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Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Tuesday, 22 March 2022 at 10.30 am or on the rising of the earlier meeting of the Board, whichever is the later, in Aldermanbury House, 4 Godwin St, Bradford BD1 2ST

Members of the Committee

Employer Representatives	Member Representatives
Councillor S Lal (Chair) – Bradford Councillor L Martin– Leeds Councillor L Malkin - Wakefield Vacancy - Employer	Mr G Nesbitt – GMB Mr M Binks – Unison Mr C Sykes – Unison Mr A Jones – Unite the Union

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.
- You are requested to wear a mask except when seated

From: **To:**

Parveen Akhtar
City Solicitor
Agenda Contact: Jane Lythgow/Su Booth
Phone: 01274 432270
E-Mail: jane.lythgow@bradford.gov.uk

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. 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)

3. MINUTES OF THE WYPF JOINT ADVISORY GROUP LGPS 1 - 14

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

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

Recommendation

It is recommended that the Board review the minutes from the meeting.

(Rodney Barton – 01274 432317)

B. BUSINESS ITEMS

4. REGISTER OF BREACHES OF LAW 15 - 24

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 come under the remit of the Pensions Regulator.

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

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

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

Recommended -

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

(Caroline Blackburn – 01274 434523)

5. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE 25 - 32

The report of the Director, West Yorkshire Pension Fund **(Document "W")** provides an update on the Pension Board on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

Recommended –

That the report be noted.

(Tracy Weaver – 01274 433571)

6. PENSION BOARD TRAINING 33 - 34

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

To be able to assist the Scheme Manager and meet the requirements of the Public Service Pensions Act 2013, Pension Board Members must be able to demonstrate suitable knowledge and skills of the LGPS to effectively scrutinise the decisions made by officers.

To assist Pension Board Members with their knowledge and skills a training presentation will be provided regarding Freedoms & Choice, Scams and Transfers

Recommended –

That the training presentation be noted.

(Matthew Mott - 07815 476877)

7. **COMMUNICATIONS POLICY** 35 - 44

The report of the Director, West Yorkshire Pension Fund **(Document "Y")** will be presented to remind Members 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 Communications Policy is brought before JAG each year to review and approve, particularly if there are any new regulations and revisions to working practices, which was done at the January meeting.

The Communications Policy has been updated to reflect activities planned for 2022-23.

Recommended –

That the Communications Policy 2022/23 be noted.

(Elizabeth Boardall – 01274 432343)

8. **PENSIONS ADMINISTRATION STRATEGY 2022/23** 45 - 62

The report of the Director, West Yorkshire Pension Fund **(Document "Z")** will be submitted to the Board 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 is brought before JAG each year to review and approve, particularly if there are any new regulations and revisions to working practices, which was done at the January meeting.

The Pensions Administration Strategy has been updated to reflect new employer flexibilities which came into force in September.

Recommended –

That the Pensions Administration Strategy 2022/23 be approved.

(Yunus Gajra – 01274 432343)

9. **RISK REGISTER** 63 - 112

The report of the Director, West Yorkshire Pension Fund **(Document "AA")** will be submitted to the Board and identifies the risks associated with the overall management of the Pension Funds administered by WYPF, plot those risks on a risk register and put steps in place to mitigate those risks. The report was approved by the Investment Advisory Panel and the Joint Advisory Group in January. The Pensions Board should consider and note the risk register.

RECOMMENDED -

That the report be noted.

(Yunus Gajra – 01274 432343)

10. 2022 ACTUARIAL VALUATION 113 - 116

The report of the Director, West Yorkshire Pension Board **(Document "AB")** will be submitted to the Board to inform Members that the next triennial actuarial valuation of the Fund will be prepared based on the situation at 31 March 2022, and will determine the level of employers' contributions from April 2023 onwards.

Recommended -

That the report be noted.

(Caroline Blackburn – 01274 434523)

11. FUNDING STRATEGY STATEMENT (FSS) 117 - 186

The report of the Director, West Yorkshire Pension Fund **(Document "AC")** will be submitted to the Board to inform Members that changes to the Funding Strategy Statement follow a review of how liabilities are calculated for non-tax raising bodies whose liabilities become 'orphan 'on exit. The FSS was approved at the January meeting of the Joint Advisory Group.

Recommended -

That the Local Pension Board note the changes to the Funding Strategy Statement.

Caroline Blackburn – 01274 434523)

12. PENSIONS DASHBOARD 187 - 190

The report of the Director, West Yorkshire Pension Fund **(Document "AD")** will be submitted to the Board to provide an update on the progress of the introduction of the Pensions Dashboard.

Recommended –

That the report be noted.

(Elizabeth Boardall – 01274 432343)

13. TRAINING, CONFERENCES AND SEMINARS 191 - 194

The report of the Director, West Yorkshire Pension Fund **(Document “AE”)** will be submitted to the Board. There is a growing need for LGPS funds to demonstrate that their committees and board members have an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board’s Good Governance project (England and Wales), and increasing scrutiny from The Pensions Regulator, the expectation on funds has never been greater.

Details of training courses, conferences and seminars listed may assist Members. Full details about each event can be provided by contacting Officers of the Fund.

Recommended -

That Members note the requirement to ensure their knowledge and understanding is up to the required standard.

(Yunus Gajra - 01274 432343)

14. EXCLUSION OF THE PUBLIC

Members are asked to consider if the **Not for Publication** report **(Document “AF**” relating to CEM Benchmarking should be considered in the absence of the public and, if so, to approve the following recommendation: -

Recommended –

That the public be excluded from the meeting during consideration of the Not for Publication report Document “AF” relating to CEM Benchmarking 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.

15. CEM BENCHMARKING 195 -

The report of the Director, West Yorkshire Pension Fund **(Document AF)** will be submitted to the Board and compares WYPF's pension administration costs and member service with a peer group of other schemes, from both public and private sector, for the year to 31 March 2021.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

16. EXCLUSION OF THE PUBLIC

Members are asked to consider if the **Not for publication Appendix to Document "AG"** relating to the West Yorkshire Pension Fund Investment Advisory Panel should be considered in the absence of the public and, if so, to approve the following recommendation: -

Recommended –

That the public be excluded from the meeting during consideration of the Not for Publication Appendix to Document "AG" relating to the minutes of the West Yorkshire Pension Fund Investment Advisory Panel held on 27 January 2022 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 business implications of any decision without prejudicing the business position of the West Yorkshire Pension Fund.

17. MINUTES OF WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 27 JANUARY 2022 319 - 324

The Not for Publication report of the Director, West Yorkshire Pension Fund, **(Document "AG")** reminds Members that the role of The Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the Local Government Pension Scheme (LGPS) including securing compliance with the LGPS regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator; and any other such matters as the LGPS regulations may specify.

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

Recommended -

That the Board review the Not for Publication minutes of the Investment Advisory Panel on 27 January 2022 appended to Document "AG".

(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 West Yorkshire Pension Fund Pension Board to be held on 22 March 2022.

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Subject: Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held on 27 January 2022.

Summary statement:

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

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

Recommendation

It is recommended that the Board review the minutes from the meeting.

Rodney Barton
Director

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

Portfolio:

Overview & Scrutiny Area:

1. **Appendix**

Appendix A – Minutes of Joint Advisory Group held on 27 January 2022.

Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 27 January 2022 at 1.30 pm in Council Chamber - City Hall, Bradford

Commenced 1.50 pm
Concluded 3.35 pm

Present - Members of the Committee

Bradford Members Councillors: Thornton Winnard	**Calderdale Members** Councillors: Hutchinson Lynn
Kirklees Members Councillors: Firth Ramsay Uppal	**Wakefield Members** Councillors: Swift
Scheme Members Mark Morris	**Trades Union Members** Ms L Bailey (UNISON)

16. DISCLOSURES OF INTEREST

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

Action: City Solicitor

17. MINUTES

Resolved –

That the minutes of the meeting held on 29 July 2021 be signed as a correct record.

Action: City Solicitor

18. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

19. **EXCLUSION OF THE PUBLIC**

Members were asked to consider if the item relating to the Northern LGPS, (Document "K" containing Not for Publication Appendices 1 & 2) should be considered in the absence of the public.

