regulations

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

In line with these regulations West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF) and Hounslow Pension Fund (HPF) employers have been consulted on the strategy, and a copy has been sent to the Secretary of State.

1.1 Purpose

This strategy covers both West Yorkshire Pension Fund, Lincolnshire Pension Fund and Hounslow Pension Fund, administered under a collaboration agreement. Within this document the shared service administration, based in Bradford (with a satellite office in Lincoln), will be referred to as 'the administrator'.

This strategy outlines the processes and procedures to allow WYPF, LPF, HPF 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.

Each of the Funds that make up WYPF's shared service arrangement also manage and maintain separate stand-alone policies which are available under the relevant fund's 'policies' area on the shared service website.

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 tri-annual 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.

WYPF 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:

- a strategic contact for valuation, scheme consultation, discretionary statements and IDRP's
- an administration contact for the day-to-day administration of the scheme, completing forms and responding to queries, and
- a finance contact for completion and submission of monthly postings and co-ordination of exception

reports If they wish, employers may also nominate additional contacts by completing an authorised user

list. If a third-party organisation provides service for the employer they too can be added as an authorised

contact.

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** form, and sign 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.

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	8.30am to 4.30pm 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
Ad hoc 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 and *round-up*	12 per year and as and when required	Wordpress blog and e-mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Face-to-face
Workshops	15 per year	Face-to-face
Bitesize workshops	2 per month on a trial basis	Cloud hosted live webinar

4. Employer duties and 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 were 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

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
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 2weeks 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
			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 2weeks 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 2weeks 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 For exception reports leaver forms must be provided within 2 months of receipt of the exception report	90% compliance or better
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

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.

4.3 Discretionary powers

Commented [JR1]: Should this mention that a copy of any discretionary policies should be shared with the administrator?

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 to employees in respect of the key discretions as required by the regulations.

4.4 Member contribution bands

Commented [JR2]: Should this state "on an annual basis as a minimum"?

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 dispute 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 and 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.

Commented [JR3]: Nope! To the relevant pension scheme.

5.2 Paying contributions

Commented [JR4]: Can this be made firmer that the contributions and the data must be submitted by the deadline and be in agreement?

Member and employer contributions can be paid over at any time and must 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.

5.3 AVC deductions

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

5.4 Late payment

Commented [JR5]: Can this be amended to include wording about the matching data too, as we classify late payment if we can't allocate the cash.

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 by BACS payment direct to WYPF, LPF or HPF's bank account.

5.6 Early retirement and augmentation costs

Employers should pay the full early retirement cost in one instalment. WYPF employers may request to pay by instalments over 5 years. Interest is charged if the option to pay by instalments is is requested and agreed to, and the annual interest used is the Bank of England Base Rate + 1%.

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

5.7 Interest on late payment

Commented [JR6]: Is this ever done in practice – we don't. should it say may?

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

Employers' 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 sufficiently funded to meet its liabilities.

5.9 Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund 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.

Commented [JR7]: We don't use that term now – it's a secondary payment, and the contribution rate is the primary payment.

5.10 Administration charges

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

6. Administering authority duties and 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 workshop
- Your responsibilities workshop
- Monthly contributions workshop
- Ill Health retirement workshop
- Pensionable Pay workshop
- Bitesize training webinars

Commented [JR8]: Not for Lincs, so should it be included, or add a "where appropriate".

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 schemes being administered
6.2.2 Create a member record for all new starters admitted to the scheme
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 in
3.2.7 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

Commented [JR9]: ??

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.

6.5 Internal dispute resolution procedure (IDRP)

The administrator will deal with employer appeals at stage two of the IDRP for WYPF and LPF. A nominated officer of the London Borough of Hounslow will undertake this role for HPF.

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

Commented [JR10]: Some of these target levels are different to the KPI's reported to Committee

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member recordscreated	10	75%
2. Update personalrecords	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 contributions – notification of entitlement	5	75%
8. Refund of contributions – payment	5	75%

Service	Days	Minimum target
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%
13. Calculation and payment death benefits on receipt of all necessary information	5	75%
14. Make death grant payment to themember'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 P60s 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.

WYPF performance levels will be published on a quarterly basis in the employer newsletter.

Overall employer and WYPF performance will be published by WYPF in the Report and

Accounts.

Commented [JR11]: Does this happen, if not it shouldn't be here.

Commented [JR12]: Does this happen?

Commented [JR13]: Does this happen?

7.2 Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this strategy, and this 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.

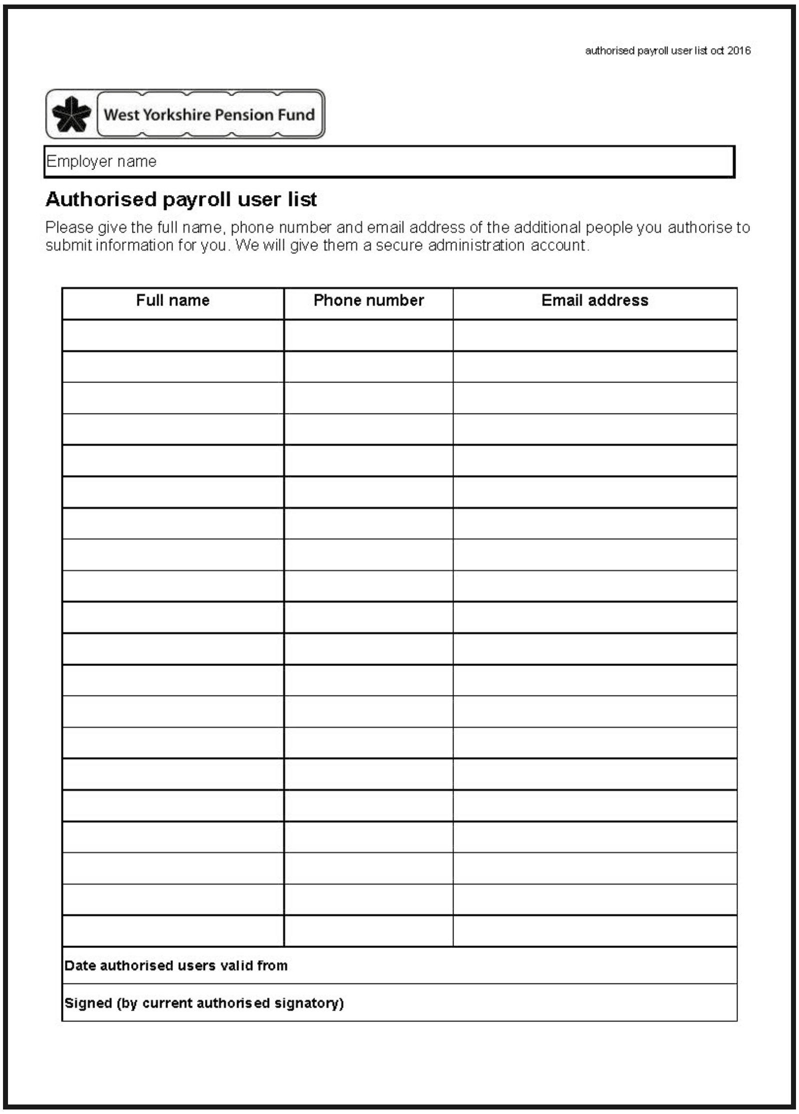
Appendix A – Main contact registration and authorised user list

Main contact registration form

Commented [SD14]: Need new document here

Authorised user list

Commented [SD15]: Need new document here



authorised payroll user list oct 2016

West Yorkshire Pension Fund

Employer name

Authorised payroll user list

Please give the full name, phone number and email address of the additional people you authorise to submit information for you. We will give them a secure administration account.

Full name	Phone number	Email address
Date authorised users valid from		
Signed (by current authorised signatory)		

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 head of service discretion.
2. Contributions to be paid anytime but latest date by 19th of 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 two 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 Pensions Officers level II) at £136 + VAT a day. This may be waived at head of service 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 Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service 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 WYPF within two months 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 head of service discretion.
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 head of service 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 head of service 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 19th)	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I) at £96 + VAT a day. This may be waived at head of service 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 head of service discretion.

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 WYPF will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service 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 head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st 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 member's 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.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • 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 – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for 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 Pensions Officer level
- Level II – work at Senior Pensions Officer level
- Level III – work at Pensions Manager level

West Yorkshire Pension Fund

Communications Policy

Communications Policy 2020

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 services from April 2015 (LPF) and August 2018 (HPF). 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 over 700 employers and havs 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 2020 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
- Use plain English for all our communications with stakeholders
- Identify and use the most appropriate communication method to take 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 appropriate

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
- monitoring comments, compliments and complaints, and
- customer surveys.

To ensure continuous development we plan to:

- re-launch member self service with the new version of MyPension.
- broaden our use of digital platforms to engage stakeholders
- continue to develop web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts.

Communications events 2020/21 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members **(including representatives of active members and prospective members)**	Newsletter	2/3 per year	Mail/electronically via MyPension
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail/ electronically via MyPension
	www.wypf.org.uk	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
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/e-mail
	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/ electronically via MyPension
	Annual benefit statement	1 per year	Mail/ electronically via MyPension
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web
LGPS pensioner members (including representatives of retired members)	Newsletter	2 per year	Mail/ electronically via MyPension
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	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

Commented [JR1]: Is this to the Fund or to the admin service?

Communications events2020/21– firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)	Newsletter	At least 1 per year	Mail/ electronically via MyPension
	Annual benefit statement	1 per year	Mail/ electronically via MyPension
	www.wypf.org.uk	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
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Scheme booklet	Constant	Web
Firefighter deferred members (including representatives of deferred members)	Annual benefit statement	1 per year	Mail/ electronically via MyPension
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
Firefighter – pensioner members (including representatives of pensioner members)	www.wypf.org.uk	Constant	Web
	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

Communications events 2020/21 – councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)	Newsletter	1 per year	Mail/ electronically via MyPension
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	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 2020/21 – 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
	Employer guide	Constant	Web/electronic document
	Ad hoc training	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 and round-up	12 per year and when required	Wordpress blog and e-mail
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	15 per year	Face-to-face in each fund's location
	Bitesize workshops	2/3 per month as a trial	Cloud hosted live webinar

Member contacts

Contact centre
Phone (01274) 434999
Email wypf@bradford.gov.uk

Postal address
WYPF
PO Box 67
Bradfor
d 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 433788

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 Manager

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 20.

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Subject:

The Pensions Regulator – Governance and Administration 'Deep Dive' Engagement Report

Summary statement:

This report introduces the Pensions Regulator's Governance and Administration Risks in Public Service Pension Schemes Engagement Report, a deep dive into the administration and governance of 10 LGPS funds.

Recommendation:

It is recommended that the Joint Advisory Group note the Pensions Regulator's findings.

Mr Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Phone: (01274) 432343
E-mail: Yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

1.0 Background

1.1 In the Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds. This action was as a result of TPR identifying a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this.

2.0 Findings

2.1 The engagement took place between October 2018 and July 2019, following the results of TPR's annual governance and administration survey, in which it was identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. TPR carried out the review at a high level, based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of fund documentation and examples of communications sent to members, prospective members and beneficiaries.

2.2 It was not a comprehensive evaluation of the funds' operations and was not intended to replace audit requirements, nor was it to be considered as regulatory assurance or an endorsement of the fund by TPR.

2.3 The full report is attached at Appendix A, and the key recommendations are shown below, taken from the Hymans Robertson 60 Second Summary, attached at Appendix B:

Record keeping – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.

Internal controls – while taking a holistic view of risk funds should have a risk register in place that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks.

Administrators – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.

Member communication – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.

Internal dispute resolution – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.

Pension Boards – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.

Employers and contributions – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.

Cyber security – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.

Internal fraud and false claims – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

Conclusion

The TPR's Governance and Administration Risks in Public Service Pension Schemes Engagement Report sets out the findings and recommendations from a deep dive into the administration and governance of 10 LGPS funds.

Appendices

These are listed below and attached at the back of the report	
Appendix A	The Pensions Regulator – Public Service Governance and Administration Survey 2018 – Research Report
Appendix B	Hymans Robertson TPR Engagement Report 60 Second Summary

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APPENDIX A

Governance and administration risks in public service pension schemes: an engagement report

About this report

Findings from our engagement with 10 local government funds, selected from across the UK, to understand scheme managers' approaches to a number of key risks. As part of each engagement we fed back on good practice and suggested improvements that could be made.

The engagement took place between October 2018 and July 2019 following the results of our annual governance and administration survey, in which we identified that improvements being made across the Local Government Pension Scheme (LGPS) had slowed down. We were pleased to note that scheme managers were already sharing good practice with their LGPS peers and hope that working with us offered scheme managers a new perspective on their funds.

We carried out this review at a high level based on meetings with scheme managers to understand the challenges they face. The meetings were supplemented by a review of some fund documentation and examples of communications sent to members, prospective members and beneficiaries.

It is not a comprehensive evaluation of the funds' operations and is not intended to replace audit requirements, nor is it to be considered as regulatory assurance or an endorsement of the fund by The Pensions Regulator (TPR).

Executive summary

Overall we found a number of common areas, some requiring improvement but others demonstrating good practice relating to the various risk areas we investigated. The key improvement areas are summarised below. These findings align with the findings from our annual public service governance and administration survey.

Key person risk: While most scheme managers demonstrated a good knowledge of what we expect, many funds have a lack of comprehensive documented policies and procedures. We also found an over-reliance on controls put in place by the Local Authority with little interaction between the scheme manager and Local Authority. This was particularly prevalent in relation to cyber security but this theme overlays several of the risk areas we explored.

Pension boards: Engagement levels varied, with concerns being raised about the frequency some pension boards meet and their appetite to build their knowledge and understanding. We saw evidence of some pension boards not wanting to review full

documents, instead relying on much reduced summaries and leading us to question how they could fulfil their function. Others were well run and engaged.

Fraud / scams: We saw evidence of scheme managers learning from wider events and taking steps to secure scheme assets. However, not all were as vigilant when it came to protecting members from potential scams.

Employers: We saw considerable variance in the approaches taken to dealing with the risks surrounding employers, such as receiving contributions and employer insolvency. Generally this was connected to fund resourcing but also related to different philosophies related to taking security over assets.

The following sections detail our findings and recommendations, together with case studies we believe will be helpful to the PSPS community.

Key findings and associated case studies

Area of focus: Record-keeping

Code of Practice 14 – Governance and administration of public service pension schemes

Failure to maintain complete and accurate records and put in place effective internal controls to achieve this can affect the ability of schemes to carry out basic functions. Poor record-keeping can result in schemes failing to pay benefits in accordance with scheme regulations, processing incorrect transactions and paying members incorrect benefits.

Findings	Recommendations
Many scheme managers have moved from annual to monthly member data collection and found this enabled them to verify data at an earlier stage, with some funds providing monthly reports to employers highlighting the quality of data submitted and action points they need to complete. Well-run funds are aware of the quality of the common and scheme specific data they hold. Where it is not entirely accurate robust and measurable, data improvement plans are in place. scheme managers of these funds consider a range of methods to improve data quality, including tracing exercises and improving contract management methods.	• Scheme managers should be aware of how the member data they hold is measured. Data quality needs regular review. A robust data improvement plan should be implemented as appropriate. • The quality of member data should be understood by the Scheme Manager and Pension Board. It should be recorded and tracked to ensure common and scheme specific data is of good quality. An action plan should be implemented to address any poor data found. • Although not a legal requirement, a PAS could be implemented clearly setting out responsibilities and consequences of not complying with duties to the fund. The

They also generally have a robust PAS in place which detail rights and obligations of all parties to the fund.	Pension Board should review the PAS and ensure it will stand up to challenges from employers.

Record-keeping case study 1

One scheme manager we engaged with identified concerns with the accuracy of both the common and scheme specific data it held about the fund members. Following engagement with TPR, the scheme manager created and implemented a robust data improvement plan to drive up record-keeping standards.

One of the data areas of concern for the scheme manager was the number of missing member addresses - this resulted in data scores of 60-80% for common and scheme specific categories. After a review of available resources, the scheme manager undertook a tracing exercise and within a short period of time was able to locate and carry out existence checks on over 90% of the deferred members without known addresses. The exercise also involved reviewing the way active and pensioner members are communicated with to ensure the fund holds the correct contact details for them.

This is an example of a scheme manager taking a holistic approach to improving its record-keeping standards. It gave consideration to the resource available so the project achieved a positive result while providing good value for money. The scheme manager has established that having a data improvement plan which is regularly reviewed will improve oversight of the actions it needs to take and the associated deadlines.

Record-keeping case study 2

The scheme manager of a fund we engaged with openly communicated with us about the challenges it faced in producing Annual Benefit Statements. We were told delays were caused by employers not providing member data to the scheme manager on time, and there were issues with the accuracy of some member data provided by employers.

Having considered its operational structure, and our expectations on governance and administration, the scheme manager reorganised itself internally. With the support of the s.151 officer, the scheme manager developed and implemented a robust data improvement plan which could be measured.

As well as creating a data improvement plan the scheme manager also strengthened its pension administration strategy, outlining responsibilities and the timeframes for action. This document made the consequences of non-compliance by employers clear, such as financial penalties. The scheme manager has also introduced regular employer forums to help further raise standards with employers.