No resolution was passed on this item.

20. **WEST YORKSHIRE PENSION FUND (WYPF) AUDITED REPORT AND ACCOUNTS 31 MARCH 2021**

The report of the Director, West Yorkshire Pension Fund (**Document "K")** was submitted to the Group to provide Members with the annual audited report and accounts for 2020/21.

Members were advised that the Local Government Pension Scheme Regulations 2014, Regulation 57 specified that the deadline for publishing the WYPF audited account was 1st December each year. The WYPF accounts formed part of the City of Bradford Metropolitan District Council (CBMDC) accounts and as such WYPF accounts were signed by auditors as a bundle with the Bradford accounts. The WYPF accounts had been presented on time, however, the Bradford accounts were delayed, and signed by the auditors Mazars LLP on 22 December 2021. WYPF Report and Accounts were signed on the same day, 21 December 2021, and published on the WYPF website on 22 December 2021. That was 21 days late, however, considering the current COVID-19 pandemic operating environment, the fund was still ahead of a number of LGPS funds in publishing the 2020/21 report and accounts.

Resolved –

1. **That the Audited report and accounts for 2020/21 be noted.**

2. **That the WYPF total cost per member of £33.63 and investment management costs of 3.15 basis point be noted.**

ACTION: Director, West Yorkshire Pension Fund

21. **WYPF PENSION ADMIN AND OVERSIGHT BUDGET REPORT - 2021/22 FORECAST AND 2022/23 BUDGET**

The Director, West Yorkshire Pension Fund, presented a report (**Document "L**") containing budget proposals, projections and pension administration costs for members and employers.

The report revealed a favourable outturn figure against the predicted budget for 2021/22 and continuing low costs to members. Officers were congratulated for their impressive achievements.

Increased accommodation costs were reported in Document "L" and the rationale for those increases and the likelihood of their continuation in the future was questioned.

The Director explained that the fund, like every organisation, had seen a significant increase in fuel costs and a focus for the future would be in sourcing green energy. It was reported that the building required regular maintenance and insurance costs had also risen. Increases in rent had also occurred and although the fund owned the building it did pay itself a commercial rent.

Clarification on the prediction that support services would increase was requested and it was explained that the increase in business from shared services required additional support services. Increased regulation in investments and pension administration had also impacted on the support required.

Members discussed recruitment figures contained in the report and questioned if exit interviews were conducted with staff who resigned and if so what had been learnt. In response it was explained that a large proportion of staff leaving had retired and others had left for career progression. It was explained that currently there were many opportunities in other pension funds and hybrid working had enabled people to take up positions in other parts of the country without the need to relocate. The administration side of the fund had a good level of staff retention and the fund had one of the lowest staff turnover rates compared with others. A Member requested the fund be flexible on salaries to ensure that senior and specialist roles would attract and retain the highest calibre of staff.

The driver of increased investment management costs was queried and it was explained that these were because of challenges from increased regulations and an expanding asset base. The report revealed that using basis points (bps) WYPF investment cost was between 3 and 5 bps of current investment asset value of £17.5 billion. Based on the Investment Association survey for 2021/22 the average cost of investment management was 18bps, that was 300% more than WYPF. That measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

To address competition in attracting talent to the fund engagement had been made with local universities; staff training had been provided and apprentice posts had been developed to create a talent pool in the local area.

The impact of vacancies in the fund on service delivery was questioned and it was explained that staff were passionate about what they did and the quality of work had not suffered. It was stressed that people were proud of their work but that if vacancies were not filled that would eventually have an impact on the service. A number of vacancies had recently been filled and whilst the fund carried out many initiatives which were recognised nationally there was a desire to do more. Members questioned if vacancies were artificially keeping costs low and it was explained that they made only a small difference.

In response to questions about the impact of separate investments costs it was reported that the asset value was now £17.5 billion compared to £8 billion in 2012-13. There had been an increase in the value and diversity of markets together with increased legislation and regulation. It was stressed that the fund employed specialist hard working staff but there is a need to create local talent to aid recruitment and maintain service performance standards.

Resolved –

1. **That the projected outturn of £5.09m against budget of £5.41m for 2021/22 be noted.**

2. **That the proposed budget of £6.17m for 2022/23 be approved.**

3. **That the WYPF total cost per member of £33.63 is the lowest LGPS cost per member, this is also supported by strong service performance and quality, be noted.**

ACTION: Director, West Yorkshire Pension Fund

22. BUSINESS PLAN 2022-2027

The report of the Director, West Yorkshire Pension Fund (**Document "M")** informed Members of the development of a five-year business plan for the period 2022-2027.

It was explained that the fund was working with actuary firm Aon to develop a five-year business plan for the period 2022-2027 which would outline the Fund's goals and objectives over the medium term. Once completed, the business plan would be formally reviewed and agreed every year.

The purpose of the business plan was to –

- Explain the objectives for the management of the WYPF.
- Document the priorities and improvements to be implemented by the WYPF team during the next five years to help achieve those objectives.
- Enable progress and performance to be monitored in relation to those priorities.
- Provide staff, partners and customers with a clear vision for the next five years.

The plan would present a number of key objectives under the categories of governance, funding, investments, administration and communications

Recent developments and changes impacting the fund were reported and included the fund's responsible investment approach; expansion of the fund's external customer base and changes to how the pensions administration software was used. This included enhancement to monthly employer data collection and online member and employer services.

It was explained that the business plan was at an early stage of production but would be brought to JAG at the July meeting to review.

A Member reported difficulties in accessing the on line platform. He was advised that a number of enhancements had been made and a web developer, with the experience to redesign the platform, had been employed. It was explained that the system had been an on off the shelf product and the web developer would tailor it to the requirements of the fund. It was believed that issues had decreased significantly and improvements had been seen by members. Recent incidents in accessing the service were discussed and the member who had raised those issues agreed to act as a test user to assess future progress.

A Member referred to the West Yorkshire Mayor's request for an annual report on divestment in fossil fuels and questioned if the fund would respond to that request; the cost of that report and when it would be provided.

The Director, WYPF explained that the fund had a clear Environmental, Social and Governance (ESG) policy which was set by the Investment Advisory Panel which would be reporting regularly on the carbon footprint of the fund. A report, produced by an independent firm, was about to the published and information provided to the West Yorkshire Mayor would be reported.

Members were advised that the fund would not divest from commodities until it was evident that change could not be made. The intention was to influence change in companies which were owned by the fund. The final step would be to divest if no progress was made. The success of that approach was questioned and it was explained, as an example, that Shell was installing more car charging points than other companies. Members were advised that the website set out more detailed information on influences made. The speed of such impacts was queried and it was explained that this was the beginning of an exponential transition. Things had moved slowly, however, increasing pressures were enforcing rapid change and external events beyond the control of companies were having an impact.

It was questioned if the governance arrangements for the fund would change and a 'Pensions Committee' be created. In response it was explained that the Pension Board had oversight of the fund whilst the Joint Advisory Group played a monitoring role. The legislation required the two roles to be kept separate.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

23. FUNDING STRATEGY STATEMENT

The report of the Director, West Yorkshire Pension Fund presented a report, **Document "N",** which informed Members of proposed changes to the Funding Strategy Statement (FSS) following a review of how liabilities were calculated for non-tax-raising bodies whose liabilities became 'orphan 'on exit.

It was explained that WYPF's current approach, which it was understood was common in other Local Government Pension Scheme Funds, was to calculate the exit liabilities by reference to the yield on index-linked gilts. Whilst that approach had served the Fund well, over many years, it had been decided to ask Aon, the Fund's actuary, to carry out a thorough review of that approach, prompted by two key factors -

The Fund did not believe that current index-linked gilt prices represented value for money, particularly given they had not really fallen following the announcement that RPI would be linked to CPIH from 2030 (which meant pay-outs from index-linked gilts would fall because CPIH was lower than RPI by virtue of differences in how the two measures were calculated). Following discussions with the Fund Actuary it was therefore felt that it was appropriate to reconsider the approach of calculating orphan exit liabilities assuming they would be backed by index-linked gilts

The Fund was committed to maintaining a single investment strategy which applied to all employers and it wanted to explore if and how it could refine strategy such that a consistent methodology was used to calculate the funding target for all employers

Proposed changes to WYPF approach and updates to the Funding Strategy Statement were reported in detail together with the results of a consultation exercise conducted on the changes between 30 November 2021 and 7 January 2022.

A Member questioned if the proposals provided an opportunity to recognise ethical investments and was advised that the appropriate document to consider was the Investment and Strategy Statement approved by the Investment Advisory Panel. That statement and further information was available on the Fund's website.

Resolved -

1. **That the proposed change of approach to how liabilities will be calculated for non-tax raising bodies whose liabilities become 'orphan 'on exit be approved.**

2. **That the changes to the Funding Strategy Statement, contained in Document "N" be approved.**

ACTION: Director, West Yorkshire Pension Fund

24. 2022 ACTUARIAL VALUATION

The report of the Director, West Yorkshire Pension Fund (**Document "O")** advised Members that the next triennial actuarial valuation of the Fud would be prepared based on the situation at 31 March 2022 and would determine the level of employers' contributions from April 2023.

The background to the report explained that the fund was subject to an actuarial valuation by its appointed consulting actuary and the main aims of that valuation were reported. Members were advised that the Actuary would be providing a virtual training session on 8 February 2022 and it was hoped that this could be recorded and Members provided with copies.

It was explained that the Government Actuary (GAD) had been appointed by the Department of Levelling up, Housing and Communities (DLUHC) to report under Section 13 of the Pubic Service Pensions Act 2013 in connection with the Local Government Pension Scheme (LGPS). Section 13 of the Act required the Government Actuary to report on four main aims every three years and these were highlighted in the report. GAD's report was published in late December 2021 and the four recommendations were reported.

Included in recommendation four was a 'white' flag in relation to GAD's asset shock metric and Members asked for a definition of that status. It was explained that this related to the size of the fund's assets and the potential impact on local Councils. Members were assured that this was a general issue which did not require any action and there would have been an 'amber' flag if there had been broader concerns.

A Member queried the acronym SAB and it was clarified that this referred to the Scheme Advisory Board.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

25. PENSIONS ADMINISTRATION

The report of the Director, West Yorkshire Pension Fund (**Document "P**") provided Members with an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities over the last six months. The background to Document "P" reported that as well as providing pensions administration for WYPF scheme members, WYPF provided a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and more recently the London Borough of Barnet and to 21 Fire Authorities. This included pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

Performance and benchmarking details contained in the report showed the performance against key areas of work for the period 1 July 2021 to 31 December 2021and revealed that most key performance had been well met. There was commentary on any which had not been achieved and mitigating reasons were provided.

Work in progress, scheme information, praise and complaints, employer training, internal dispute resolution procedure and an administration update were included in the report. Details of ISO 9001 Quality Audits; security breaches; member portal and awards were also summarised. It was concluded that the fund continued to provide an efficient, cost effective and high level of service to members and employers within the fund.

Members questioned why unrealistic targets were maintained in performance targets and it was explained that the fund did not wish to reduce Key Performance Indicators (KPI) to maintain the challenge. It was felt that all were realistic when workloads and vacancies were addressed.

It was queried if KPIs were maintained on the number of people accessing the member portal or if members were consulted on preferred methods of communication. In response it was explained that the fund had begun to access that information from the CIVICA website and this would be reported.

Members asked if staff surveys were conducted for the fund or if there was reliance on Bradford Council's assessments. It was suggested that feedback on morale, job satisfaction and challenges faced could help address recruitment issues. It was confirmed that the Fund relied on the staff surveys conducted by Bradford Council but agreed there was no reason why a fund specific survey could not be carried out. It was explained that a survey had been conducted at the start of the pandemic to ascertain the level of support and equipment staff required.

It was reported that a hybrid method of working would be in place allowing staff to work both remotely and in the office and work was required to conduct a more up to date assessment of needs. The biggest issue faced during the restructure of the Fund had been pay and grades.

A definition of the acronym DPO was requested and it was clarified that this referred to Data Protection Officer. Reference to ICO was explained as relating to Information Commissioner's Office. It was confirmed that the Fund did employ a DPO.

It was questioned if the fund had any plans to provide shared services to all fire authorities and it was explained that this was not intended. It was explained that small fire authorities were attracted to the fund as it had the necessary expertise and that the complexity of the scheme was often not cost effective for those authorities.

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

26. SHARED SERVICE PARTNERSHIP UPDATE

The Director, West Yorkshire Pension Fund presented a report, **Document "Q"** which provided an update to Members of the Group on current administration issues and performance for WYPF's Shared Service Partnership.

Document "Q" reminded Members that the Fund provided shared service pension administration to Lincolnshire, London Borough of Hounslow and London Borough of Barnet Pension Funds and 21 fire authorities.

Updates on each of the services were appended to the report.

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

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

27. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The report of the Director, West Yorkshire Pension Fund (**Document "R**") updated Members on changes to the Local Government Pension Scheme (LGPS) 2014 and provided information on associated matters.

In addition to regular items reported to Members information on the publication of SF3 data for 2020 to 2021; the Section 13 report; the Pension Schemes Act 2021; Money and Pensions Service – Pensions Dashboard update; the Pensions Regulator consultation on a new Code of Practice and the Second Review of State Pension Age were provided in Document "R".

Resolved –

That the report be noted.

ACTION: Director, West Yorkshire Pension Fund

28. REGISTER OF BREACHES OF LAW

The Director, West Yorkshire Pension Fund presented **Document "S"** which informed Members of entries on the 2021/22 Register of Breaches. The breaches register was appended to the report. Included in the register were four breaches relating to –

the late payment of employee's pension contributions by employers,
delay in making a transfer out payment to a new pension provider,
the non-issue of Annual Benefit Statements by the 31 August 2021 to a small number of active members.
delays in settlement amounts paid to the Fund by Prudential when members have retired. (details of this breaches and copy of the submission to the Pension Regulator reporting this breach were supplied to the July 2021 JAG meeting.

The delays in settlement amounts by Prudential had been deemed to be of material significance and had been reported to the Pensions Regulator.

Resolved –

That the entries on the Register of Breaches be noted.

ACTION: Director, West Yorkshire Pension Fund

29. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2022/23

The report of the Director, West Yorkshire Pension Fund (**Document "T")** asked Members to review and approve the Pensions Administration Strategy and Communications Policy 2022/21. It was explained that there had been no significant change to either policy, however, the they had been updated to reflect planned activity in the next year.

Resolved –

That the Pension Strategy and the Communications Policy 2022/23 be approved.

ACTION: Director, West Yorkshire Pension Fund

30. TRAINING, CONFERENCES AND SEMINARS

The report of the Director, West Yorkshire Pension Fund (**Document "U**") provided Members with details of training courses, conferences and seminars which may assist them to demonstrate that they had the necessary knowledge to carry out their roles effectively.

It was stressed that there was a growing need for LGPS funds to demonstrate that their committees and board members had an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board's Good Governance project (England and Wales), and increasing scrutiny from The Pensions Regulator, the expectation on funds had never been greater.

Members were advised that the fund was developing a training plan for each JAG member to ensure training requirements were met and would maintain training records against the training plan. That information would be published in the Annual Report or the Governance Compliance Statement.

It was explained that WYPF had signed up to an online LGPS Learning Academy launched by Hymans to support training needs for Pension Committee members, Pension Board members and Pension Officers. Covering the key elements of the CIPFA knowledge and skills framework and TPR Code of Practice, bite-sized training videos would supplement all LGPS funds' training plans. Along with the core video support there would be jargon busters and quizzes. Hot topics such as McCloud would be covered, and the Fund would continually look to update content with the most relevant issues affecting the LGPS.

The new online course aimed to make it easier for members to obtain the knowledge they require, in a more efficient and engaging way. It would cover all the key areas required in order to successfully manage the running of a fund, including –

- an introduction to LGPS oversight bodies, governance, legislation and guidance

- LGPS administration, including policies and procedures, pension fund auditing
- LGPS valuations, funding strategy and LGPS employers
- Investment strategy, pooling and responsible investment
- Performance monitoring and procurement
- Current issues in the LGPS

It was explained that if any Member would like some specific training through one to one meetings with the in-house team, then that could be arranged.