As a result the scheme manager has seen a marked improvement in employer engagement and the quality of member data it holds. It continues to actively monitor both data quality and employer compliance.

Area of focus: Internal controls

Code of Practice 14 – Governance and administration of public service pension schemes

The scheme manager of a public service pension scheme must establish and operate internal controls. These must be adequate for the purpose of securing that the scheme is administered and managed in accordance with the scheme rules and in accordance with the requirements of the law.

Findings	Recommendations
There were a range of approaches to identifying, monitoring and mitigating risks to the funds we engaged with. Some funds had detailed risk management frameworks in place and clear defined procedural documents. Others lack detailed risk registers or do not review the risks to the fund on a frequent basis, with little oversight of work being done to identify or mitigate risks. We found evidence across a number of funds of key person risk, where a long serving member of staff has developed a high level of knowledge about their role and internal processes but this knowledge is not documented. This leaves these funds exposed to the risk of a sharp downturn in administration and governance standards should the key person unexpectedly leave their role. Funds with an engaged s.151 officer who has a good relationship with the scheme manager are more likely to have clear and robust internal controls.	• A risk register should be in place and cover all potential risk areas. It should be regularly reviewed by the pension board. • The scheme manager should take a holistic view to risks and understand how they are connected. • The pension board should have good oversight of the risks and review these at each pension board meeting. • Internal controls and processes should be recorded, avoiding an over reliance on a single person's knowledge levels. • The scheme manager should ensure all processes are documented and reviewed on a regular basis. • Decision and action logs covering all decisions provide a useful reference point as decisions recorded in minutes can be hard to locate.

Internal controls case study 1

A scheme manager has reviewed the approach it takes to maintaining a risk register, having found the approach it was taking could be more effective.

The scheme manager developed a high level document which identifies a wide range of risks with all members of the senior leadership team having a role in the identification and scoring of potential risks.

This document is supported by detailed ‘risk maps’ which provide:

(i) a description of the identified risks

(ii) the person responsible for overseeing the risk

(iii) how the risk is scored and

(iv) details of the mitigating actions and controls in place

Action points identified have clear timescales for completion with an identified person being responsible for delivery.

The full risk register is made available to the pension committee and pension board each time they meet and its review is a standing item on both agendas. This allows for constructive oversight and challenge, along with a clear process to act on feedback provided.

This is an example of a fund which is engaged at all levels of seniority to identify and mitigate risks to good saver outcomes. There are clear, identified processes in place along with strong oversight of the work being done. This approach was devised before TPR began to engage with the scheme manager and demonstrates a clear desire to improve.

Internal controls case study 2

A scheme manager has developed two risk registers, one for the pension committee (which as acts as delegated scheme manager) and a separate, shorter, register for the pension board.

The risk register for the pension board had been reduced in size and detail at the request of the pension board. We have concerns the reduced risk register will prevent the pension board members from having full oversight of all the fund’s risk and applying their knowledge and understanding in an appropriate way as they will not be fully conversant with the facts surrounding each risk.

The pension board also only reviews the risk register twice a year. We believe the risk register should be a standing item on the agenda for both the pension committee and the pension board and reviewed at each meeting – ie it will be reviewed at least each four times a year by each body.

We gave feedback to the scheme manager about our concerns and recommendations, and would encourage funds that adopt similar practices to consider how they can make more effective use of the pension board and improve the engagement levels of its members.

Area of focus: Administrators

Code of Practice 14 – Governance and administration of public service pension schemes

Good administration is the bedrock of a well-run fund. A scheme manager should work well with its administrator or administration team, and ensure the right people and processes are in place to ensure members' benefits are administered to a high standard.

Findings	Recommendations
Better performing scheme managers have a close relationship with their administrator, whether they use a third party provider or an internal team. In these instances robust SLAs are in place which are routinely monitored by senior managers. These scheme managers are also willing to effectively challenge reports from administrators to ensure they fully understand the work being done. Not all scheme managers have clear oversight of the work being done by administrators or question the information provided by them when it is appropriate to do so. This leads to the scheme manager not understanding how well the fund is performing and can act as a barrier between the scheme manager and both participating employers and members. There is a variety of methods used to appoint third party administrators, and scheme managers generally carefully consider the best approach for the individual circumstances of their fund.	• Scheme managers must agree targets and have a strong understanding of what service providers are expected to achieve. The scheme manager should challenge and escalate as appropriate should agreed standards not be met. • Contract lengths should be known and planned against to allow sufficient time to consider contract extensions or for the tender process, as appropriate. This mitigates risks in handing over to a new administrator. • It is helpful for the administrator to attend and present to pension board meetings as pension board members can use their knowledge and understanding to effectively challenge reports being provided. • Scheme managers should hold regular meetings with their service providers to monitor performance.

Administrator case study 1

A scheme manager had entered into a outsourcing contract with an administrator. The administrator's performance over a period of time was unsatisfactory, and targets and SLAs were not consistently met. Despite the council's finance director personally intervening with the administrator, matters were not improved to acceptable levels and penalty clauses were invoked.

The scheme manager decided to terminate the contract and review alternative administrative options, with a key aim of including more visibility, which the previous contract type arrangement had not provided.

The scheme manager decided not to take the administration back in house, but to enter into a third option, a shared service partnership with another administrator. This is charged on a shared cost per member basis. The new administrator also provides administrative services for a few other public service funds. The scheme manager is now part of a collaborative board and engages regularly with other scheme managers, has better visibility and good reporting functionality which now enables easy monitoring of the administrator's performance.

Data quality improvements were recognised as a key focus for the new administrator on its appointment. The scheme manager developed and put in place a robust data improvement plan with the new administrator and has made considerable improvements in its data quality scores in a short period of time. They are now using the plan as a living document to continue to target the areas needing improvement.

Administrator case study 2

One of the scheme managers had appointed a third party administrator using a partnership agreement, rather than a commercial contract. This demonstrates one of a number of approaches taken by scheme managers to secure administration services.

The scheme manager has established a clear set of objectives for the administrator and receives monthly reports about whether these are being met. The reports are shared with the pension board. Additionally, at each pension board meeting a representative of the administrator is present. This allows the pension board members to directly question the administrator about the work it is doing on behalf of the scheme manager and ensure that good saver outcomes are achieved.

Even when a scheme manager uses an outsourced administration service it remains liable for the work done on its behalf. This example demonstrates positive steps taken by a scheme manager to ensure it has effective oversight and can hold an administrator to account.

Administrator case study 3

A scheme manager was informed that its third party administrator intended to restructure in order to improve the level of service it provided to its clients. The administrator was confident that the restructure would not affect its business as usual work and the scheme manager took comfort from this without seeking more detailed assurances.

The restructure did not go as planned, which led to delays in member data being processed and SLAs not being met for around six months. The scheme manager has since increased the number of both operational and strategic meetings it holds with the administrator to combat the declining performance of the administrator.

As part of this work the scheme manager has set clearly documented expectations and provided priorities to the administrator to minimise the number and impact of poor saver outcomes. The scheme manager has now developed new ways of working with the administrator to ensure it probes the administrator's plans in more detail in the future.

This is an example of a scheme manager placing excessive reliance on assurances from an administrator without seeking evidence that supported the assurances. Robust contract management is important and will help scheme managers to identify upcoming risks to savers and to build a strong understanding of the information being provided.

Area of focus: Member communication

Code of Practice 14 – Governance and administration of public service pension schemes

The law requires scheme managers to disclose information about benefits and scheme administration to scheme members and others. This allows savers to understand their entitlements and make informed financial decisions.

Findings	Recommendations
A number of scheme managers are currently reviewing the documents they send to savers. It is widely appreciated that pensions and retirement provision is complicated, and communication with savers needs to be in plain English. A variety of methods are being used, with the strongest scheme managers in this area working closely with a technical team and also enlisting the assistance of non-technical staff to check readability and whether it is comprehensive. Not all scheme managers fully appreciate the extent of their duties to provide information to savers, with some not knowing about the legal duty to inform active members where employee contributions are deducted but not paid to the fund within the legislative timeframe.	• Information sent to members should be clear, precise and free from jargon. • There should be senior oversight of communications sent to members and prospective members. • It is often helpful for scheme managers to measure the effectiveness of their communication with savers, eg measuring website traffic and running surveys.

Member communication case study 1

A scheme manager had previously delegated responsibility for communication with members to its third party administrator. However, it had a number of concerns about

the quality of the service being provided, which included how members were kept informed and the level of detail provided.

The scheme manager took the decision to change its administrator and has now taken greater control over the communication with members. This has led to the development of a new pension administration strategy, with clear expectations around member communications being set and monitored.

A new website is being developed and the scheme manager recognises that having a clear online presence is an important method of communicating with current and potential members.

It is important to communicate with members, potential members and other relevant savers in a clear way. The information provided by a scheme manager will be used by members to make important decisions about their financial affairs. This is an example of a scheme manager looking to improve the member experience through revising the way it communicates.

Member communication case study 2

We engaged with a scheme manager that has developed a detailed communication strategy, which covers the content, frequency, format and methods of communicating. The scheme manager actively promotes the benefits of joining the fund to prospective members and through the participating employers.

Two people are responsible for different aspects of member communications, with all material being formally approved by the scheme manager before being used. The scheme manager has developed a wide range of accessible materials for savers, including a website, a wide range of information booklets, and newsletters.

Members are informed clearly of how they can raise any queries or concerns about the operation of the fund. This includes members being able to go to the scheme manager's offices in person to discuss any queries with a suitable member of staff.

The scheme manager conducts annual surveys of its members, publishing the outcomes on its website and in its annual report. It uses this information, together with complaint trends, to identify how it can provide a better service to savers.

Area of focus: Internal Dispute Resolution Procedure (IDRP)

Code of Practice 14 – Governance and administration of public service pension schemes

Scheme managers must make and implement dispute resolution arrangements that comply with the requirements of the law as set out in the Code to help resolve pensions disputes between the scheme manager and a person with an interest in the scheme.

Findings	Recommendations
Some scheme managers have clear procedures in place for recording, and learning from, complaints and disputes they receive. They use this information to make changes to the way the fund is run in order to provide the best possible service to beneficiaries. Not all the complaints procedures and IDRPs we saw were clear about who was entitled to use them, and in some cases details of how to complain were not clearly published. This limits the ability of people with an interest in the funds to raise concerns and restricts a useful source of information for scheme managers. Not all scheme managers have a clear definition of a complaint. It is important for scheme managers to act in a consistent manner and if what a complaint looks like is not known this will affect its ability to put things right.	• There should be a clear internal policy on how to handle complaints, including escalation to suitable senior members of staff. • People entitled to use the IDRP should be given clear information about how it operates. • This information should be easily available, eg on the fund website. • The pension board and scheme manager should have oversight of all complaints and outcomes, including those not dealt with in-house. • Complaints and compliments could be analysed to identify changes that can be made to improve the operation of the fund.

IDRP case study 1

All the scheme managers we engaged with operate a two stage IDRP, where the first and second stages are looked at by people who are independent of each other.

Initially, one of the scheme managers we engaged with didn't have oversight of complaints entering the first stage of the IDRP. These complaints were dealt with by employers as they were not considered to be issues about the fund or an in-house administration matter. This meant the scheme manager did not have full oversight of the first stage complaints and therefore could not identify whether there were any trends or patterns that needed addressing, eg an employer training issue.

Following engagement as part of the cohort work, we recommended that the scheme manager develop greater oversight of the work being done on its behalf. The scheme manager now recognises this is an area where it should improve and has amended its processes to ensure it is aware of how member outcomes are being managed when first stage IDRP complaints are received.

IDRP case study 2

Like all other funds we engaged with, this scheme manager operates a two tier IDRP. However, the scheme manager stood out in this instance for the detailed and methodical manner in which it records complaints that are raised.

All complaints are recorded in a single log which detail how it progresses, potentially from an initial concern through to a finding issued by the Pensions Ombudsman. This allows the scheme manager to analyse complaint trends and the learning points are used to improve the operation of the fund.

Additionally, all actions relating to complaints have a clear owner. This allows for strict quality control and helps ensure complaints are dealt with as soon as possible.

We would encourage all scheme managers, where they have not already done so, to adopt a detailed and auditable approach to monitor complaints and compliments received through all channels.

Area of focus: pension boards

Code of Practice 14 – Governance and administration of public service pension schemes

The role of the pension board is to assist the scheme manager with the operation of the scheme. Pension board members are required to have an appropriate level of knowledge and understanding in order to carry out their function.

Findings	Recommendations
Scheme managers have a variety of methods for appointing pension board members and the structure of these boards also varies between funds. In some cases board member rotation is staggered to help preserve knowledge levels. Additionally, some boards have independent chairs, depending on the needs of the individual pension board. We also found a mix of engagement levels amongst pension board members. Some scheme managers are able to call on strong, committed pension boards to assist them with the operation of the fund. Other scheme managers face challenges around pension board members who routinely fail to attend meetings or complete the training they need to meet the required level of knowledge and understanding. The relationships between pension boards and scheme managers varied - where the pension board had a strong relationship with the scheme manager,	• The scheme manager should arrange training for pension board members and set clear expectations around meeting attendance. • Individual pension board member training and training needs should be assessed and clearly recorded. • The pension board should meet an appropriate number of times a year, at least quarterly. • Processes should be in place to deal with an ineffective pension board member by either the chair of the pension board or the scheme manager. • Scheme managers should be aware of the risk of pension board member turnover and ongoing training needs. • Regular contact between the scheme manager and chair of the pension board is helpful. An open and auditable dialogue outside of formal meetings can help improve the governance and administration

including a willingness to challenge, we found better-run funds.	of the fund. • The chairs of the pension board and pension committee should consider attending each other's meetings to observe as this leads to better transparency. • Pension board members should be fully engaged and challenge parties where appropriate.

Pension board case study 1

One scheme manager spoke to us about the challenge it has faced regarding attendance at pension board meetings, and ensuring the pension board has the required level of knowledge and understanding. At one time it had to reschedule a meeting of the pension board because so few people attended the meeting.

Since then the scheme manager has changed its policy on pension board meetings. One pension board member with a low attendance record has been removed and replaced with a more engaged representative.

The scheme manager is also reviewing how it records the training that pension board members attend. Currently, training is recorded at a high level and there is no clear method of identifying training needs, although informal discussions take place between the scheme manager and individual pension board members.

The scheme manager has recognised that it needs to better understand how pension board members are meeting their obligation to have an appropriate level of knowledge.

Pension board case study 2

Another scheme manager we engaged with has reviewed how the pension board operates and decided to appoint an independent chair. While the chair does not have voting rights, this person lends their expertise to the running of the pension board to ensure meetings run effectively.

Having an independent chair is not compulsory but in this instance is a positive example of a scheme manager being aware of the needs of the local pension board and taking steps to ensure it operates effectively.

The scheme manager has also developed a strong working relationship with the chair, holding a number of informal meetings outside of the formal pension board meetings. This working practice allows the scheme manager to ensure the pension board receives all the information it needs and that the scheme manager can comprehensively answer any anticipated questions.

Area of focus: Employers and contributions

Code of Practice 14 – Governance and administration of public service pension schemes

Contributions must be paid to the scheme in accordance with scheme regulations. Scheme managers are also reliant on employers to provide accurate and timely member data, which is required for the effective administration of the scheme.

Findings	Recommendations
Scheme managers monitoring the payment of contributions often face the challenge of payroll providers making a single payment for several employers and delaying sending a breakdown of the amount paid. Some scheme managers have been working with participating employers to encourage them to provide training to payroll providers where the payroll company won't engage with a body it doesn't have a direct contractual relationship with. Changing a payroll provider can cause issues. Early engagement with the employer and provider is helpful to mitigate later problems. Scheme managers have a variety of ways of assessing the risk of employers failing to pay contributions or having a disorderly exit from the fund, depending on the fund's resources. Better resourced and funded scheme managers will carry out detailed covenant assessments of all participating employers, with other scheme managers only reviewing those they believe to pose the highest risk. Most scheme managers seek security from employers to mitigate the risk of a failure to pay contributions. Some scheme managers rely on guarantees, particularly in relation to participating employers providing outsourced services. Others expect the majority of employers to set up a bond. Only a few scheme managers accepted a wide range of security types,	• Scheme managers should understand the financial position of participating employers and take a risk-based and proportionate approach to identifying employers most at risk of failing to pay contributions. Red, Amber, Green reporting often provides extra focus. • Employer solvency should be considered on an ongoing basis and not just at the time of each valuation. • Where employers outsource the payroll function, early engagement with the employer on the potential risks will help them manage their supplier. • Employers may exit the fund so it is helpful to have a principle based policy on how to manage this given that circumstances are likely to vary in individual situations. • Scheme managers should develop an understanding of the risk and benefits of a range of security types, such as charges, bonds and guarantees. • Scheme manages should consider whether accepting a range of security types will offer more effective protection to the fund, rather than focussing on a single form of security. • Scheme managers should understand which employers have not provided any security for unpaid contributions and consider what appropriate steps can be

generally those with larger funds. Decisions around what security to require are often based on previous ways of operating, rather than considering the best option in individual circumstances.	taken to secure fund assets. • Where security is in place, Scheme Managers should have a policy on when the security should be triggered.

Employer case study 1

Having a robust method for reviewing employer risk is a high priority for one of the scheme managers we engaged with. It has developed a process to maintain oversight of the various participating employers in the fund, covering a range of topics from the provision of member data to the strength of the employer covenant.

Each employer is risk rated and the risk levels are regularly monitored. This allows the scheme manager to gain advance notice of potential problems so it can take steps to mitigate the risks and to provide comfort that guarantors are in a position to pay additional amounts to the fund if a call on the guarantee is made.

This information is also used to inform employers of any failures to meet their obligations to the fund at an early stage, identifying action points they need to carry out.

Employer case study 2

Scheme manager 1 has decided to incorporate a charging policy for seeking the reimbursement of costs caused by an employer's failure to comply with its obligations into admission agreements. This means the scheme manager has a clear policy in place that all employers will be aware of when they start to participate in the fund.

Not all scheme managers have approached the issue of employer compliance in the same way. Scheme manager 2 has a small portfolio of participating employers and relies on having a good relationship with them in order to achieve compliance. This scheme manager also considers that as most employers are supported by central government it need not be concerned with affordability.

We were concerned about the lack of formal processes to ensure compliance. While the scheme manager has not encountered difficulties to date, we have recommended that it makes some improvements. Additionally, all scheme managers should remember that, should a participating employer suffer an insolvency event, any missing payments due to the fund will need to be paid by someone and there should not be an over-reliance on the taxpayer and other employers.

Area of focus: Cyber security

Guidance: Cyber security principles for pension schemes

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. scheme managers need to take steps to protect their members and assets accordingly.

Findings	Recommendations
Most scheme managers are heavily reliant on the security systems put in place by the Local Authority, with some not engaging with how the procedures in place affect the fund. Scheme managers of well run funds have a good understanding of the IT systems in place, even where these are implemented by the Local Authority. Some scheme managers have not given consideration to the risks posed by cyber crime. For these funds, cyber security did not appear on the risk register before our engagement with the scheme manager. Scheme managers that are aware of the risks associated with cyber crime generally have robust procedures in place to test the effectiveness of both cyber security and resilience methods.	• Scheme managers and pension boards should understand the risk posed to data and assets held by the fund so steps can be taken to mitigate the risks. This should be reflected in the risk register. • Regular, independent, penetration testing should be carried out. Scheme managers should consider physical security as well as protection against remote attacks. • Where cyber security is maintained by the Local Authority rather than the scheme manager, the scheme manager should understand the procedure and ensure the fund's requirements are met. • Scheme managers should be aware of the cyber security processes used by third party providers, such as the administrator or custodian, that handle fund assets or data.

Cyber security case study 1

A scheme manager we engaged with identified cyber security as one of the top risks to the fund. It demonstrated a good awareness of the processes put in place by the Local Authority and carries out testing of these processes.

The scheme manager had recently tested both its cyber defences and the wider business continuity plan. As a result it is confident it can provide a good service to savers in the event of a wide variety of disaster scenarios.

As part of our engagement we also found the scheme manager has processes in place to assess the adequacy of steps taken by its service providers to protect member data. This gives the scheme manager comfort that member data will be secure when being handled by other bodies.

Although the scheme manager has not implemented its own controls it has rigorously reviewed the process put in place by the Local Authority. It has satisfied itself that those processes are of a sufficient standard to protect the fund and its savers.

Cyber security case study 2

A scheme manager had not considered the importance of cyber security until we engaged with them as part of this work. The scheme manager was reliant on the security measures put in place by the council but did not engage on the topic, so it was not clear how it was affected.

Cyber security did not appear on the fund's risk register and the scheme manager was not actively considering the dangers of a successful cyber attack on the fund.

Following our engagement, the scheme manager has developed its understanding of the risks surrounding cyber security. It now records the risk on its risk register and as part of the Local Authority's strategy all staff will receive mandatory training in cyber security.

The scheme manager has also started engaging with third party service providers to ensure they also have robust cyber security and data protection procedures in place. This gives the scheme manager better oversight of how member data is protected when not under the scheme manager's direct control and marks a significant improvement in how this risk is monitored and mitigated.

Area of focus: Internal fraud and false claims

Code of Practice 14 – Governance and administration of public service pension schemes

Schemes without strong internal controls are at greater risk. This includes having a clear separation of responsibilities and procedures which prevent a single member of staff from having unfettered access to scheme assets. Strong internal controls, particularly over financial transactions, also help mitigate the risk of assets being misappropriated.

Findings	Recommendations
Scheme managers generally appear to have an awareness of the risks of fraud against their fund, both from an internal and external source. We found scheme managers are generally aware of publicised fraudulent activity that have affected other pension schemes and have taken steps to review their own procedures.	• Scheme managers should regularly review their procedures to protect the fund's assets from potential fraud. • A clearly auditable process should be in place for the authorising of payments. Ideally, this would require more than one person to provide authority to make the payment.

Scheme managers of well run funds typically take steps to regularly screen member existence. Their scheme managers are also aware that not all incorrectly claimed pension benefits are the result of an attempt to defraud the fund and can identify when to treat a situation with sensitivity. Most scheme managers have introduced multiple levels of sign offs, with more than one person being required to agree to a payment being made. The scheme managers were also aware of frauds involving other funds, where this had been made public. They had taken steps to reduce their own vulnerability to similar issues.	• A scheme manager should have a policy in place to differentiate between a potential fraud and a potential honest mistake by a saver. • Where a fraud is detected in the scheme manager's fund, or another one, they should take steps to stop the fraud and analyse causes to prevent a reoccurrence. • When paper records are being used they should be held securely to prevent the risk of loss or mis-appropriation.

Fraud case study 1

A scheme manager has worked with its administrator to put in stringent measures to prevent fraudulent activity. In addition to participating in the National Fraud Initiative, it does regular life certificate exercises as part of the fund's policy, checking mortality and addresses. Where doubts are raised the scheme manager will suspend payments pending clarification.

Many of the members of the fund are now non-resident in the UK, which provides challenges to the scheme manager in locating members. The scheme manager has adopted an innovative use of technology for the foreign domiciled members by arranging video calls to speak to the member who must show their passports to provide their identity and confirm personal details.

The scheme manager demonstrated good awareness of the risk of internal fraud by connected persons, and there is clear segregation of duties. Additionally the workflow processes being system driven provide automatic checks with different people checking and authorising the processes. Suspicious payments are immediately reported to senior management to check.

Fraud reporting policies are clear, and internal auditors are involved whenever there is suspicion of a fraudulent activity. The fraud reporting goes immediately to directorship and chief executive level.

Fraud case study 2

In this instance the scheme manager has strong controls in place to identify potential frauds against the fund assets.

The scheme manager works with the National Fraud Initiative to identify instances of possibly fraudulent claims for a benefit from the fund. The scheme manager's work

in this area is supplemented by its involvement with the ‘Tell Us Once’ initiative and the use of a third party agency to help identify when beneficiaries have passed away.

The scheme manager also demonstrated an awareness of the risks associated with members and other potential beneficiaries being overseas. It carries out existence checks on these people as well as those residing in the United Kingdom.

When a payment is due to be made, the scheme manager has introduced a vigorous set of controls. This has led to a clear separation of duties and the requirement for payments to be independently authorised, reducing the risk of fund employees misappropriating fund assets.

Conclusion

We’ve outlined some areas of good practice in this report, and also some areas where we remain concerned and expect scheme managers to improve where appropriate. Overall, we noted:

- Not all funds are the same and there is a variety of equally valid approaches to mitigating risk used across funds in the LGPS.
- It is important that scheme managers recognise, and maintain, a separation between the fund and Local Authority to avoid an over-reliance on the Local Authority’s policies and procedures. When establishing its own policies and procedures a scheme manager should be able to seek assistance from the pension board, meaning steps should also be taken to ensure the pension board is able to fulfil its role. Where this is not possible, scheme managers should feed into creating Local Authority policies to make sure they are fit for purpose.
- There are clear benefits to the operation of the fund where there is an engaged s.151 officer who is directly involved.
- Good quality data and record-keeping standards underpin all aspects of successfully running a fund and these areas should be treated as a priority in order to drive good outcomes.
- Scheme managers that have developed and implemented a robust pension administration strategy have found them useful. While not a legal requirement, scheme managers should consider whether this type of document will be useful and look to introduce them where this is the case.
- A common risk is the unexpected departure of key members of the scheme manager’s staff. Succession planning and clearly recorded processes help mitigate this risk.
- Measuring governance and administration is challenging and requires more than just an analysis of raw figures. Scheme managers should therefore put in place appropriate reporting measures that they believe capture both quantitative and qualitative assessments. This approach should be tailored to the specific circumstances of their fund.
- Scheme managers should take a holistic approach when considering the governance and administration risks to their fund. Most risks are connected to each other and a scheme manager should understand how a risk materialising will impact on other areas of governance and administration.

- Risks to funds are constantly changing and evolving. For example, the methods used by scammers change over time. Scheme managers should be alert to the changing nature of risks and adapt their approaches accordingly.
- Many scheme managers have a clear understanding of how their funds operate and want to provide the best experience for savers. Where scheme managers liaise with each other to discuss common challenges and solutions to them, whether at formal events or through ad hoc engagement, often leads to improved governance standards. We encourage such action.

Glossary of terms

Term	Description
CETV	Cash Equivalent Transfer Value, a valuation of a members benefit entitlement that can be transferred to another scheme.
FCA	The Financial Conduct Authority, which regulates firms in the financial sector including IFAs.
Firm	A business in the financial sector carrying out activities that require authorisation from the FCA.
Fund	A locally administered element of a wider pension scheme.
IFA	Independent Financial Adviser, a person with FCA authorisation to advise people about financial decisions.
Member	A person who has paid into and expects to receive or is receiving a benefit from a pension scheme.
PAS	Pension Administration Strategy, a document detailing roles and responsibilities as well as penalties for non-compliance with duties to the fund.
Pension Board	A body that supports and advises the scheme manager.
Pension committee	A body running a pension scheme with the delegated authority of the scheme manager.
PSPS	Public Service Pension Scheme
Saver	A potential beneficiary of a pension scheme, whether or not they are a member.
s.151 officer	A senior member of staff at a Local Authority. Controls resourcing across the Authority, including for the running of the local element of the Local Government Pension Scheme.
Scheme	A pension scheme which may have separate funds within it.
Scheme manager	The person or body legally responsible for the operation of a PSPS.
SLA	Service Level Agreement, an agreed and measurable level of quality usually forming part of a contract.

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HYMANS ROBERTSON

Sixty second summary

TPR announces results of its Governance and Administration 'deep dive' into 10 LGPS

TPR headline conclusions:

- TPR recognises that not all funds are the same and there are equally valid approaches to the mitigation of risk across LGPS funds
- Clear benefits to the operation of LGPS funds when there is an engaged s.151 (E&W) or s.95 (Scotland) officer who is directly involved
- Robust internal controls and risk management are required to ensure the scheme is administered and managed in accordance with scheme rules and the wider requirements of the law
- Good quality data and record keeping underpins a successful LGPS fund

TPR 'deep dive'

Back in Autumn of 2018, The Pensions Regulator (TPR) announced plans to conduct engagement sessions with 10 LGPS funds throughout the latter half of 2018 and into summer 2019. These sessions were sparked as TPR identified a slowdown in improvements across LGPS funds and wanted to gain a better understanding of the reasons for this. The reviews were to be completed at a high level and were, in the main, based on the Code of Practice 14: Governance and administration of public service pension schemes. Each Fund completed 5 meetings with TPR on various risk areas:

- Administration, data and communication
- Internal controls and complaint handling
- Contributions, employer compliance and funding affordability
- Pension Board knowledge and understanding, relationship between Board and Scheme manager and conflicts of interest
- Fraud, mitigation of scams and cyber security

These meetings gave TPR a strong insight into current governance and administration practice and standards at LGPS funds. In order to be "Regulator ready", our recent 60 Second Summary suggested focus needs to be placed on the 3 P's – Policies, Processes and People. This messaging has been backed up in the findings set out in TPR's recently published engagement report which covers feedback from its meetings with the 10 LGPS funds.

Conclusions of TPR engagement – lots for funds to consider and action

As part of the recent Good Governance project we undertook on behalf of the SAB, there is recognition that a universal structure and mandated policies and processes may hinder, rather than help, good outcomes at LGPS funds. This is reflected in TPR's findings, where it is recognised that one size does not fit all. They also recognise that an engaged s.151 officer leads to better run funds. Even so, as you might expect, a number of recommendations are made across each element covered as part of TPR's engagement with funds, and the key points are summarised below.

Record keeping – accuracy of member data should be measured correctly, regularly reviewed and, importantly, understood by the scheme manager and pension board. Ensuring you have an administration strategy in place can assist in clearly setting out roles and responsibilities and consequences of non-compliance.

Internal controls – while taking a holistic view of risk funds should have a risk register in place, that should be regularly reviewed by the pension board. Funds should also record all internal controls and processes, reducing the possible impact of key-person risks

Administrators – whether in-house or outsourced, performance targets should be agreed, measured and if required challenged if not met. Funds should have an open dialogue with the service provider to monitor performance.

Member communication – ensure all communication is clear, precise and free from jargon. Consideration should also be given to measuring the effectiveness of all material, to ensure it is understood by the audience.

Internal dispute resolution – information on the dispute process should be easily available for those who might use it. Funds should have a policy on dealing with complaints, with the pension board having regular oversight on them, along with their outcomes. Learning lessons from complaints, and compliments, should be used as a means of improving the service.

Pension Boards – funds should ensure individual training plans are in place and ensure appropriate training is available and, importantly, attended. A process should exist for dealing with ineffective pension board members.

Employers and contributions – funds should have a greater understanding of the financial position of their participating employers. Reviewing strength of covenant should be considered more regularly than at each formal valuation. An admissions and cessation policy can help in managing the introduction of new employers, security required and dealing with employers when they exist the scheme.

Cyber security – funds should put this on their risk registers, carry out penetration testing and not rely solely on Local Authority security processes and systems.

Internal fraud and false claims – funds should ensure procedures are in place to minimise the risk of fraud, including the actions to be taken where a fraud has been uncovered.

Conclusion

TPR's findings continue the theme and trends that we hear daily from LGPS funds – their push to improve their Policies, Processes and People. It is pleasing TPR confirms that many of the governance and administration conversations and actions happening in the LGPS are heading in the direction expected of them, although there is always room for further improvement.

If you would like to talk through any of the areas mentioned within the TPR report,

or to discuss how we can help you, please do get in touch with one of our Benefits and Governance team members.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 January 2020

Y

Subject:

Training, Conference & Seminars

Summary statement:

The training of JAG 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 Members. Full details about each event will be available at the meeting for anyone interested.

Recommendation:

Consideration is given to attendance by Joint Advisory Group members at the events in Section 1

Rodney Barton
Director

Phone: (01274) 432317
E-mail: rodney.barton@bradford.gov.uk

Portfolio:

Leader of Council & Strategic Regeneration

Overview & Scrutiny Area:

N/A

1. INFORMATION

- If anyone new to the Group would like some specific training through one to one meetings with the in-house team, then this can be arranged.

  AON's 2020 Pension Conference
  4 February 2020 – Old Trafford, Manchester
  17 March 2020 – The Met Hotel, Leeds

  LGC Investment Seminar
  27-28 February 2020 Carden Park, Cheshire

  PLSA Local Authority Conference
  18-20 May 2020 De Vere Cotswold Water Park Hotel, Lake 6, Spine Road East, South Cerney, GL7 5FP

  LGC Investment & Pensions Summit
  9 -11 September 2020 The Royal Armouries Museum, Leeds

  PLSA Conference
  14-16 October 2020, ACC Liverpool

  LAPFF conference
  2-4 December 2020

  Members can also make use of the web based training provided by:

  The Pensions Regulator
  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/

  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. NOT FOR PUBLICATION DOCUMENTS

- None.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 30 January 2020.

Z

Subject:

CIPFA Benchmarking Reports

Summary statement:

WYPF takes part in the CIPFA Benchmarking Club for Pensions Administration. This report provides information about the costs of WYPF's pensions administration service, and compares those costs with other LGPS funds who are part of the CIPFA Benchmarking Club.

Recommendations:

It is recommended that the CIPFA Benchmarking Report is noted.

Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Business Development Manager
Phone: (01274) 432343
E-mail: yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

1.0 Background

1.1 A number of LGPS funds reported their administration costs, membership details, workload and staff movements to CIPFA who analysed and reported on the data in comparative tables and graphs. The benchmarking relates to the whole membership administration function of the Fund (including Lincolnshire and Hounslow Pension Funds) and does not cover investments.

2.0 Overview

2.1 The results detailed in **Appendix 1** compare WYPF with all members of the benchmarking club.

2.2 The Fund has also chosen to compare its costs against 18 other Local Authority Funds from the benchmarking club. **Appendix 2 (Not for publication)** shows Comparator results with WYPF being the third lowest annual cost per member.

3.0 Key Points of Interest

Cost per member

3.1 The WYPF cost per member is £15.23 per annum, compared to the all fund average of £21.34.

Benefits processing

3.2 The costs of processing benefits of £5.12 compares favourably to group average of £8.37.

Employer Engagement

3.3 Employer engagement costs of £1.19 compare favourably to group average of £1.41.

Member Engagement

3.4 The cost of engaging with members of £2.40 is more expensive than the group average of £1.27. This is because on top of engagement with members i.e. newsletters, presentations, Annual Benefit Statements WYPF have included the full costs for the Contact Centre who, as well as answering calls and providing a front desk service, do a lot more back office work.