Resolved –

That Members note the requirements for their knowledge and understanding to be up to the required standard.

ACTION: Director, West Yorkshire Pension Fund

Chair

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

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Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022

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 come under the remit of the Pensions Regulator.

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

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

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

Recommendation

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

Rodney Barton
Director

Portfolio

Report Contact Caroline Blackburn
Head of Employer Services and Compliance
Phone: (01274) 434523
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Overview & Scrutiny Area

1. Background

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

(a) a legal duty relating to the administration of the scheme has not been or is not being complied with, and

(b) the failure to comply is likely to be of material significance to the Pensions Regulator in the exercise of any of its functions.

1.1 This requirement applies to:

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

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

2. Reporting Breaches Procedure

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

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

3 Breaches

The entries on the Register of Breaches for 2021/2022 relate to:

- Delays with Prudential updating members’ accounts with contributions, which have also delayed the payment of some retirement benefits. This breach is considered to be of material significance due to the number of members involved and the continuing and prolonged rectification of this issue. As a result, this issue has been reported to the Pensions Regulator.

- Contributions being paid late by employers and therefore not being received by the fund until after the Pension regulators deadline of the 21st day of the following month.

- An outgoing Transfer Value which was paid after the 3 month guarantee date.

- the non-issue of Annual Benefit Statements by the 31 August 2021 for a small number of active members.

5. Recommendations

It is recommended that the Local Pension Board note the entries and action taken on the Register of Breaches.

6 Appendix

- Appendix A– Register of Breaches 2021/2022

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WYPF Breaches of Law 2021-2022

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	Out-standing Actions
May 2021	**Administration** **AVC contributions -** Prudential**.**		WYPF has an agreement with Prudential to provide an AVC arrangement for its members as part of the Local Government Pension Scheme Regulations. Over the last few months we have received a number of complaints from members to say that their AVC contributions have not been allocated to their AVC accounts.	Delays in Settlement amounts paid to the Fund when members have retired. This has impacted on the Funds ability to pay pension benefits in a timely manner.	**Prudential** Prudential have informed us 'The processing delays have been caused in part by the implementation of a new system that has taken additional time to embed within our processes. This has had an impact on applying contributions to members' policies therefore delaying claims. The impact of COVID and the majority of colleagues working from home following the latest lockdown has also affected our productivity and recovery plans'. Prudential had informed WYPF that it had a recovery plan in place and were on target to clear all outstanding cash and claims by the middle of April however by the end of May and the issues had not been resolved satisfactorily. Prudential informed us they still have cases in backlog and whilst they have not met the initial target	Reported	**What are the time scale for completion?** According to Prudential they are hoping to 'stabilise' by the end of June. **Additional information** Prudential have said member's will not lose out on investment returns because of the delays and where appropriate they will pay compensation however this does not compensate WYPF for the additional time	

WYPF Breaches of the Law 2021 -2022

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	Out-standing Actions
					date for recovery they are making good progress in clearing the outstanding claims and have introduced a number of measures to get back on track. Key measures introduced include: • Weekend and overtime working • Recruitment of 50 full time colleagues into the service function, the majority of whom are focussed on claims. • Recruitment of 79 full time colleagues into the voice area to deal with the unprecedented increases in call volumes. Recent update: Prudential appeared before the SAB (LGPS national Scheme Advisory Board) on 13 December to update on the latest position. There will be an update posted on the SAB website shortly and Pru and SAB will be issuing a joint statement to all Authorities in the next few weeks.		and work undertaken due to the delays caused by Prudential. WYPF regularly contact Prudential to chase up urgent cases, by e-mail and phone. Looking to arrange a meeting with Prudential.	

WYPF Breaches of the Law 2021 -2022

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	Out-standing Actions
					<u>WYPF</u> WYPF have made advance payments of member's retirement lump sums so they do not encounter undue hardship. Their monthly pensions have not been paid to avoid any additional tax implications if they crystallise their benefits.			
	<u>Administration</u> **Payment of a Cash Equivalent transfer value**		Statutory timescales require that a transfer out payment must be paid within 6 months of the relevant date	Transfer value for a member of the scheme was not paid until after the statutory timescale had passed.	The delay was as a result of missing information about the receiving scheme. Numerous requests for the data were sent however the transfer could not proceed without it. **Action:** · The Service Centre are currently recruiting / increasing staff numbers to address any resources issues. · Any future cases staff have been informed they should ring the new scheme to explain what is required as soon as one written	Not Reported	Payment should have been made by 23.08.2021 (to be within the statutory timescale) Payment made 04.09.2021	

WYPF Breaches of the Law 2021 -2022

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	Out-standing Actions
					attempt has failed Full details about the required timescales and how to request an extension from the Pensions Regulator are already in the work instructions			
Sept 2021	**<u>Administration</u>** **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 21 99.99% of statements had been sent out (92534/92542)	0.01% of active members did not have received their ABS within prescribed time limits	Only accurate ABS are sent out. Work continues 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
	<u>Administration</u> **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**	Contributions not received by the scheme within the prescribed timescales	**Immediate actio**n: 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.	Not reported	All outstanding payments are chased up.	None

WYPF Breaches of the Law 2021 -2022

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	Out-standing Actions
			below for details of employers who failed to make payment by the appropriate date.		**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.			

WYPF Breaches of the Law 2021 -2022

Employers who failed to pay make pay over employees contributions by the appropriate date - April 2021 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 21	No employer paid late this month					
May 21	South Kirby and Moorthorpe Town Council	21 .06.21	23.06.21	4679.55	0	0
	Consultant Cleaners Ltd (Westborough)	21.06.21	30.06.21	1995.01	0	0
June 21	Prospect Services (Bradford 3)	21.07.21	22.07.21	1690.27	0	0
	Absolutely Cleaners Ltd (BSG)	21.07.21	22.07.21	368.04	0	0
	Absolutely Cleaners Ltd (Batley MAT)	21.07.21	22.07.21	2329.09	0	0
July 21	University Academy Keighley	21.08.21	30.08.21	14674.87	0	0
August 21	Wellspring Academy trust	21.09.21	22.09.21	111191.80	0	0
	Consultant Cleaners Ltd (Westborough)m	21.09.21	23.09.21	360.30	2	0
September 21	No employer paid late this month					
October 21	Turning Point	21.10.21	1.12.2021	164.63	0	0
	Kirkburton Parish Council	21.10.21	02.12.21	687.98	0	0
	Fleet Factor ltd	21.10.21	17.12.21	99.71	0	0

Agenda Item 5/

Report of the Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022

W

Subject: Local Government Pension Scheme Regulations update

Summary statement:

This report updates the Pension Board 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
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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.

1.3 On 19 September 2021, the Government announced that the Ministry of Housing, Communities and Local Government (MHCLG) became the Department for Levelling Up, Housing and Communities (DLUHC).

2 Consultation on Fair Deal – Strengthening pension protection

2.1 On 10 January 2019 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on Fair Deal – Strengthening pension protection.

2.2 The consultation closed on 4 April 2019, and we are still waiting for DLUHC to publish its response.

3 Consultation: Local valuation cycle and the management of employer risk

3.1 On 8 May 2019 MHCLG issued a 12 week policy consultation called 'LGPS: Changes to the local valuation cycle and the management of employer risk'.

3.2 The consultation closed on 31 July 2019.

3.3 On 20 March 2020 the LGPS (Amendment) Regulations 2020 came into force. These regulations provide administering authorities with a discretion to determine the amount of exit credit which should be payable to an employer leaving the LGPS with a surplus.

3.4 The LGPS (Amendment) (No.2) Regulations 2020 came into effect from 23 September 2020. These regulations provide for new flexibilities that allow employer contributions to be reviewed between valuations, an exiting employer to enter into a Deferred Debt Agreement and an exit deficit to be paid in instalments. Following a consultation WYPF's Funding Strategy Statement has been updated to include policies on applying these new flexibilities.

3.5 DLUHC has yet to publish its response to the other matters contained in the consultation, which included changes to the LGPS Local Valuation Cycle, and employers required to offer LGPS membership.