IT

3.5 The cost of IT of £1.32 per member compares favourably to all funds average of £3.14.

Payroll

3.6 The cost of Pensioner payroll of £2.02 is more expensive than the group average of £1.15. However, the WYPF costs are for the payroll team who, as well as maintaining the pensioner payroll, do other work such as calculating death and dependant's benefits and calculating children's pensions.

Unprocessed Leavers

3.7 WYPF has a small percentage of unprocessed leavers (1%) compared with the group average of 3.5%.

Number of LGPS Employers

3.8 The number of Employers dealt with by WYPF total 1,143 compared to the group average of 369.

Staff experience and qualification

3.7 35.2% of staff have more than 15 years experience with the Fund which is above the Club average of 31.6%. WYPF is above the average regarding the number of staff with full qualifications, 44.6% against the Club average of 31.3%.

Workload Measures

3.8 The number of cases completed in almost all categories are well in excess of the group average.

Historical performance

3.9 Costs per member over previous years is as follows:

2012	2013	2014	2015	2016	2017	2018	2019
£20.96	£18.74	£17.71	£15.39	£14.39	£13.92	£15.10	£15.23

Taking into account the additional work generated by administration of the Lincolnshire and Hounslow pension Funds, the table above demonstrates the savings made by WYPF year on year without compromising on quality of service. Our current cost per member makes us one of the cheapest for pensions administration.

4. CONCLUSION

4.1 The Fund's unit costs are one of the lowest across all pension funds. Member surveys reveal good levels of satisfaction from different categories of members. WYPF continue to win awards over the years for quality of service and best administration. Overall the administration service is considered effective and low cost, however the Fund will continue to seek efficiencies and savings to squeeze costs further.

5. Appendix

Appendix 1 WYPF 2019 Pensions administration/benchmarking club

6. Not for publication

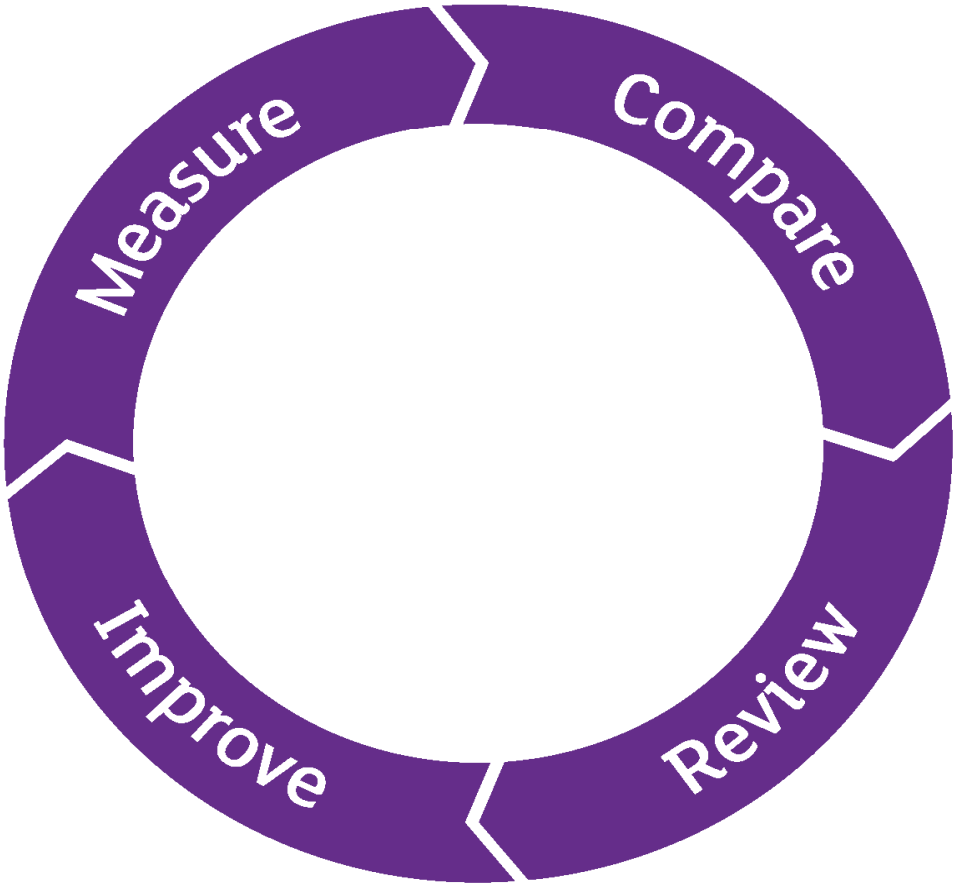
Appendix 2 Comparator report summary data 2019

CIPFA The Chartered Institute of Public Finance & Accountancy

Analytics & Research

pensions administration benchmarking club

2019 - West Yorkshire Pension Fund Final Report



Useful Information

Throughout the report your figures are shown in tables and in graphical form. If you are not familiar with our reports we hope this page will help you to better understand the way we present this data.

Averages

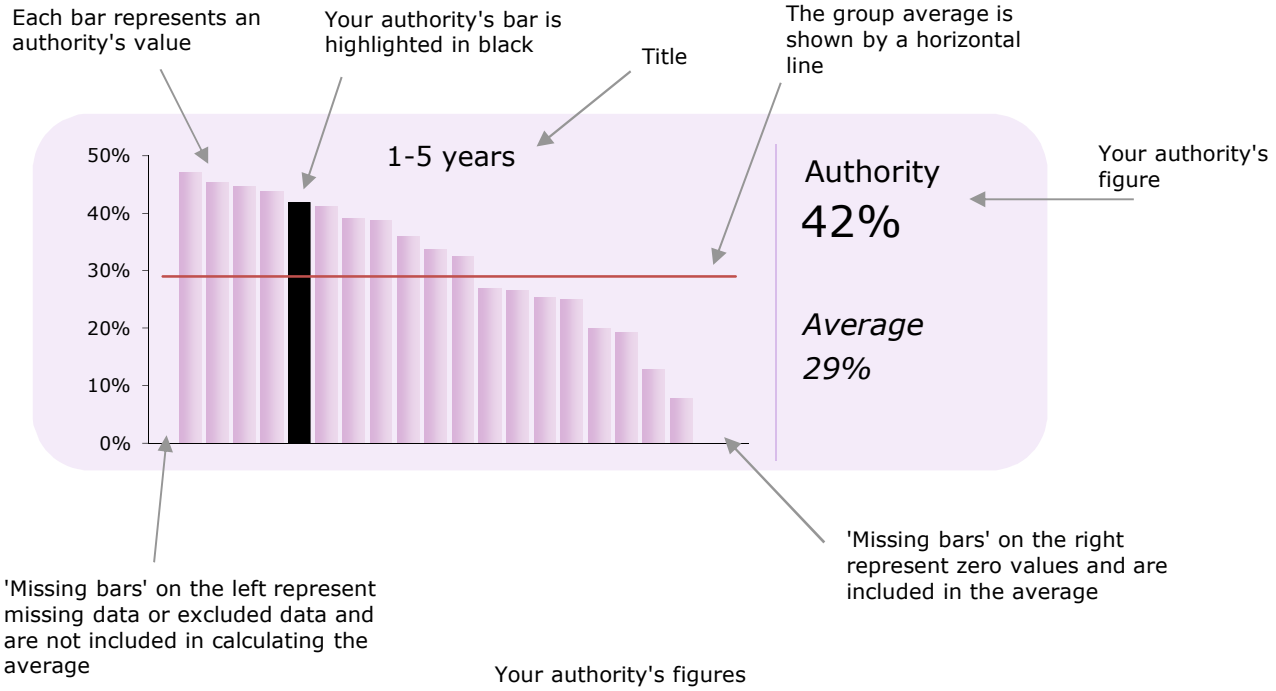
Almost all of our tables and charts compare your figure with a group average. The average is the unweighted mean value for the group. This average value ignores missing data, or data that we have excluded and for this reason sets of averages sometimes do not reconcile precisely.

Charts

We display a large amount of data on charts as this allows us to show the data for the entire group efficiently and gives far more information than a simple average (i.e. range of data, individual authority values etc.). Below we have annotated an example chart to help explain what they are showing.

Bar Charts

These are our standard method of displaying a full set of data



Your authority's figures

Staff experience	FTE	%	*Avg*
< 1 year	1.5	10%	*9%*
1-5 years	6.5	42%	*29%*
5-10 years	3.5	23%	*21%*
> 10 yrs	4.0	26%	*41%*
Total	**15.5**		

Introduction

This report compares your performance with other local authorities who have taken part in the Pensions Administration Benchmarking Club for 2019 and is divided into the sections listed below.

At the end of the Benchmarking process, your authority will also receive supplemental materials which will provide further depth to this report:

- **Interactive Report:** an Excel spreadsheet containing all the bar charts found in this report. The user can change the charts to show custom comparator groups.
- **Database:** an Excel spreadsheet containing all the data submitted by club members this year. The user can also populate a copy of the questionnaire with the data for any member.
- **Scrapbook:** a report containing an analysis of the responses to the text based parts of the questionnaire.

Contents

Section 1 - Summary

This page provides a brief summary of the most salient aspects of the report.

Section 2 - Cost Measures

This section concentrates on cost/member ratios starting with total cost/member which is then broken down by direct costs, indirect costs and income.

Section 3 - Workload Measures

The first measure of workload is the number of members in the scheme, which is shown along with a breakdown by class of membership. This is followed by an analysis of the number and type of LGPS employers as well as numbers contributing to Additional Voluntary Contributions (AVCs), Additional Regular Contributions/Additional Pension Contributions (ARCs/APCs) and added years.

Other workload measures shows the cases outstanding from last year brought forward and those commenced and completed in the year. These include:

- Various letters regarding death, retirement, transfers and divorce
- Process and pay lump sum retirement grant
- Deferment and refund
- Member estimates, joiners, aggregation and link ups

Section 4 - Industry Standard Performance Indicators

This section looks at how authorities perform against each of the LGPC performance indicators.

Section 5 - Staff Related Measures

The measures included here are an analysis of staff numbers by pay band, pensions work experience and staff qualifications.

Section 6 - Communications

This section shows the various forms of communications for members, pensioners and employers.

Section 7 - IT and Data Quality

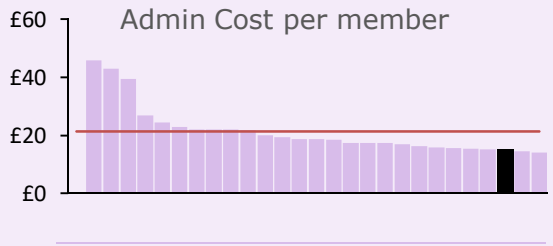
This section shows the IT Arrangements for the pensions administration and measurements of data quality.

Section 8 - Comparison by Method of Service Delivery (final report only)

This shows members' costs and averages compared for in-house and externally managed pension schemes.

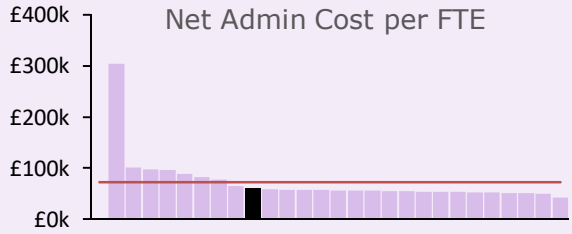
SECTION 1 - SUMMARY

Key Findings:



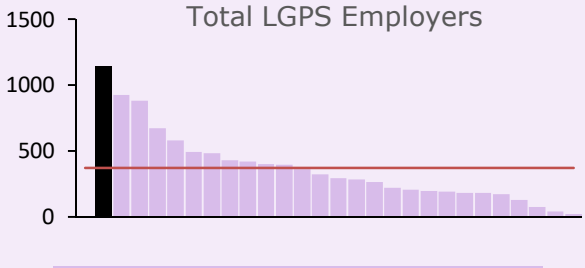
West Yorkshire Pension Fund
£15.23

Average
£21.34



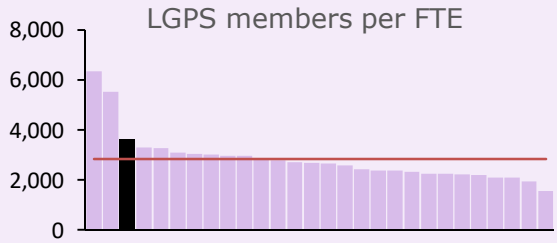
West Yorkshire Pension Fund
£60.9k

Average
£71.8k



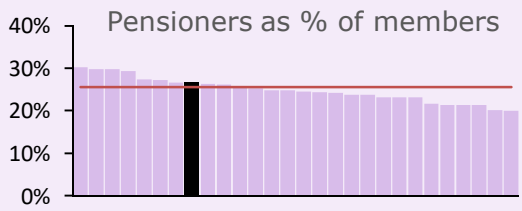
West Yorkshire Pension Fund
1,143

Average
369



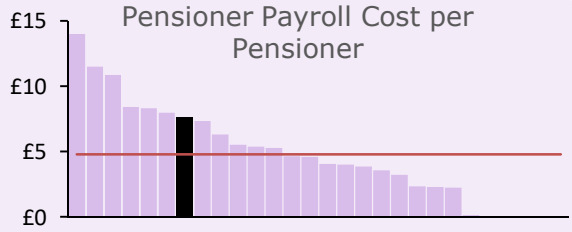
West Yorkshire Pension Fund
3,624

Average
2,835



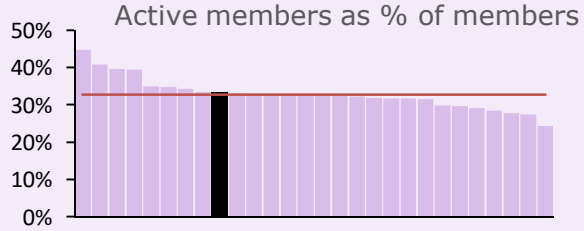
West Yorkshire Pension Fund
26.7%

Average
25.5%



West Yorkshire Pension Fund
£7.57

Average
£4.75



West Yorkshire Pension Fund
33.4%

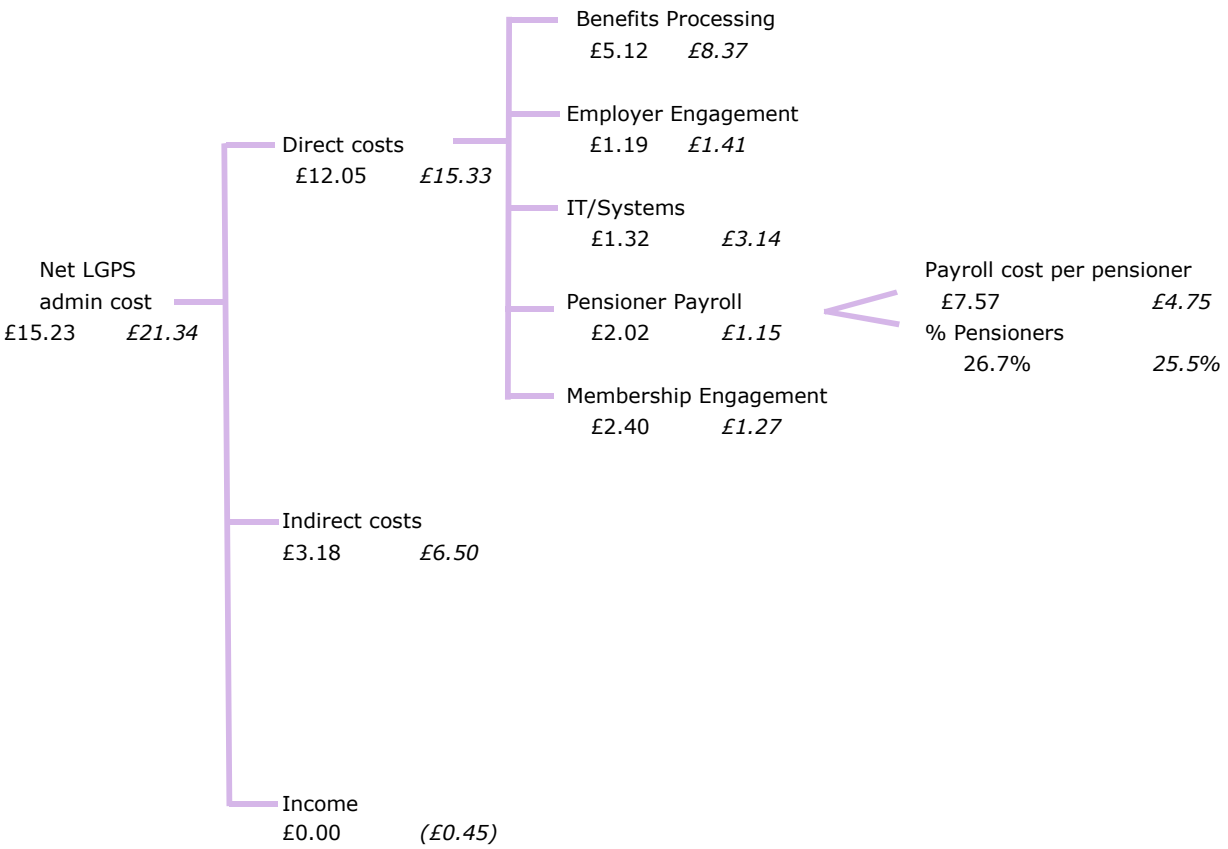
Average
32.7%

SECTION 2 - ADMIN COST MEASURES

ADMIN COST PER MEMBERS 2018/19

This tree diagram analyses the cost per member.

For each benchmark two figures are given, the first being West Yorkshire Pension Fund's cost and the second (in italics) is the group average.



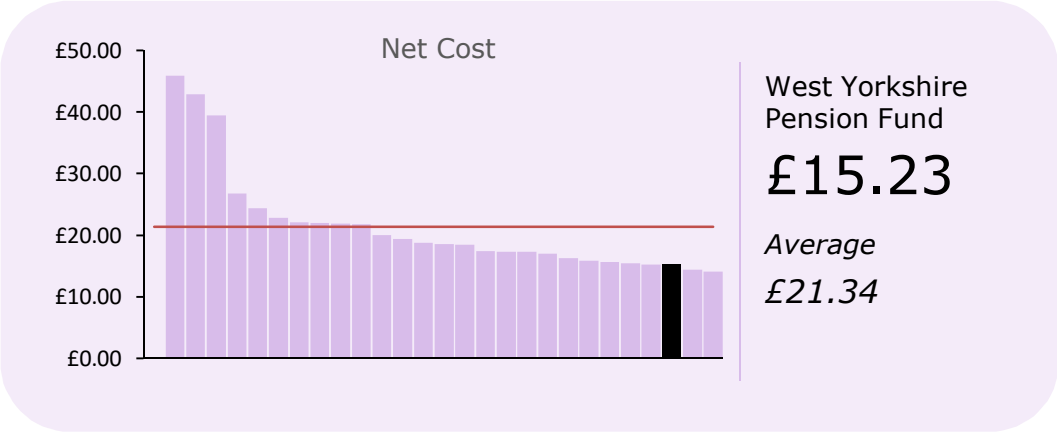
FTE Staff	
Pension Section total	161.9
less	
Governance	4.5
Investment	30.5
Financial Management	5.3
Other	25.1
Admin of LGPS	**96.5**

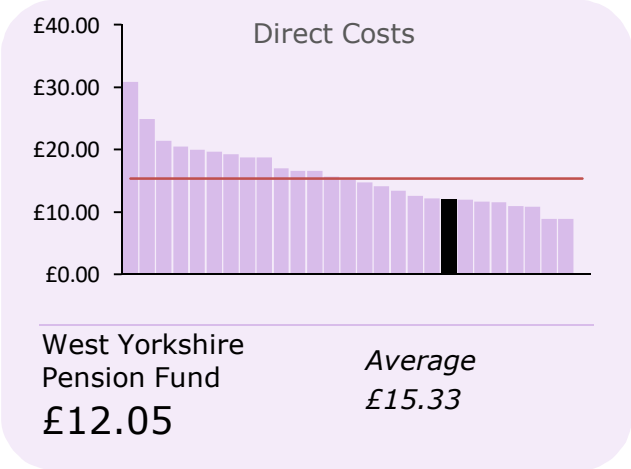
LGPS admin costs	£'000	£ per member	*Avg.*
Benefits Processing	1,975	5.12	*8.37*
Employer Engagement	457	1.19	*1.41*
IT / Systems	510	1.32	*3.14*
Pensioner Payroll	778	2.02	*1.15*
Membership Engagement	927	2.40	*1.27*
Total Direct Costs	**4,647**	**12.05**	***15.33***
Total Indirect Costs	**1,225**	**3.18**	***6.50***
Gross Cost	**5,872**	**15.23**	***21.77***
Total Income	**-**	**-**	***(0.45)***
Net Cost	**5,872**	**15.23**	***21.34***

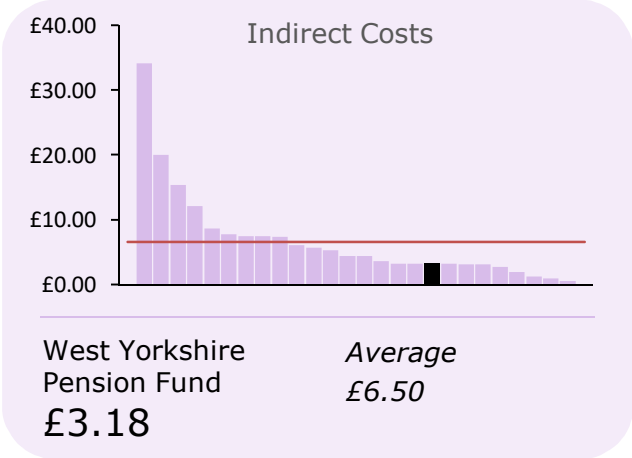
Total Scheme Membership	**385,608**
Pensioners	**102,778**

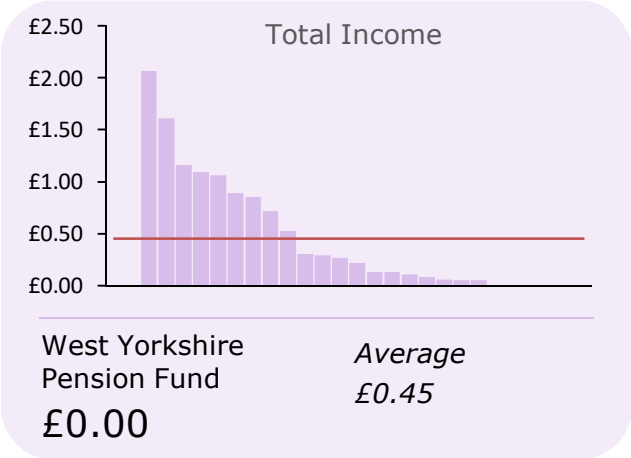
Source: Sections 2 & 3, 2019 Questionnaire

ADMIN COST PER MEMBER 2018/19





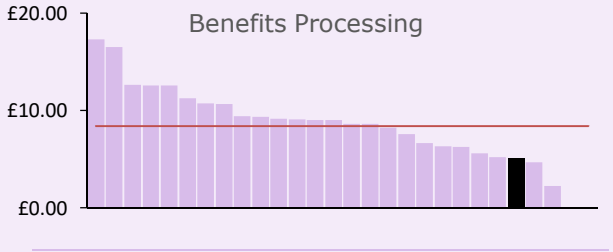




Source: Section 3, 2019 Questionnaire

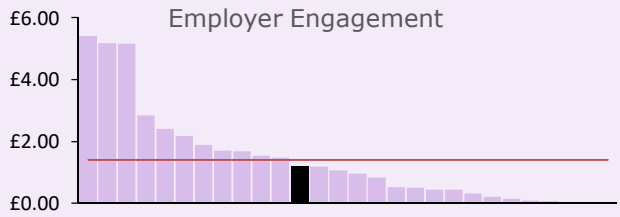
COSTS PER MEMBER - Direct Costs 2018/19

The following graphs are the costs that make up the direct costs that West Yorkshire Pension Fund had during the financial year 2018/19.



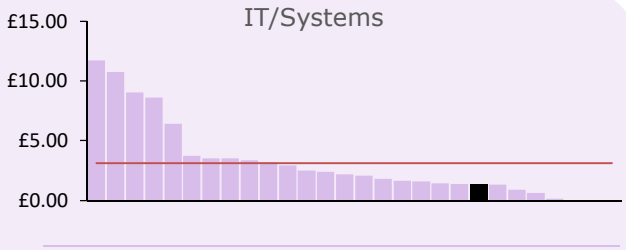
West Yorkshire Pension Fund
£5.12

Average
£8.37



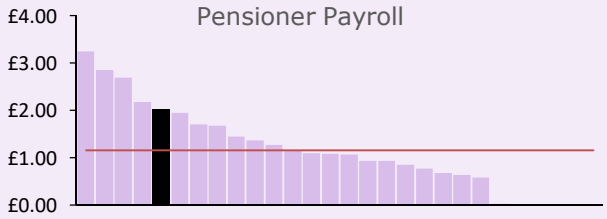
West Yorkshire Pension Fund
£1.19

Average
£1.41



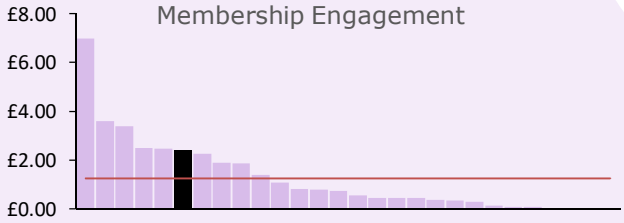
West Yorkshire Pension Fund
£1.32

Average
£3.14



West Yorkshire Pension Fund
£2.02

Average
£1.15



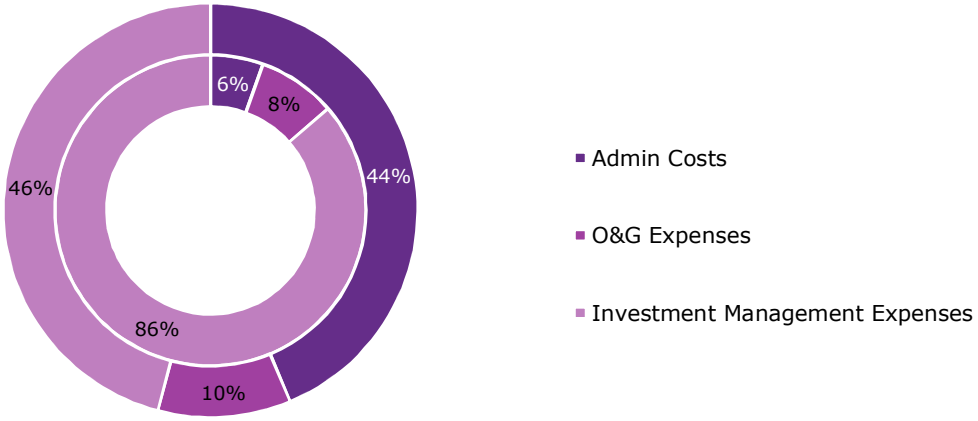
West Yorkshire Pension Fund
£2.40

Average
£1.27

Source: Section 3, Questionnaire 2019

LGPS Management Expenses Summary 2018/19

LGPS Management Expenses	£'000	£ per member	*Avg.*
LGPS Administration Costs	4,647	12.05	*15.09*
LGPS Oversight and Governance Expenses	1,102	2.86	*22.34*
LGPS Investment Management Expenses	4,880	12.66	*236.76*
Total LGPS Management Expenses	**10,629**	**27.56**	***256.88***



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

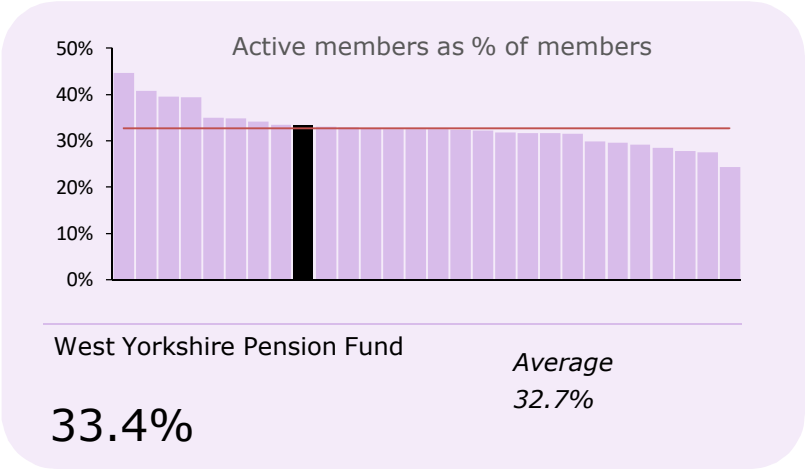
Source: Section 3, 2019 Questionnaire

SECTION 3 - WORKLOAD MEASURES

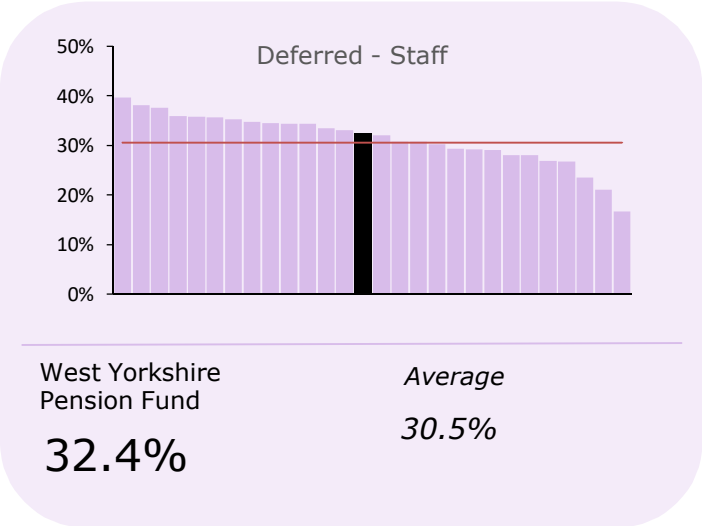
COMPOSITION OF MEMBERS AS AT 31/03/2019

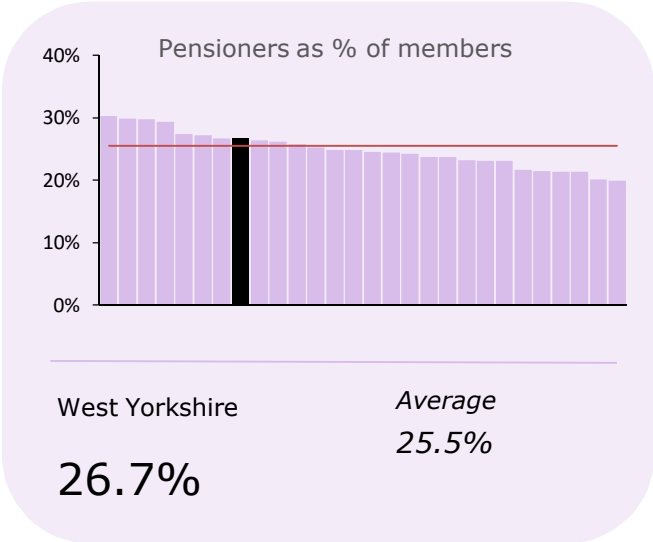
Composition of members	Number	%	*Avg.*	*Avg. %*
Active Staff	128,864	33.4%	*40,492*	*32.7%*
Deferred Staff	125,041	32.4%	*37,760*	*30.5%*
Pensioners	102,778	26.7%	*31,556*	*25.5%*
Dependants	14,979	3.9%	*4,829*	*3.9%*
Frozen refunds	10,251	2.7%	*4,878*	*3.9%*
Leavers unprocessed/in progress	3,695	1.0%	*4,304*	*3.5%*
Total	**385,608**		***123,819***	