4 Other LGPS matters

4.1 McCloud remedy

On 16 July 2020 both HMT and MHCLG published consultations on the McCloud remedy. The MHCLG consultation closed on 8 October 2020.

On 13 May 2021 Luke Hall, the Local Government Minister made a written statement on McCloud and the LGPS. The statement confirms the key changes to scheme regulations that will be made to remove age discrimination from the LGPS.

DLUHC are expected to issue a full response to the consultation and to publish draft regulations in the spring.

On 19 July 2021 H M Treasury formally introduced to Parliament the Public Service Pensions and Judicial Offices Bill, which makes provision to rectify the unlawful age discrimination identified by the McCloud judgment.

For the LGPS, Chapter 3 of Part 1 confirms which members will be in scope and what service is 'remediable'. Enabling legislation will allow for scheme regulations to be changed to implement the McCloud remedy.

The Bill has completed its passage through the House of Lords and is now at the 3rd reading stage in the House of Commons.

4.2 **Cost Control Mechanism**

Alongside publication of the McCloud consultation, HMT announced that the pause of the cost control mechanism will be lifted and the process will be completed "next year". The Scheme Advisory Board (SAB) will also be re-examining its results from its cost management process. It was also announced that there would be a review of the cost management process.

On 15 June 2021 the Government Actuary published his final report on his review of the cost control mechanism. The report splits the review into a two-stage framework.

On 24 June 2021 HM Treasury launched consultations on proposed changes to the cost control mechanism and the SCAPE discount methodology.

On 4 October 2021, HMT published its response to the Public Service Pensions: cost control mechanism consultation. The Government's response confirms it will proceed with all three proposed reforms. The Government is aiming to implement all three proposals in time for the 2022 valuations.

On 7 October 2021, HMT published the Public Service Pensions (Valuation and Employer Cost Cap) (Amendment) Directions 2021.

SAB published the outcome of its cost management process for the 2016 valuation on 15 October 2021.

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

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 the LGPS going forward. On 31 July 2019 SAB published this report. The phase two report from the Working Groups to SAB was published in November 2019.

When it met on the 8th February 2021 the SAB agreed that the Good Governance – Final Report should be published, and for the Chair to submit the Board's Action Plan to the Local Government Minister for consideration. SAB has now published its action plan and SAB are now waiting to see how DLUHC responds to its proposals.

4.4 **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, but work has been put on hold due to competing priorities, in particular, work on the Board's cost cap arrangement.

4.5 **Section 13 Report**

On 16 December 2021, DLUHC published GAD's report on the 2019 fund valuations. The report is required by section 13 of the Public Service Pensions Act 2013.

The Government Actuary's Department (GAD) found the scheme's financial position had strengthened since its previous review in 2016, on the back of buoyant investment returns between 2016 and 2019. Also, LGPS funds have made progress against the 2016 review recommendations. The main findings are:

- Compliance - fund valuations were compliant with relevant regulations.
- Consistency - funds implemented GAD's 2016 recommendation to provide a standard dashboard to aid readers when comparing of results for different funds. However, differences in methodology and assumptions do mean that a like for like comparison is not straightforward.
- Solvency - the size of pension funds has grown considerably more than local authority budgets since 2016, so there's an increased risk of strain on employers from any future funding changes.
- Long-term cost efficiency - where relevant, funds had generally acted on GAD's 2016 recommendations on operating plans to close any deficit funding gaps. GAD highlighted four funds they are concerned about the level or trajectory of employer contributions and the implications for taxpayers.

GAD's recommendations for funds or SAB to consider during the local valuations in 2022 include:

- improve consistency in the approach to assessing emerging and existing key issues, such as recent legal judgements and setting employer contributions for new academies
- ensuring deficit recovery plans can be demonstrated to be a continuation of the previous plan

- continue with ongoing improvements on transparency through an expanded valuation dashboard
- review the governance around asset transfer arrangements from local authorities.

4.6 **Levelling Up White Paper**

On 2nd February 2022 the government published the Levelling Up whitepaper which includes references to LGPS funds having plans for up to 5% of assets to be allocated to projects which support local areas. The SAB understand that in this context local refers to UK rather than local to a particular fund and that there will be no mandation beyond the requirement to have a plan. Further details will emerge over the period up to an expected summer consultation which SAB understand will also include the outstanding climate risk and reporting regulations and the pooling guidance.

Under its pooling commitments via the NLGPS WYPF has been investing in UK infrastructure, with over 2% of the whole Fund already invested.

5 Other matters

5.1 **Money and Pensions Service - Pensions dashboard update**

On 27 May 2021, the Pensions Dashboard Programme (PDP) launched a call for input on staging. The purpose of the call for input was to gather feedback and insight from pension schemes that will inform Government policy on staging. PDP is recommending that all public service pension schemes should be onboarded in the initial wave – a two-year period starting from April 2023. The call for input closed on 9 July 2021.

PDP received just over 60 responses to the call for input from a variety of stakeholders. These will be used to feed into further policy development of pension dashboards.

Chris Curry, Principal of PDP, announced in October 2021 that draft regulations on pensions dashboards are expected to be published in the near future

On 7 December 2021, the Pensions Administration Standards Association published initial guidance on the choice of data matching convention schemes must make ahead of their compliance with the upcoming pensions dashboards legislation. The guidance details how every pension scheme must choose how they wish to compare ‘find requests’ from dashboard users against the member records they hold. Choice of matching will depend on the accuracy of the personal data held by Schemes, across all of their deferred and active member records.

On 15 December 2021, PDP announced that it has selected three potential dashboard providers to take part in initial development of the dashboards ecosystem: Aviva, Bud and Moneyhub. In addition to the Money and Pensions Service’s non-commercial dashboard, the PDP will work with these companies to support the early work on design standards and technology.

On 16 December 2021, the Pensions and Lifetime Savings Association published an A to Z industry guide containing decisions that are required to make the initial pensions dashboards a success. The guide is intended to help the people engaged with preparing for pensions dashboards understand the key issues to be assessed and resolved.

On 31 January 2022 DWP published a consultation on the draft Pensions Dashboards Regulations 2022. The purpose of the consultation is to seek views on a range of policy questions relating to the creation on pensions Dashboards.The consultation closes on 13 March 2022.

Following the publication of the consultation on the draft Pensions Dashboards Regulations 2022, the PDP has published information about the scope of its standards and how it will go about setting them, with some indicative examples of what the standards could contain. The publications include:

- data usage guide;
- design standards scope;
- reporting standards scope;
- technical standards; and
- a guide to the code of connection, which will include security, service and operational standards.

5.3 **The Pensions Regulator Consultation on a new Code of Practice**

On 17 March 2021 the Pensions Regulator (TPR) published a consultation a new code of practice.This consultation focuses on the draft content for the first phase of its new code of practice. The new code consists of 51 shorter, topic-based modules and will replace 10 of its existing codes of practice, which mainly deal with the governance and administration of pension schemes.

TPR has published an interim response to the new code of practice consultation. Responses to the consultation included around 10,000 individual answers. TPR has issued the interim response to allow time to consider these responses and to incorporate code content arising from the Pension Schemes Act 2021 into the new code.

TPR does not have a firm publication date for the new code, but it is unlikely to become effective before summer 2022.

5.4 **Finance (No.2) Bill 2021/22**

On 2 November 2021, HM Treasury (HMT) formally introduced the Finance (No.2) Bill 2021/22 to Parliament. The Bill includes a number of provisions that may affect the administration of the LGPS.

Clause 9: Changes to annual allowance scheme pays deadlines

This clause changes deadlines associated with mandatory scheme pays. The period within which some members must give notice of their election will be extended. The deadline for administrators to provide information about annual allowance tax charges will also change.

Clause 10: Increase in normal minimum pension age

This clause introduces an increase in the normal minimum pension age (NMPA) to age 57 from 6 April 2028.

In relation to clause 9, on 18 February 2022 HMRC published a technical consultation seeking views on the draft Registered Pension Schemes (Miscellaneous Amendments) Regulations 2022. The legislation is intended to take effect from 6 April 2022. The consultation closes on 15 March 2022.