Active Members

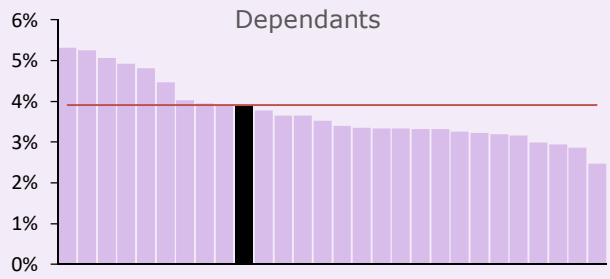


Non-Active Members





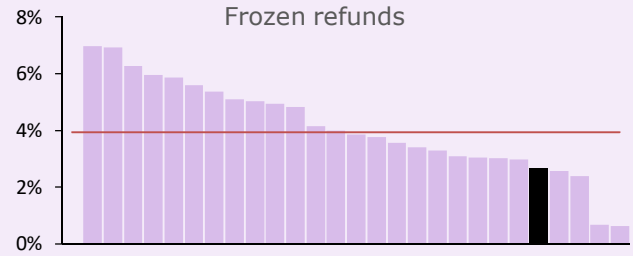
Source: Section 4b, Questionnaire 2019



West Yorkshire Pension Fund

3.9%

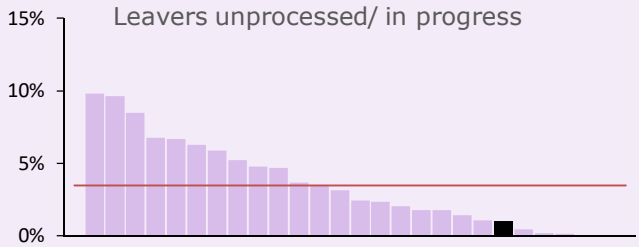
Average
3.9%



West Yorkshire Pension Fund

2.7%

Average
3.9%



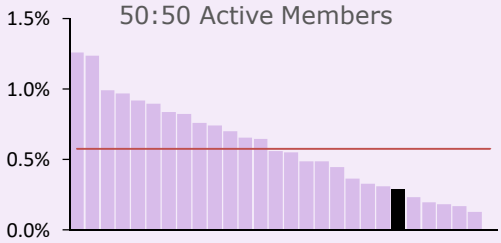
West Yorkshire Pension Fund

1.0%

Average
3.5%

COMPOSITION OF MEMBERS AS AT 31/03/2019

Composition of active members	Number	%	*Avg.*
50:50	370	0.3%	*0.6%*



West Yorkshire Pension Fund

0.3%

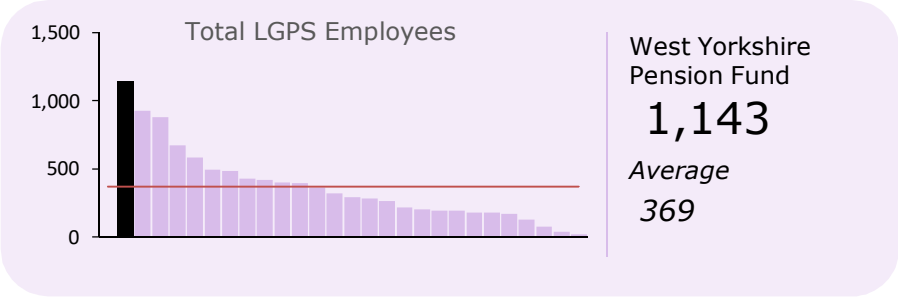
Average
0.6%

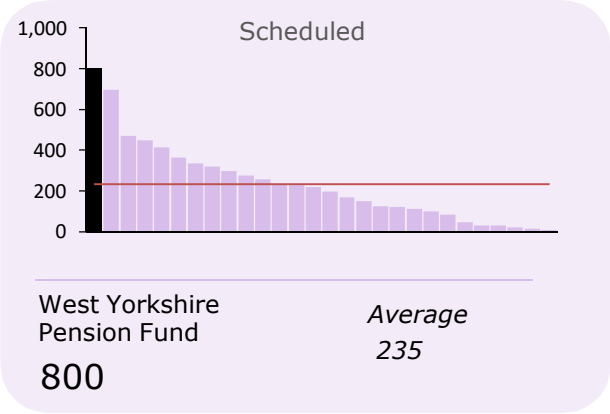
Source: Section 4b, Questionnaire 2019

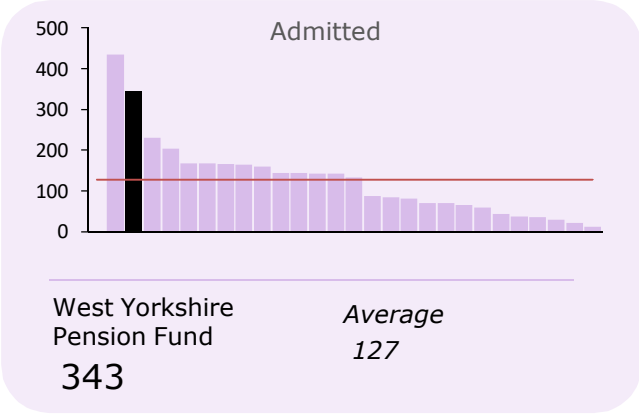
NUMBER OF LGPS EMPLOYERS AS AT 31/03/2019

LGPS employers (31/03/2019)	Number	Avg.
Scheduled	800	*235*
Admitted	343	*127*
Total	**1,143**	***369***

Employer changes 2018/19	Joined		Leaving	
	Number	Avg.	Number	Avg.
Scheduled	36	*19*	20	*6*
Admitted	20	*11*	23	*8*

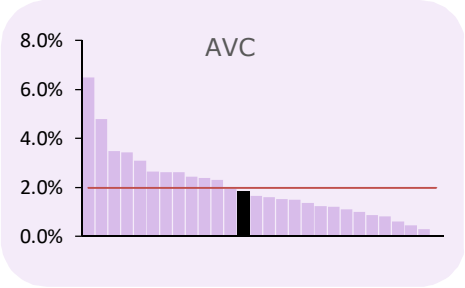


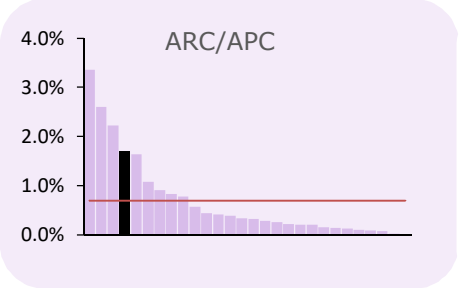


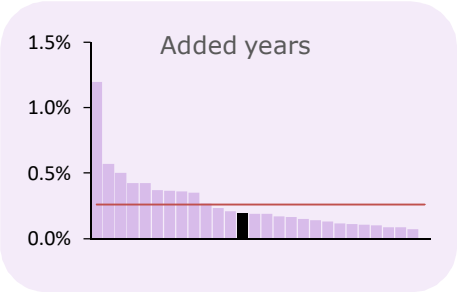


AVCs, ARCs and added years 2018/19 (as a % of active members)

Contributors to AVCs and ARCs	Number	%	Avg.	Active members
Currently contributing				128,864
- AVC	2,344	1.8%	*2.0%*	
- ARC/APC	2,183	1.7%	*0.7%*	
- Added years	250	0.2%	*0.3%*	
Total	**4,777**	**3.7%**	***2.9%***	





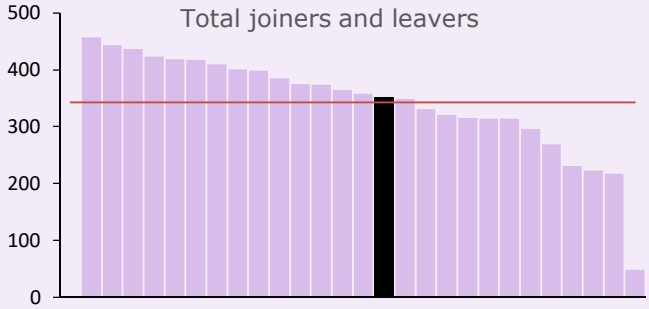


Source: Section 4a & e, Questionnaire 2019

JOINERS & LEAVERS (per '000 active members) 2018/19

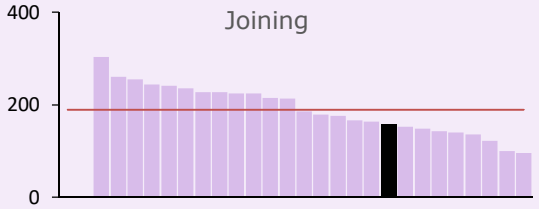
Joiners & Leavers	Number	'000	*Avg.*
Joining	20,430	159	*190*
Retiring	7,893	61	*51*
Deaths	3,455	27	*22*
Transferred out	905	7	*12*
Deferred	8,841	69	*54*
Refund/Frozen refund	3,784	29	*32*
Total	**45,308**	**352**	***342***

Active members	128,864



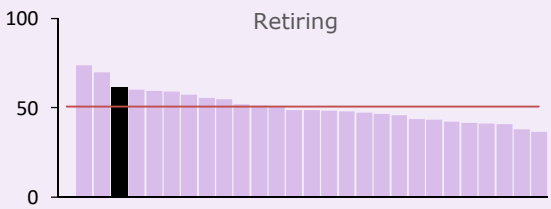
West Yorkshire Pension Fund
352

Average
342



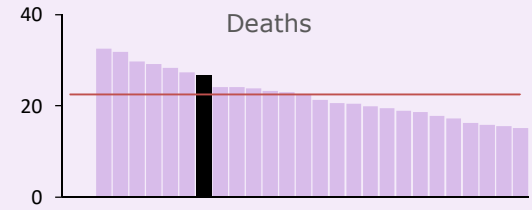
West Yorkshire Pension Fund
159

Average
190



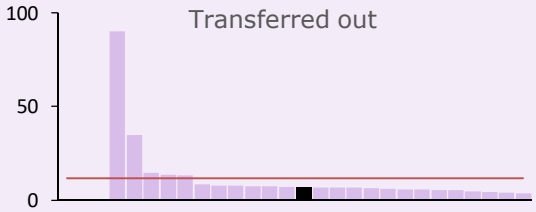
West Yorkshire Pension Fund
61

Average
51



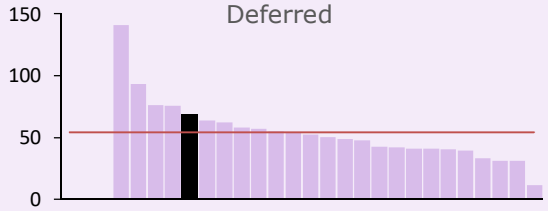
West Yorkshire Pension Fund
27

Average
22



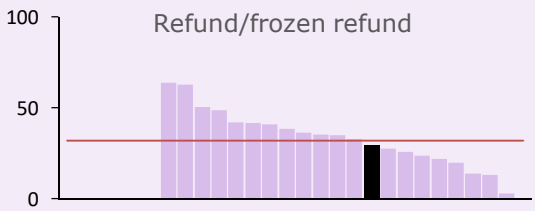
West Yorkshire Pension Fund
7

Average
12



West Yorkshire Pension Fund
69

Average
54



West Yorkshire Pension Fund
29

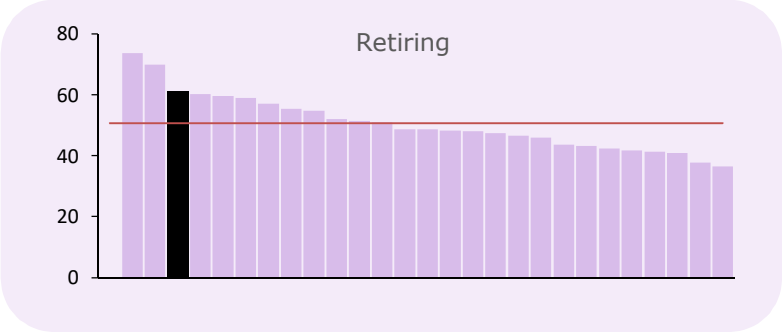
Average
32

Source: Section 4c, Questionnaire 2019

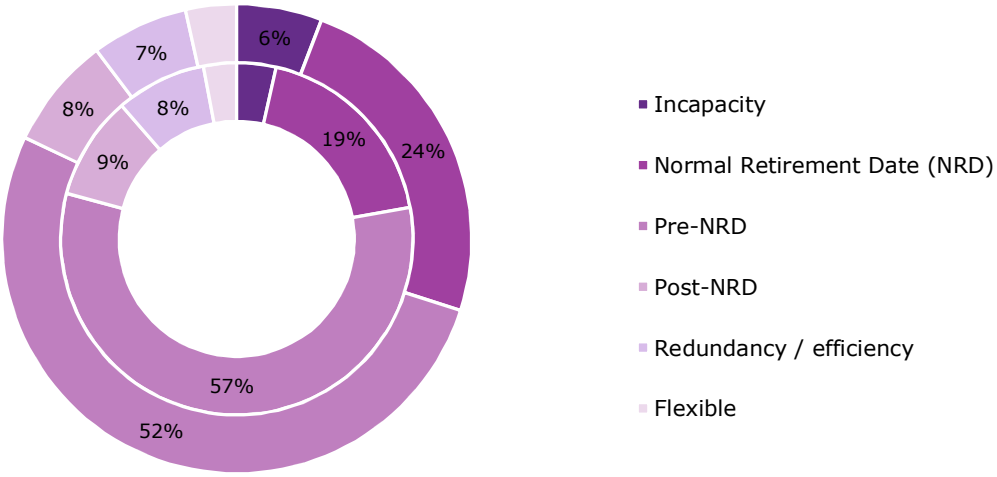
RETIRING 2018/19 (per '000 active members)

	Total number	per active members	*Average (per '000)*
Total LGPS members retiring	7,893	61	*51*

Active members 128,864



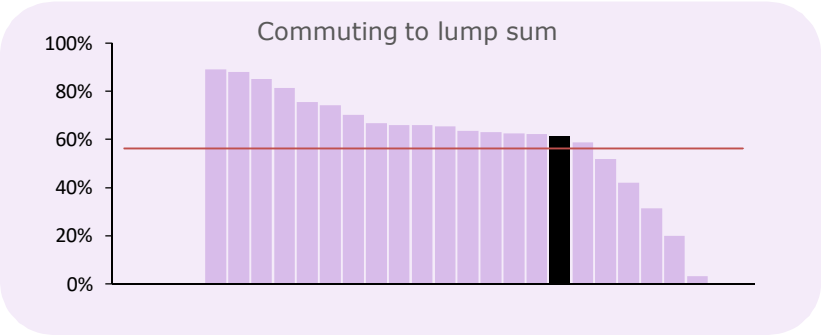
Retirements



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

Retirements commuting to lump sum

Number	% total	*Avg.*
4,852	61%	*56%*



Source: Section 4d, Questionnaire 2019

OTHER WORKLOAD MEASURES

Cases in 2018/19	Total cases in the year*		Number of cases completed in	
	West Yorkshire Pension Fund	*Average*	West Yorkshire Pension Fund	*Average*
Deaths - Initial letter acknowledgement death of active/deferred/pensioner member	na	*823*	3,779	*968*
Deaths - Letter notifying amount of dependent's benefit	na	*750*	1,404	*762*
Retirements - Letter notifying estimate of retirement benefits (Active)	na	*1,088*	4,549	*1,370*
Retirements - Letter notifying estimate of retirement benefits (Deferred)	na	*1,656*	5,662	*1,564*
Retirements - Letter notifying estimate of retirement benefits (Total)	**na**	***2,838***	**10,211**	***2,895***
Retirements - Letter notifying actual retirement benefits (Active)	na	*912*	3,534	*1,031*
Retirements - Letter notifying actual retirement benefits (Deferred)	na	*1,163*	4,677	*1,224*
Retirements - Letter notifying actual retirement benefits (Total)	**na**	***2,061***	**8,211**	***2,183***
Retirements - process and pay lump sum retirement grant (Active)	na	*836*	3,534	*977*
Retirements - process and pay lump sum retirement grant (Deferred)	na	*977*	4,677	*1,087*
Retirements - process and pay lump sum retirement grant (Total)	**na**	***1,870***	**8,211**	***2,052***
Deferment - calculate and notify deferred benefits	na	*4,499*	17,306	*3,361*
Transfers In - Letter detailing transfer in quote	na	*439*	5,215	*548*
Transfers In - Letter detailing transfer in	na	*259*	768	*230*
Transfers Out - Letter detailing transfer out quote	na	*655*	3,034	*727*
Transfers Out - Letter detailing transfer out	na	*259*	289	*242*
Refund - Process and pay a refund	na	*1,568*	3,730	*1,414*
Divorce Quote - Letter detailing cash equivalent value and other benefits	na	*207*	826	*215*
Divorce Settlement - Letter detailing cash equivalent value and application of Pension Sharing Order	na	*11*	36	*12*
Member Estimates	na	*1,270*	na	*1,478*
Joiners - Send notification of joining the LGPS to scheme member	na	*5,964*	9,272	*6,282*
Aggregation - send notification of aggregation options	na	*2,482*	11,901	*2,123*
Link ups	na	*1,160*	10,961	*1,483*

** total cases in the year is the cases outstanding as at 01/04/18 and the number of cases commenced in the year added together.*

Source: Section 4f, Questionnaire 2019

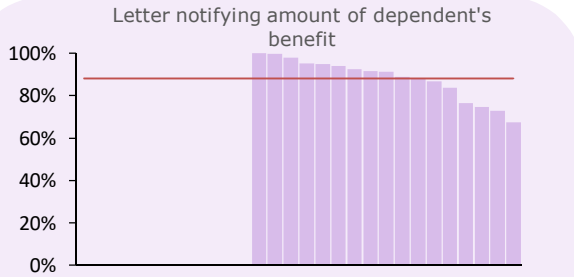
OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)