5.5 **Second Review of State Pension Age**

DWP launched the second review of the State Pension Age on 14 December 2021. The review will consider if the State Pension Age (SPA) rules are still appropriate based on the latest life expectancy data and other evidence. Two independent reports will be commissioned as part of the review:

- the Government Actuary will provide a report assessing the appropriateness of SPA considering the latest life expectancy projections
- Baroness Neville-Rolfe will provide a report on other relevant factors including recent trends in life expectancy and other metrics.

On 7 January 2022, DWP published the terms of reference for the independent report to be led by Baroness Neville-Rolfe.

5.6 **DWP responds to nudge consultation**

DWP responded to the consultation ‘Stronger Nudge to pensions guidance’ on 17 January 2022. On the same day, the DWP laid before Parliament the Occupational and Personal Pension Schemes (Disclosure of Information) (Requirements to Refer Members to Guidance etc) (Amendment) Regulations 2022. The regulations come into force on 1 June 2022.

The regulations will require administrators of occupational pension schemes, including the LGPS, to give to their members, in certain cases, a stronger nudge to Pension Wise guidance. Administering authorities will need to give the stronger nudge where it receives an application, or a communication in relation to an application, from a member to start receiving their additional voluntary contributions (AVCs) on or after 1 June 2022. The regulations also apply to applications from members aged 50 or over to transfer out their AVCs.

Giving the stronger nudge means that administering authorities must, as part of the application process:

- offer to book a Pension Wise appointment on behalf of the member
- where the member accepts, take reasonable steps to book the appointment
- where the member does not accept the offer, or where the authority is unable to book the appointment despite having taken reasonable steps, give details to the member of how to book an appointment themselves
- explain to the member that the authority cannot proceed with the application unless the member has attended the appointment and confirmed this to the authority, or has opted out of attending an appointment, and
- explain to the member that they can only opt out in respect of the application by giving (either verbally or in writing) a notification to the administering authority.

The Pensions Regulator, in its ‘Why it’s time for trustees to Pension Wise up’ blog, confirmed that it will give guidance before 1 June 2022 to help schemes prepare for the changes.

5.7 **Government confirms 2022 revaluation and publishes PI multiplier tables**

On 20 January 2022, the Government made a written statement on indexation and revaluation in public service pension schemes and published the 2022 pensions increase (PI) multiplier tables.

The statement confirms that public service pensions will increase on 1 April 2022 by 3.1 per cent, except for pensions that have been in payment for less than a year, which will receive a pro-rata increase. The statement also confirms that active LGPS CARE accounts will increase on 1 April 2022 by 3.1 per cent.

6 Recommendation

It is recommended that the Pension Board note the report.

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022.

X

Subject: Pension Board Training

Summary statement:

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

To be able to assist the Scheme Manager and meet the requirements of the Public Service Pensions Act 2013, Pension Board Members must be able to demonstrate suitable knowledge and skills of the LGPS to effectively scrutinise the decisions made by officers.

To assist Pension Board Members with their knowledge and skills a training presentation will be provided regarding Freedoms & Choice, Scams and Transfers

Recommendation

The Board note the training presentation.

Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022.

Y

Subject:

Communications Policy 2022/23

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 Communications Policy is brought before JAG each year to review and approve, particularly if there are any new regulations and revisions to working practices, which was done at the January meeting.

The Communications Policy has been updated to reflect activities planned for 2022-23.

Appendix A – Communications Policy

Recommendations:

It is recommended that the Communications Policy 2022/23 be noted.

Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

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West Yorkshire Pension Fund

Lincolnshire Pension Fund

London Borough of Hounslow

BARNET LONDON BOROUGH

Communications Policy

Communications Policy 2022

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), Hounslow Pension Fund (HPF) and Barnet Pension Fund entered into collaboration agreements for shared service in April 2015 (LPF), August 2018 (HPF) and October 2020 (BPF). 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 have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2022 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
- third-party employer service providers

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 convenient, 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 compliments and complaints, and
- customer surveys
- web feedback using hosted services

To ensure continuous development we plan to:

- further develop member self service with Civica's My Pension platform
- broaden our use of digital platforms to engage stakeholders
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts

Communications events 2022 – 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 becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Annual Pension Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print and web
	Member fact sheets	Constant	Web
	Introduction to WYPF	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person
	Pension surgeries/drop in's	On employer request	Virtual
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
	YouTube channel	Constant	Web
LGPS deferred members (including representatives of deferred members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Deferred Benefit Statement	1 per year	Email
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web
	YouTube channel	Constant	Web

LGPS pensioner members (including representatives of retired members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications
	Social media	Constant	Web
	YouTube channel	Constant	Web

Communications events 2022 – firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)			
	Newsletter	At least 1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person
	Pension surgeries/drop in’s	On employer request	Virtual or in person
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web

Firefighter deferred members (including representatives of deferred members)			
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email

Firefighter – pensioner members (including representatives of pensioner members)			
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications

Communications events 2022 – councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Deferred Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Virtual/meeting/face-to-face
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web

Communications events 2022 – employing authorities

Communication	Format	Frequency	Method of distribution
Employing authorities			
	Employer Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
	Website	Constant	Web
	Fact card	1 per year	Web
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face/virtual
	Update sessions	Up to 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 gov. delivery bulk email
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face
	Workshops	Weekly	Virtual plus on demand recordings

Member contacts

Phone (01274) 434999

Email pensions@wypf.org.uk

Due to Covid-19 restrictions face-to-face meetings with members at our contact centre are not possible but members will instead be offered a virtual meeting using MS Teams.

Postal address

WYPF
PO Box 67
Bradford BD1 1UP

WYPF contact centre

Aldermanbury House
4 Godwin Street
Bradford
BD1 2ST

LPF satellite office

County Offices
Newland
Lincoln LN1 1YL

Employer contacts

Ammie Mchugh (Employer Relations Manager) 01274 432763

Employer Pension Fund Representatives

David Parrington	01274 433840
Sheryl Clapham	01274 432541
Kaele Pilcher	01274 432739
Ahmed Surtee	01274 433517
Richard Quinn	01274 433646

WYPF Management

Rodney Barton	Director – WYPF
Yunus Gajra	Assistant Director (Finance, Administration and Governance)
Grace Kitchen	Head of Member Services
Ola Ajala	Head of Finance
Caroline Blackburn	Head of Employer Services and Compliance
Elizabeth Boardall	Head of Projects, Communications & IT

Lincolnshire Pension Fund Management

Jo Ray	Head of Pensions
Claire Machej	Accounting, Investment and Governance Manager

Hounslow Pension Fund Management

Hitesh Sharma	Strategic Pensions Manager

Barnet Pension Fund Management

Mark Fox	Pensions Manager

Fire and Rescue Pension Scheme Clients

Buckinghamshire & Milton Keynes Fire Authority
Cambridgeshire Fire & Rescue Service
County Durham and Darlington Fire and Rescue Service
Derbyshire Fire & Rescue Service
Devon & Somerset Fire & Rescue Service
Dorset & Wiltshire Fire & Rescue Service
East Sussex Fire and Rescue Service
Hereford & Worcester Fire & Rescue Service
Humberside Fire & Rescue Service
Leicestershire Fire & Rescue Service
Lincolnshire Fire & Rescue Service
Norfolk Fire and Rescue Service
Northamptonshire Fire & Rescue Service
Northumberland Fire & Rescue Service
North Yorkshire Fire & Rescue Service
Nottinghamshire Fire & Rescue Service
Royal Berkshire Fire and Rescue Service
South Yorkshire Fire & Rescue
Staffordshire Fire & Rescue Service
Tyne & Wear Fire & Rescue Service
West Yorkshire Fire & Rescue Service

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022.

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Subject:

Pensions Administration Strategy 2022/23

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 is brought before JAG each year to review and approve, particularly if there are any new regulations and revisions to working practices, which was done at the January meeting.

The Pensions Administration Strategy has been updated to reflect new employer flexibilities which came into force in September.

Appendix A – Pensions Administration Strategy

Recommendations:

It is recommended that the Pension Administration Strategy 2022/23 be approved.

Rodney Barton
Director

Portfolio:

Report Contact: Yunus Gajra
Assistant Director (Finance, Administration and Governance)
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E-mail: Yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

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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), Hounslow Pension Fund (HPF) and Barnet Pension Fund (BPF) employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

1.1. Purpose

This strategy covers West Yorkshire Pension Fund, Lincolnshire Pension Fund, Hounslow Pension Fund and Barnet 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, BPF and employers to work together in a cost- effective way to administer the LGPS whilst maintaining an excellent level of service to members and employers. 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 fund policies which are available under the relevant fund's 'policies' area on the shared service website. Where there is a conflict between the shared administration strategy and a fund's stand-alone policy the individual fund's policy will prevail.

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 an 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.

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

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

3. Liaison and communication

3.1. Authorised contacts for employers

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

- a strategic contact for valuation, scheme consultation, discretionary statements and IDRPs
- 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 services for the employer they too can be added as an authorised contact. Overall responsibility for pension administration remains with the employer regardless of the services they outsource and proactive contract management of third-party providers is expected.

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	Virtual meetings/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	Virtual meetings
Update sessions	Up to 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 gov.direct bulk mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Virtual meeting/face-to-face
Employer webcasts	1 per week	Virtual meeting

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

4.1.1. Employers should be able to provide the following information in relation to their employees in the Fund

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 compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within two weeks following monthly return submission	100% compliance
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 two weeks following monthly submission. For exception report output from the monthly return, change data response must be provided to the administrator within two weeks of receipt of the exception report. If the employer isn't using monthly return then information is due within six weeks of change event.	90% compliance or better
50/50 and main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Service breaks/absences	Web form		Within six weeks of the date of the absence commencing	90% compliance or better
Under three-month optouts	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return Web form		Notified by the employer via monthly return, the administrator will process the	90% compliance or better

	Monthly returns (exception reports)	data within two weeks following monthly data submission, else within six weeks of leaving. For exception reports, leaver forms must be provided within two months of receipt of the exception report.	
Retirement notifications	Web form	10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	100% compliance
Death in service notifications	Web form	Within three days of the date of notification	100% compliance

4.1.2. Notifiable events

Employers should also provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund "notifiable events". These include the following:

- **A decision which will restrict the employer's active membership in the Fund in future**
  Examples include: ceasing to admit new members under an admission agreement; ceasing to designate a material proportion of posts for membership; setting up a wholly owned company whose staff will not all be eligible for Fund membership; outsourcing a service which will lead to a transfer of staff
- **Any restructuring or other event which could materially affect the employer's membership**
  Examples include: a Multi-Academy Trust re-structuring so there is change in constituent academies, the employer merging with another employer (regardless of whether or not that employer participates in the Fund), a material redundancy exercise, significant salary awards being granted, a material number of ill health retirements, large number of employees leaving voluntarily before retirement or the loss of a significant contract or income stream
- **A change in the employer's legal status or constitution which may jeopardise its participation in the Fund**
  Examples include the employer ceasing business (whether on insolvency, winding up, receivership or liquidation), loss of charitable status, loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund
- **If the employer has been judged to have been involved in wrongful trading**
- **If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business**
- **Where the employer has, or expects to be, in breach of its banking covenant**
- **Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities**

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter.

4.2. Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions. Organisations with third-party providers can't delegate responsibility for this even if day- to-day tasks are carried out by that provider.

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

Employers are responsible for keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the 'notifiable events' as set out in 4.1.2 above. In such circumstances the Administering Authority may increase an employer's contribution as set out in the Funding Strategy Statement. Any increase may be backdated where the employer has failed to provide information to the Administering Authority in a timely manner.

4.3. Discretionary powers

Employers are 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. A copy of these discretions must be sent to the administrator.

4.4. Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member at least once a year in April or more frequently if required in their policy. 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

Employers will make all payments required under the LGPS regulations, and any related legislations, promptly to the relevant pension fund and /or its additional voluntary contribution (AVC) providers (Prudential/Scottish Widows/Standard Life) as appropriate.

5.2. Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission however they must be paid to the relevant fund by the 19th day of the month following the month in which the deductions were made. The monthly posting submission should be uploaded to the administrator by the same deadline and the data should reconcile to the payment made to the relevant fund.

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

Employers can be reported to The Pensions Regulator where contributions are received late in accordance with the regulator's code of practice. If a matching monthly posting submission is not provided with a contribution payment by the deadline this will also be recorded as a late payment because the relevant pension fund will not be able to correctly allocate the payment received.

5.5. Awards of additional pension

Where an employer awards a member an additional pension all augmentation costs must be paid in full in one payment.

5.6. Early retirement costs

Employers should pay the full amount of the cost of any early retirements.

WYPF employers must pay this within the 30-day payment term stated on the invoice. Depending on the ability to pay, WYPF may agree to payment by monthly instalments over a maximum period of 12 months. Interest will be charged at a rate determined by the fund actuary.

LPF, BPF and HPF will invoice their respective funds' employers and will have their own payment terms that should be discussed with them if the need arises.

5.7. Interest on late payment

In accordance with the LGPS regulations, interest may 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 any secondary payment, if appropriate, for each employer for the subsequent three years.

5.10 Administration charges

The cost of running the administrator is charged directly to the 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 training sessions 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 where appropriate
- Pre-retirement courses
- New starters induction courses
- Employer training webcasts (replacing workshops)
- Bite size training videos

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 relevant fund so that their actuary can determine the assets and liabilities for each employer
6.2.6. Each fund will communicate the results of the actuarial valuation to the relevant employers
6.2.7. Produce a benefit statement each year for every active, deferred and pension credit member
6.2.8. Provide estimate of retirement benefits on request by the employer

6.2.9. Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.

6.2.10. Comply with HMRC legislation

6.3. Decisions

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

6.4. Discretionary powers

The administering authorities with support from 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, HPF and LPF. The Pension Manager of London Borough of Barnet Pension Fund will undertake this role for BPF.

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

6.6. Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	95%
4. Calculate and action incoming transfer values	35	85%
5. Deferred benefit – payment of lumps sums	3	90%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions - payment	5	90%
9. Pay transfers out on receipt of acceptance	35	85%
10. Provide estimate of retirement benefits	10	75%
11. Retirement benefits – payment of lump sum	3	90%
12. Retirement benefits – calculation of pension/lump sum	10	85%
13. Calculation and payment of death benefits on receipt of all necessary information	5	90%

14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members		by 31 May
17. Annual benefit statements issued to active members		by 31 August
18. Make payment of pensions on the due date		100%
19. Issue 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 entitlement to pensions for children over the age of 17		100%

7. Unsatisfactory performance

7.1. Measuring performance

Both employer and administrator targets will be measured on a quarterly basis using the Civica document management system. Administrator performance levels will be published on a monthly basis to the shared service pension funds and fire authorities. Overall administrator performance will be published by the funds in their Report and Accounts.

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

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

Main contact registration form

Employer name and location code	
Employer address	

Important: please read the guidance note on **Managing your contacts** before you complete this form.

Strategic contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Administration contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Finance contact

Name	Address if different from above
Job title	
Phone	Specimen signature
Email	

Contact at third-party payroll provider (if applicable and not listed above)

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

Date signatures valid from	**Signed (by current authorised signatory)**

Authorised user list

West Yorkshire Pension Fund | Lincolnshire Pension Fund | London Borough of Hounslow | BARNET LONDON BOROUGH

authorised payroll user list oct 2018

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).
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 of the 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 of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th of the 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).
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).
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).
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).
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).
8. AVC deducted from pay to be paid anytime but latest date by 19th of the 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).

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).
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).
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).
12. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + 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. Where the member has more than one known record, the charge is for each record.

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. Any part or all of these charges may be waived at head of service discretion.

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

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022.

AA

Subject: Risk Register

Summary statement:

The report identifies the risks associated with the overall management of the Pension Funds administered by WYPF and plot those risks on a risk register and put steps in place to mitigate those risks. The report was approved by the Investment Advisory Panel and the Joint Advisory Group in January. The Pensions Board should consider and note the risk register.