West Yorkshire Pension Fund

na

Average

93%

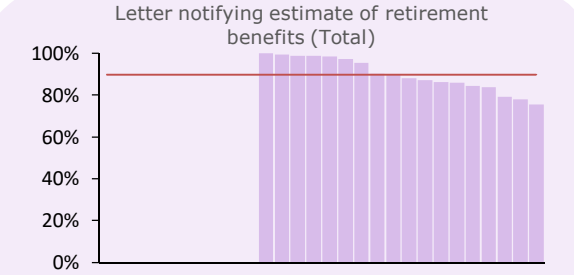


West Yorkshire Pension Fund

na

Average

88%

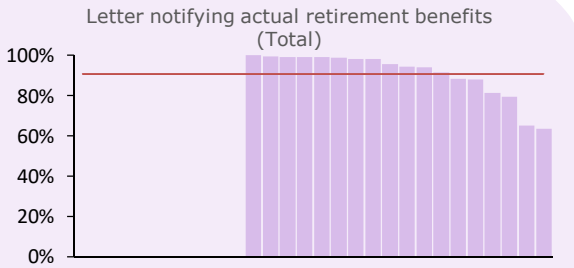


West Yorkshire Pension Fund

na

Average

90%

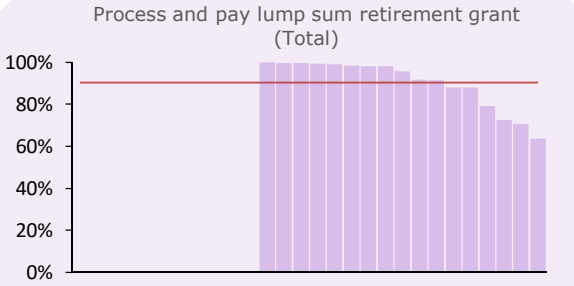


West Yorkshire Pension Fund

na

Average

91%

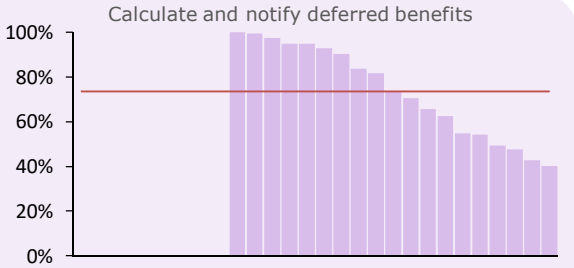


West Yorkshire Pension Fund

na

Average

90%



West Yorkshire Pension Fund

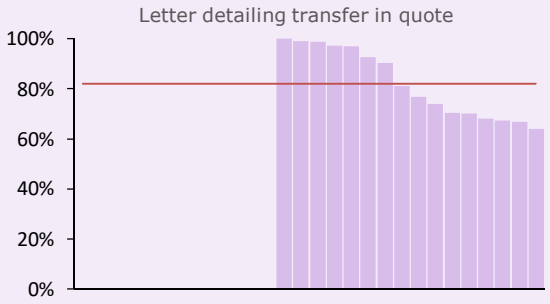
na

Average

74%

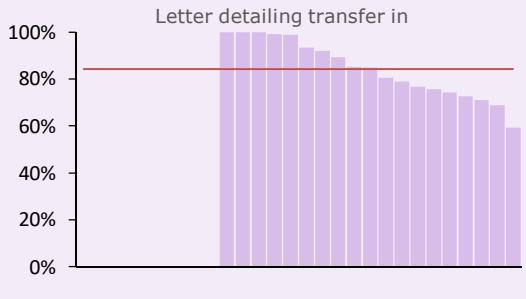
Source: Section 4f, Questionnaire 2019

OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)



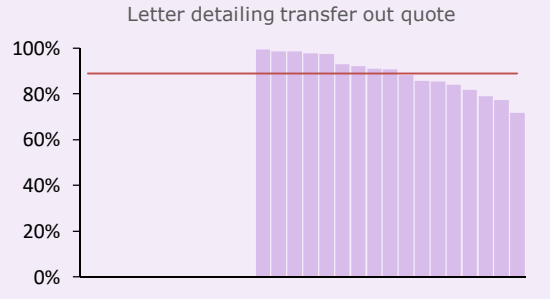
West Yorkshire Pension Fund
na

Average
82%



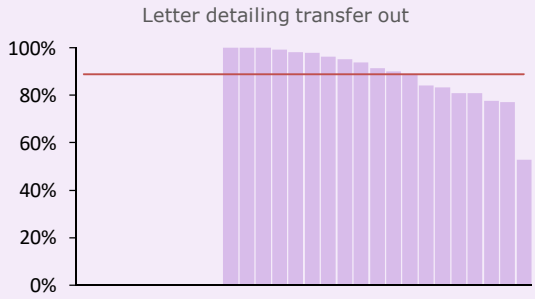
West Yorkshire Pension Fund
na

Average
84%



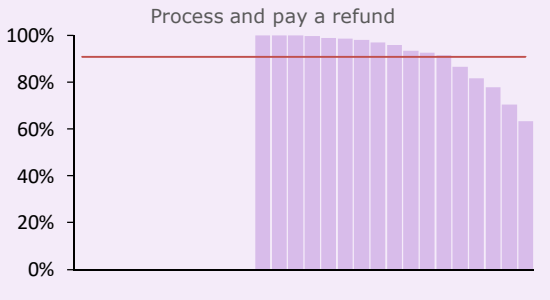
West Yorkshire Pension Fund
na

Average
89%



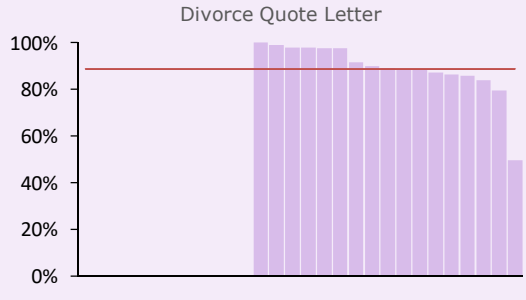
West Yorkshire Pension Fund
na

Average
89%



West Yorkshire Pension Fund
na

Average
91%

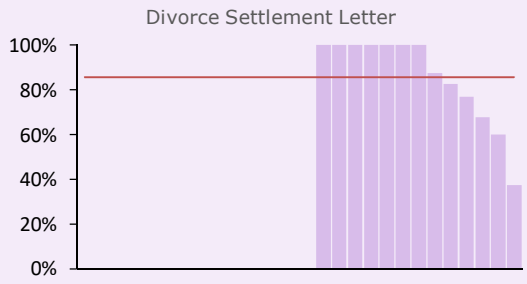


West Yorkshire Pension Fund
na

Average
89%

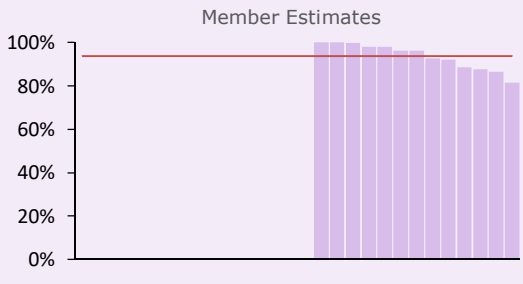
Source: Section 4f, Questionnaire 2019

OTHER WORKLOAD MEASURES - Percentage of cases completed in the year (2018/19)



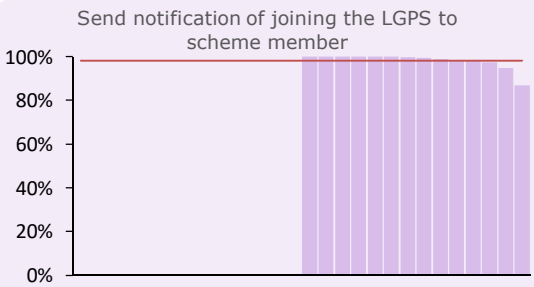
West Yorkshire Pension Fund
na

Average
86%



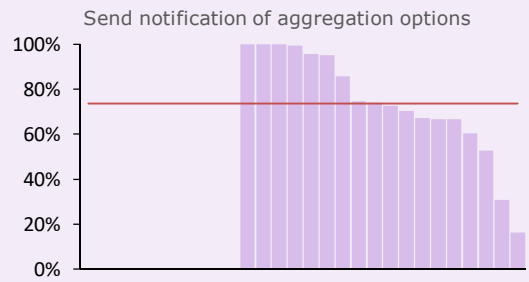
West Yorkshire Pension Fund
na

Average
94%



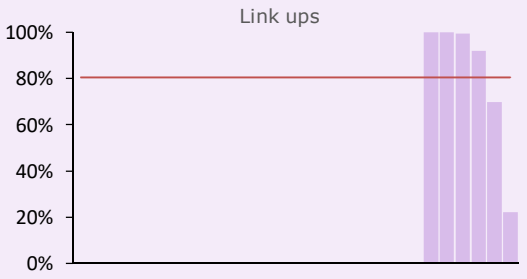
West Yorkshire Pension Fund
na

Average
98%



West Yorkshire Pension Fund
na

Average
74%



West Yorkshire Pension Fund
na

Average
81%

Source: Section 4f, Questionnaire 2019

SECTION 4 - INDUSTRY STANDARD PI'S

	Industry Standard PI's	Local Target (Legal Target)		Achieved	*Avg.*
1	Letter detailing transfer in quote	10 days	(2 months)	99.7%	*83.8%*
2	Letter detailing transfer out quote	10 days	(2 months)	77.6%	*84.4%*
3	Process and pay a refund	10 days	(2 months)	97.8%	*94.1%*
4	Letter notifying estimate of retirement benefits (Active)	na	(2 months)	na	*79.3%*
5	Letter notifying actual retirement benefits (Active)	na	(2 months)	na	*87.0%*
6	Process and pay lump sum retirement grant (Active)	na	(2 months)	na	*89.0%*
7	Initial letter acknowledgement death of member	5 days	(2 months)	95.7%	*87.8%*
8	Letter notifying amount of dependent's benefit	5 days	(2 months)	96.9%	*84.8%*
9	Divorce quote letter	20 days	(3 months)	83.9%	*83.0%*
10	Divorce settlement letter	80 days	(3 months)	80.0%	*74.9%*
11	Send notification of joining LGPS to scheme member	10 days	(2 months)	90.0%	*92.4%*
12	Deferred into pay	5 days	(2 months)	83.8%	*90.9%*
13	Calculate and notify deferred benefits	10 days	(2 months)	90.2%	*75.3%*

The light purple bars in the graph above show the average of all respondents achieving each performance indicator whilst the dark purple markers show the responses for West Yorkshire Pension Fund.

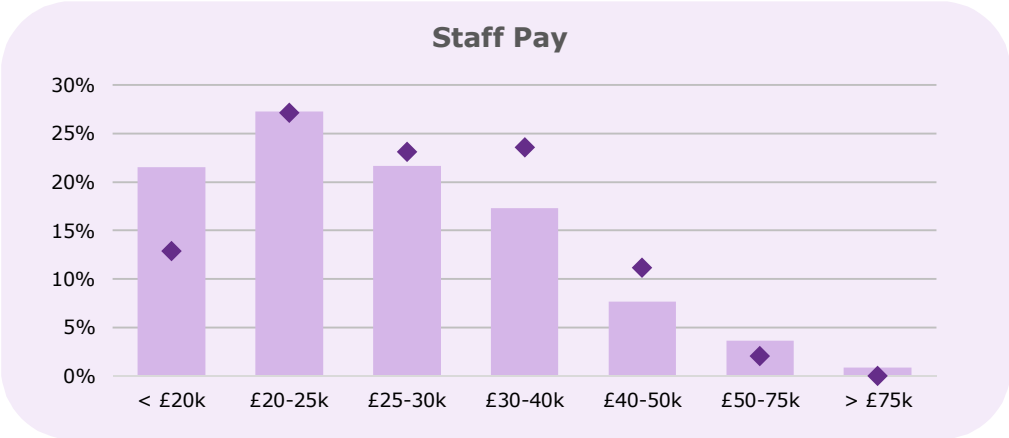
Source: Section 5, Questionnaire 2019

SECTION 5 - STAFF RELATED MEASURES

as at 31 March 2019

Staff Pay	FTE	%	*Avg.*
> £75k	0.0	0.0%	*0.9%*
£50-75k	2.2	2.1%	*3.6%*
£40-50k	11.9	11.2%	*7.7%*
£30-40k	25.1	23.6%	*17.3%*
£25-30k	24.6	23.1%	*21.7%*
£20-25k	28.9	27.2%	*27.3%*
< £20k	13.7	12.9%	*21.6%*
Total	**106.4**		

Staff Experience	FTE	%	*Avg.*
< 1 year	10.1	9.5%	*10.9%*
1-5 years	27.7	26.0%	*26.2%*
5-10 years	3.1	2.9%	*14.8%*
10-15 years	18.0	16.9%	*16.2%*
> 15 years	37.5	35.2%	*31.6%*
Total	**106.4**		



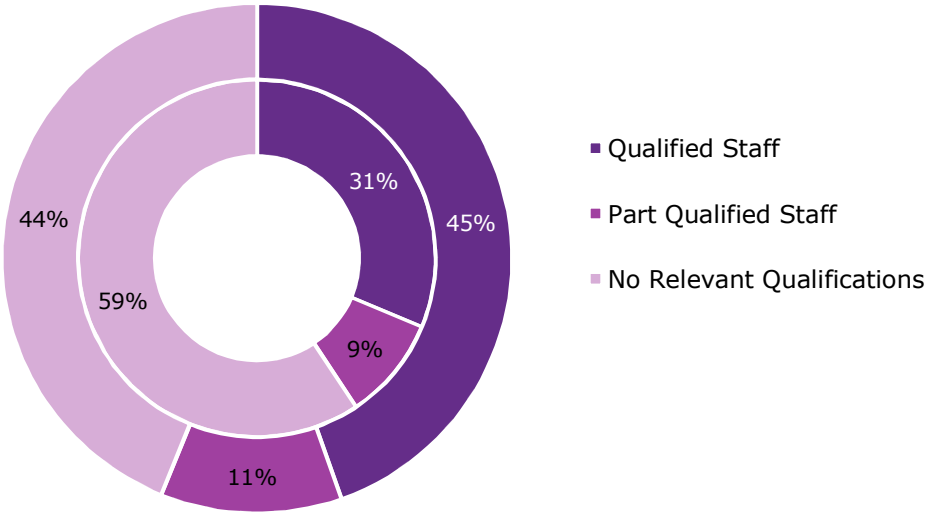
The light purple bars in the graphs above show the average of all respondents staff pay/experience while the dark purple markers are the responses for West Yorkshire Pension Fund.

Source: Section 6a & b, Questionnaire 2019

STAFF QUALIFICATIONS

as at 31 March 2019

Staff Qualifications	FTE	%	*Avg.*
Qualified Staff	43.1	44.6%	*31.3%*
Part Qualified Staff	11.1	11.5%	*9.3%*
No Relevant Qualifications	42.4	43.9%	*59.4%*
Total	**96.6**		
Number in Training	0.0	0.0%	*6.8%*



The outer ring of the graph above is the figures for West Yorkshire Pension Fund and the inner ring is the average figures. For local authorities with percentages less than 5%, these will not be shown.

CIPFA listed the following qualifications for the sections above:

Fully Qualified: Associate Membership of the Pensions Management Institute (APMI) and Fellowship of the PMI (FPMI), Full Membership of Chartered Institute of Payroll Professionals (MCIPP), CIPP Foundation Degree in Pensions Administration and Management, CIPP Certificate in Pension Administration and Consultative Committee of Accountancy Bodies (CCAB) Accounts.

For Part Qualified: CIPP Certificate in Pension Administration and CIPP Foundation Degree in Pensions Administration and Management (part completion).

Other professional and relevant qualifications that members have provided are listed below:

- Investment Management Certificate (for investment management staff in the Fund)
- Integrated Program Performance Management (IPPM) Foundation/Diploma
- National Vocational Qualification (NVQ) in administration
- Chartered Institute of Personnel & Development (CIPD)
- Association of Payroll and Superannuation Administrators (APSA)
- Qualification in Public Sector Pensions Administration (QPSPA)
- Fellow of Institute for Securities & Development (FCSI)
- Chartered Institute of Public Finance and Accountancy (CIPFA)
- Association of Accounting Technicians (AAT)
- Association of Chartered Certified Accountants (ACCA)
- PRojects IN Controlled Environments (PRINCE2)
- Financial Planning Certificate
- Internal Career Progression scheme
- Institute and Faculty of Actuaries (IFOA)
- Chartered Management Institute (CMI)
- Retirement Provision Certificate (RPC)
- CIPP Certificate in Payroll

Source: Section 6c, Questionnaire 2019

SECTION 6 - COMMUNICATIONS

*In brackets, italised, is the average of percentage of authorities that **are** providing this service and the average number that's provided.*

Please note, the sections on this page are not comparable due to differences in how the numbers were provided. E.g. Newsletters are sent out twice (2) a year and a total 12,000 newsletters are sent out in a year.

Active Members

	Provided?		Number		How notifed - Workplace?	Home?	Self-service?
Newsletters	Yes	*(82%)*	2	*(7,564)*	na	Mail	No
Presentations/Road-shows	Yes	*(79%)*	30	*(17)*	E-mail	na	No
Clinics	Yes	*(54%)*	7	*(93)*	E-mail	na	No
Pensions Saving Statements	Yes	*(89%)*	442	*(1,562)*	na	Mail	No
Annual Benefit Statements*	Yes	*(100%)*	111,246	*(27,451)*	na	Mail	Yes

West Yorkshire Pension Fund does provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

100% of the Annual Benefit Statements for 31/03/18 was sent by the deadline and the statements for 31/03/19 will be sent by the statutory deadline, 31/08/19.

Deferred Members

	Provided?		Number		How notifed?	Self-service?
Newsletters	Yes	*(79%)*	1	*(5,101)*	Mail	No
Presentations/Road-shows	No	*(14%)*	na	*(3)*	na	na
Clinics	No	*(18%)*	na	*(2)*	na	na
Pensions Saving Statements	Yes	*(43%)*	36	*(16)*	Mail	No
Annual Benefit Statements*	Yes	*(100%)*	113,780	*(27,687)*	Mail	Yes

West Yorkshire Pension Fund does provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

After March '18 was when the Annual Benefit Statements for 31/03/18 were produced and After March '19 is when the statements for 31/03/19 will be produced.

Pensioners

	Provided?		Number		How notifed?	Self-service?
Payslips/year-end statements	**Yes**	***(100%)***	221,693	*(41,452)*	Mail	Yes
Newsletters	Yes	*(89%)*	2	*(13,757)*	Mail	Yes
Presentations/Road-shows	No	*(7%)*	na	*(3)*	na	na
Clinics	No	*(11%)*	na	*(0.3)*	na	na

West Yorkshire Pension Fund does provide a dedicated helpline, they do provide an AGM, there is a dedicated website area and there is a social media presence.

Employers

	Provided?		Number	
Newsletters	Yes	*(82%)*	na	*(7)*
Presentations/Conferences	No	*(86%)*	na	*(4)*
User-groups	Yes	*(36%)*	4	*(2)*
Training	Yes	*(89%)*	18	*(13)*

West Yorkshire Pension Fund does provide a dedicated helpline, they do provide an AGM and there is a dedicated website area.

Source: Section 7a - d, Questionnaire 2019

Self- Service

*In brackets, italised, is the average percentage of authorities that **are** providing this service and the average percentage taken up/being used.*

Members	Provided?		Number of take up	% of take up	
All members					
Contact details	Yes	*(75%)*	19,835	5%	*(17%)*
Dependants details	Yes	*(57%)*	19,835	5%	*(17%)*
Pensioners					
Bank details	Yes	*(50%)*	6,404	6%	*(18%)*
Payslips	Yes	*(64%)*	6,404	6%	*(20%)*
Year-end statements	Yes	*(50%)*	6,404	6%	*(16%)*
Active/deferred members					
Annual Benefit Statements	Yes	*(57%)*	13,153	5%	*(23%)*
Generate own estimates	No	*(57%)*	13,153	5%	*(26%)*

All members
385,608

Pensioners
102,778

Active & Deferred Members
253,905

Employers	Provided?		Employers with access	Employees with access	Is it being used?	
Members records	Yes	*(61%)*	All	2,042	Yes	*(50%)*
Employers records	Yes	*(21%)*	All	2,042	na	*(21%)*
Casework progress	No	*(11%)*	na	na	na	*(11%)*
Electronic data interface (EDI)	Yes	*(50%)*	All	2,042	na	*(43%)*
Generate estimates for member	No	*(36%)*	na	na	na	*(25%)*
Generate redundancy estimates	No	*(36%)*	na	na	na	*(29%)*

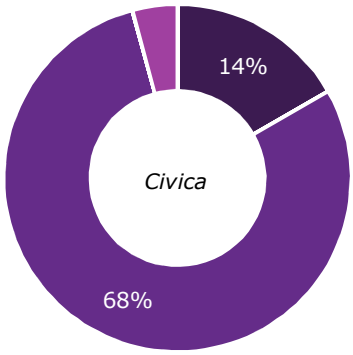
SECTION 7 - IT AND DATA QUALITY

IT ARRANGEMENTS

The IT Arrangements for the pension adminstration in West Yorkshire Pension Fund is: Local

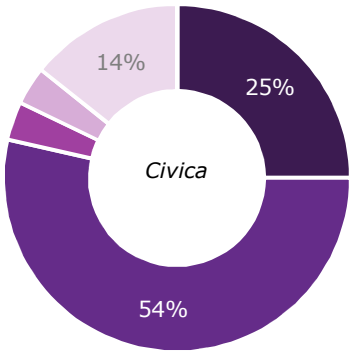
The local facilities dedicated to and run by the Pension section for the following sections will have the average choices from authorities as a donut chartband the system for West Yorkshire Pension Fund is denoted in the centre.

Pensions Software



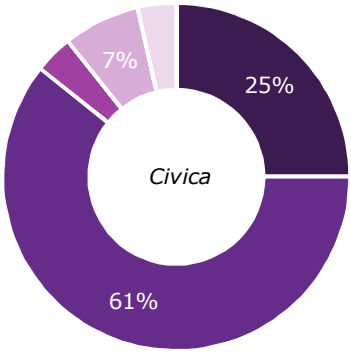
- Civica (14%)
- Heywood - Altaire (68%)
- Equiniti - Compendia (4%)

DIPS/Scanning



- Civica (25%)
- Heywood - Altaire (54%)
- Heywood - Axis (4%)
- Hugh Symons (4%)
- In-House (14%)

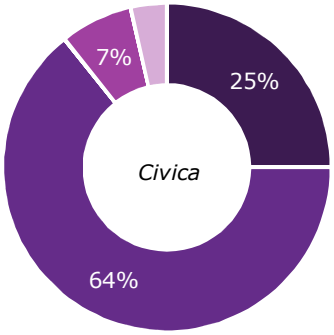
Workflow



- Civica (25%)
- Heywood - Altaire (61%)
- Heywood - Axis (4%)
- In-House (7%)
- Equiniti - Compendia (4%)

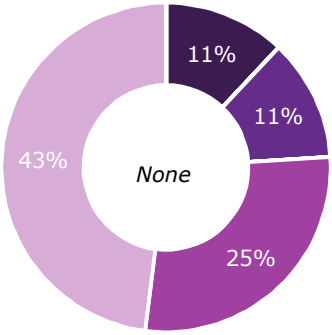
Source: Sections 7&8, Questionnaire 2019

Task Management



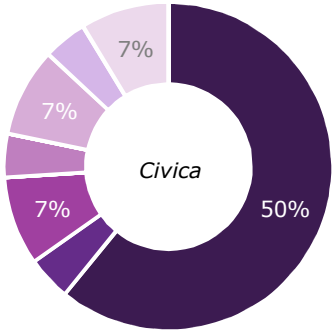
- Civica (25%)
- Heywood - Altaire (64%)
- In-House (7%)
- Equiniti - Compendia (4%)

Call centres/CRM Software



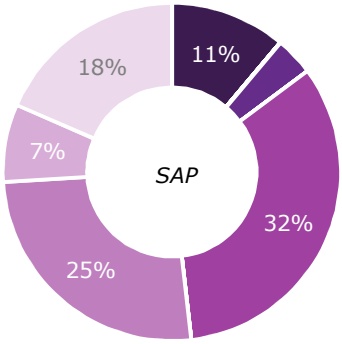
- Civica (11%)
- Heywood - Altaire (11%)
- In-House (25%)
- None (43%)

Pension Payroll



- Heywood - Altaire (50%)
- Heywood - Axis (4%)
- In-House (7%)
- Midland (Trent) (4%)
- Oracle (7%)
- Resourcelink (4%)
- SAP (7%)

Main Employer's Payroll



- Agresso (11%)
- In-House (4%)
- Midland (Trent) (32%)
- Oracle (25%)
- Resourcelink (7%)
- SAP (18%)

For the donut graphs above, if there is a percentage that is less than 5%, this will not be shown on the chart but is denoted in the legend.

DATA QUALITY

West Yorkshire Pension Fund has had their common data measured in the last 3 years and 96% of this was assessed to be present and accurate. In regards to the scheme specific data, West Yorkshire Pension Fund has had it measured in the last 3 years with 98% assessed to be present and accurate.

The last time West Yorkshire Pension Fund had their data measure was:

Jun-19

Responses from members of the benchmarking club regarding steps taken to clean data so it meets the Pensions Regulator's standard will be provided in the narrative scrapbook following the release of the final reports.

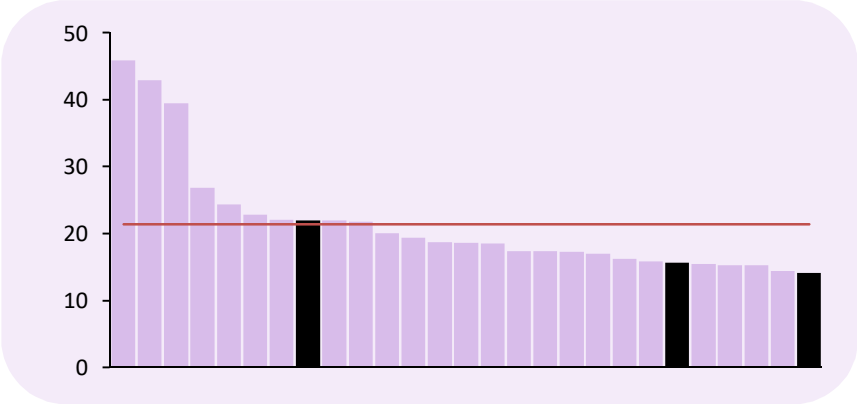
Source: Sections 8&9, Questionnaire 2019

SECTION 8 - COMPARISON BY METHOD OF SERVICE DELIVERY

COMPARISON OF OUTSOURCED/IN-HOUSE MEMBERS

Total members with data:	29
Outsourced members:	3

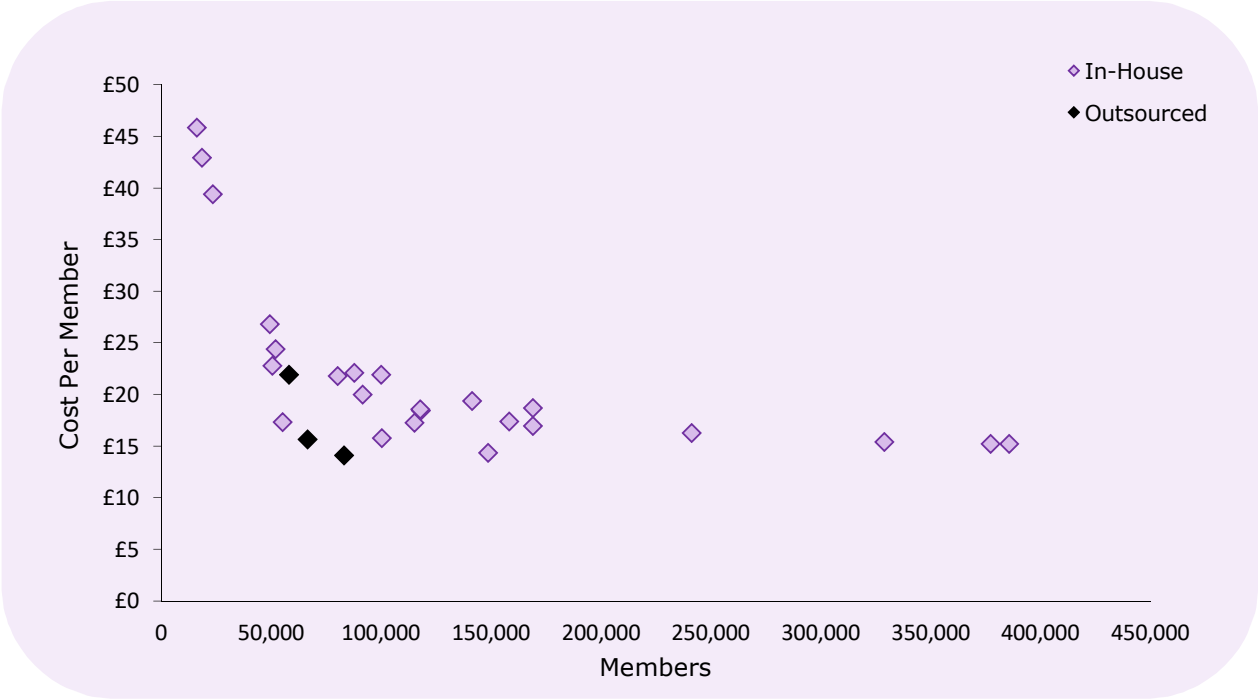
LGPS ADMIN COST PER MEMBER (INCLUDING PAYROLL)



Black bars show outsourced members

	Cost	Members	Cost per Member
West Yorkshire Pension Fun	£5,872	385,608	£15.23
Club average	£2,239	123,665	£21.34
Outsourced average	£1,158	69,000	£17.22
In-house average	£2,374	130,225	£21.85

COST PER MEMBER COMPARED WITH NUMBER OF MEMBERS



Source: Section 1, Questionnaire 2019

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We also do...

In addition to Pensions, other Benchmarking Clubs include Accountancy, Creditors, Debtors and Payroll.

We also provide other Pensions related services through TISonline.

To learn more about other benchmarking clubs in areas such as Adult Social Care and Children's Services, or to see our Value for Money indicator stream, please see our website:
www.cipfa.org/services/benchmarking

Contact us

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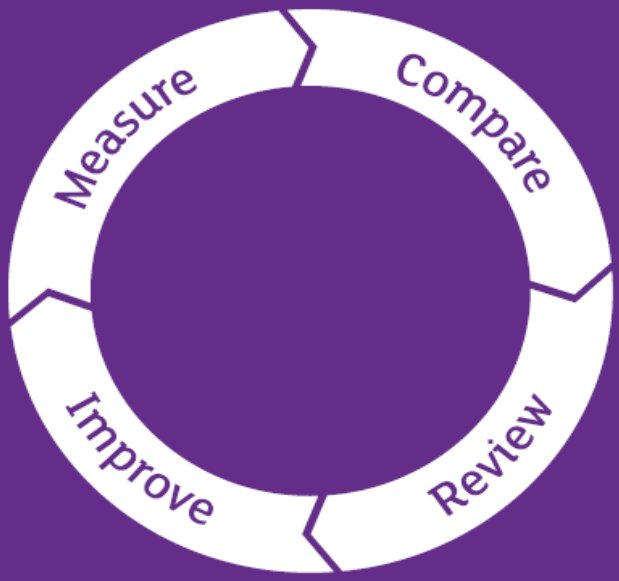

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 30 January 2020

AA

Subject: Northern LGPS

Summary statement:

In accordance with the guidance from Government, West Yorkshire Pension Fund (WYPF) together with Greater Manchester and Merseyside are working towards the creation of an investment pool, Northern LGPS (NLGPS).

This report sets 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.

Recommendation

It is recommended that the Joint Advisory Group note the progress to date.

Rodney Barton
Director

Phone: (01274) 432317
E-mail: rodney.barton@bradford.gov.uk

Portfolio:

Overview & Scrutiny Area:

1 Background

1.1 The Northern LGPS (NLGPS) partners are Merseyside, Greater Manchester and West Yorkshire Pension Funds, three large, cost effective Metropolitan funds. Individual funds will retain their current role of setting asset allocation and investment policy, and will delegate the implementation of that policy to the Joint Committee.

1.2 The Joint Committee will be formed to have responsibility for ensuring the appropriate structure and resources are in place to implement the policy required by each fund, those resources to be provided by the three Funds. Staff will be employed by one fund, but will be seconded to act for the other funds where that is required.

1.3 The Joint Committee will consist of two Members appointed by each Fund plus a total of three trade union representatives. It will not have any direct involvement in the appointment of managers, or selection of investments. These matters will be fully delegated to professional officers. Its role will be to determine the asset class, risk profile, and whether management is internal or external, in accordance with the investment policy set by each fund.

1.4 The long term vision for the Pool is to provide access to

- a range of internal and externally managed listed assets at low cost
- collective investment in alternatives, while building skill to enable cost reduction by increasing direct access
- working arrangements with other pools where greater size may add value.

1.5 The investment philosophy is to maintain simple arrangements, with a relatively low number of managers, low manager and portfolio turnover, an increasing proportion of assets managed internally within the Pool, with individual funds retaining the ability to select asset class, territory, and active or passive management.

2. Progress to Date

2.1 The programme for establishing the NLGPS consists of

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

2.2 The draft Operating Agreement was approved by the February 2019 Council meeting. All three partners have now approved the Agreement. The Joint Committee will be operational from the beginning of the next financial year.

1.1 The NLGPS Shadow Joint Committee approved the appointment of a common custodian bank, Northern Trust, to provide custodial services for all funds in the Pool. The appointment of a common custodian is a key strategic milestone in setting up the NLGPS. The assets of the Fund were transferred to Northern Trust on 1 November. All transferred assets of NLGPS are now in one place, in the care of a company with FCA regulation.

1.2 GLIL, a vehicle established to invest in infrastructure, is fully operational, regulated by the FCA, and is available to other pools or individual funds to invest, thereby establishing a national solution for LGPS funds to increase commitments to infrastructure, the fourth pooling criterion.

1.3 A joint venture, NPEP, has been established to make private equity investments on a collective basis. The governance of this vehicle operates in a similar manner to the GLIL infrastructure vehicle, although there are no plans to obtain FCA approval, as we do not expect the demand from other pools for private equity.

1.4 On 26 September the Shadow Joint Committee agenda included updates on pooling, performance benchmarking, private equity pooling, responsible investment and the common custodian. In addition, there was a report on the work done to date by officers looking at how the three property portfolios could benefit more fully from pooling.

1.5 The NLGPS website is now operational, and has current information on the Pool (www.northernlgps.org).

1.6 The minutes of the Shadow Joint Committee on 11 July 2019 and draft minutes for 26 September 2019 are attached as Appendix 1 and 2 (NFP docs). The next meeting is 6 February 2020.

3. Meeting the Four Criteria

3.1 Asset pools are required to achieve the benefits of scale, deliver strong governance and decision making, achieve reduced costs and excellent value for money, and achieve an improved capacity to invest in infrastructure. The Northern LGPS has a clear plan to deliver on these criteria.

3.2 NLGPS submitted a further report on progress to the Ministry for Housing, Communities and Local Government in September. A formal response has not been received.

4. Informal Consultation on Statutory Guidance on Pooling

4.1 On 3 January 2019 MHCLG began an informal consultation on statutory guidance on pooling. As reported in July we submitted a robust response. It is understood that there will be a further formal consultation, but that has been delayed due to other priorities at this time.

5. Not for publication documents

Appendix 1	NFP Northern LGPS Shadow Joint Committee 11.07.19
Appendix 2	NFP Northern LGPS Shadow Joint Committee 26.09.19 (draft)

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