RECOMMENDATIONS

That the Pensions Board note the risk management report

Rodney Barton
Director WYPF

Portfolio:

Report Contact: Yunus Gajra
Assistant Director (Finance, Administration and Governance)
Phone: (01274) 432343
E-mail: yunus.gajra@bradford.gov.uk

Overview & Scrutiny Area:

1. SUMMARY

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

2. BACKGROUND

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

2.2 The attached report sets out 45 risks associated with the operation of the WYPF, under the headings of Economic, Political, Technological, Legislative/Regulatory, Managerial/Professional, Finance, Physical, Competitive, Customer/Citizen, Social and Partnership/Contractual.

The structure of the attached report is as follows:

2.2.1 Categorisation of Risks	Pages 4 to 10
2.2.2 The 23 most important risks requiring continuing scrutiny	Pages 11 to 20
2.2.3 The future review and revision of risks	Page 21
2.2.3 The full list of identified active risks (inc. 20 in 2.2.2 above)	Pages 22 to 35

2.3 Included in the risk management report are details of the required management action/control needed to address each of the 23 most important risk identified.

2.4 Risk in overall terms will be regularly monitored to ensure the report is up to-date and relevant in identifying risks in respect of both the current and future operational practices of the WYPF.

3. RECOMMENDATIONS

3.1 That the Pensions Board note the risk management report

4. APPENDICES

Appendix 1 – Risk Management Report

Document Ref: RM Report
Issue: 4
Amendment 2
Issued: January 2022

Appendix A

WYPF Departmental Risk Management and Opportunities Report

Introduction

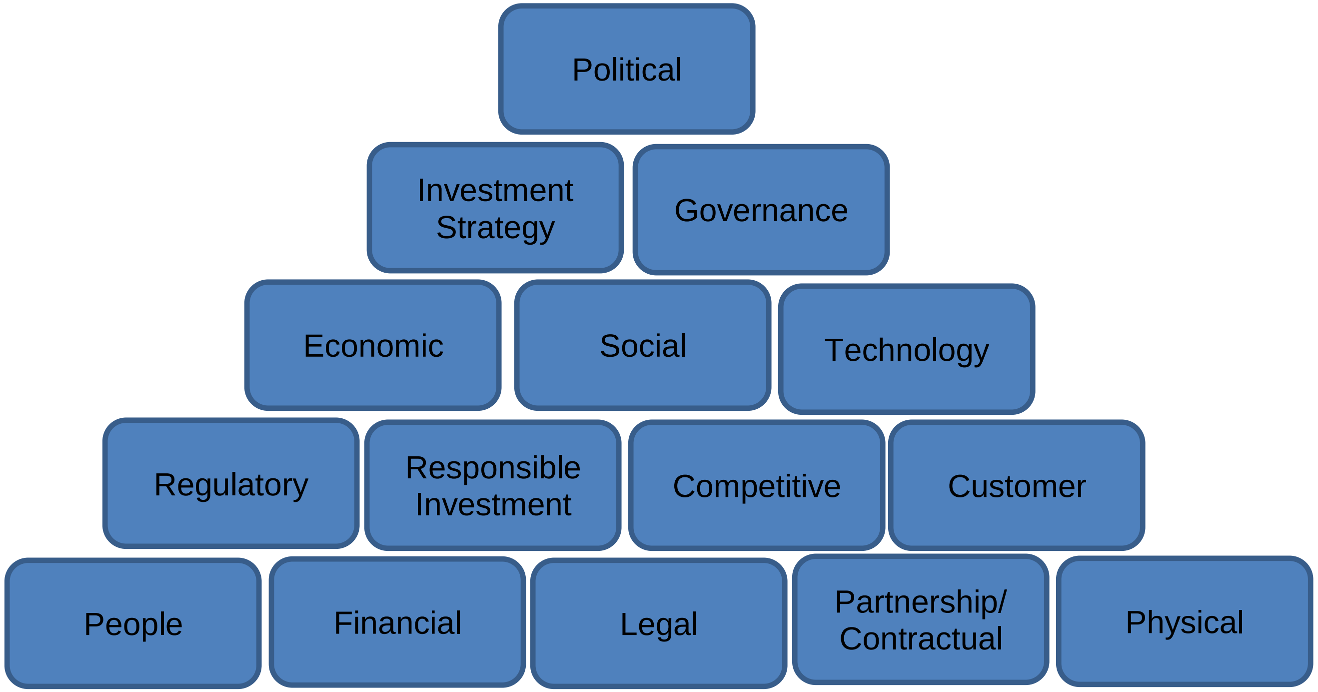
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed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

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

The process

Risk identification

The first of five stages of the risk management cycle require risk identification. This has been achieved through discussion with senior Managers and covers 15 categories of risk as shown below.



Identified risks

Economic

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
16	Lack of Admissions and Guarantors

Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

Technological

Scenario	Short name
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
7	Current software providers pull out of the market or are taken over
39	Disaster recovery
40	Internal Fraud
42	Loss of sensitive personal data
45	Cyber Crime

Legislative/Regulatory

Scenario	Short name

8	Failure to administer the scheme in line with regulations and policies
25	Failure to adhere to relevant statutory regulations and guidance.
46	Compliance with GDPR requirements
48	Failure to include all required information issued to members under disclosure regulations

People

Scenario	Short name
9	Greater level of support expected by district councils than other employers
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
44	Access to sensitive/personal data by staff

Financial

Scenario	Short name
10	Finance aren't always involved in other sections' decision making processes
12	External Fraud
13	Admin costs increase above budgeted costs
15	Prompt payment of pensions on the due date.
17	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers

Physical

Scenario	Short name

Competitive

Scenario	Short name

11	National and local KPI's are not being met

Customer

Scenario	Short name
14	Customer Satisfaction below acceptable levels
47	Failure to communicate adequately with scheme members

Social

Scenario	Short name

Partnership / Contractual

Scenario	Short name
18	Provision of shared services to Fire Authorities and other LGPS Funds

Governance

Scenario	Short name
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.

38	Pension Fund investments may not be accurately valued.

Investment Strategy

Scenario	Short name
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.

Responsible Investment

Scenario	Short name
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken.

Risk analysis, profile and tolerance

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

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

The top risks facing WYPF are identified as:

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
9	Greater level of support expected by district councils than other employers
14	Customer Satisfaction below acceptable levels
15	Prompt payment of pensions on the due date.
18	Provision of shared services to Fire Authorities and other LGPS Funds
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
25	Failure to adhere to relevant statutory regulations and guidance.
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels

31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.
38	Pension Fund investments may not be accurately valued.
39	Disaster recovery
40	Internal Fraud
41	Recruitment and retention of experienced staff
42	Loss of sensitive personal data
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements

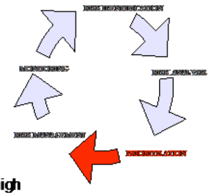
To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below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

As part of a regular review, 48 risks have been identified and framed into scenarios. The risks identified have been rated, 30 of these above their acceptable tolerance level, 18 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – January 2022

Likelihood	IV	III	II	I
A				
B		8,		
C		10,	1, 2, 5, 6,9, 28, 33,39,41	
D		3, 4,13, 16,44	14, 15, 18, 19, 20,21,22,23,24, 25,26,27,29,30, 31,32,34,43,45, 46,48	
E	11,	7,	12, 17, 35,36,37,40,42, 47	
F			38	

Impact



Likelihood:

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

Impact:

I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Risk management and monitoring

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

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

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

Management Action Plans

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
1	C II	Valuation registers a deficit in the Fund. Triennial Valuation undertaken on the Fund using a range of financial assumptions as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least: • Falls in expected investment returns • Fall in markets values • Rising inflation • members living longer the funding position of the fund could deteriorate	Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making Due to potentially decreasing payroll deficit amounts are set as -monetary amounts at the valuation Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years Monitoring of closed employers Quarterly funding updates provided by Funds Actuary	Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years - 31 March 2022	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
2	C II	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy. Introduction of Auto Enrolment has increased membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Assistant Director (Finance, Administration and Governance)	• Fund continues to show as positive cashflow • The ISS is regularly reviewed to ensure its consistent with maturity profile of the Fund	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
5	D II	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: • Civica user group • LGPS group • Payroll user group	Ensure regular attendance and report back from the User Groups/Meetings as necessary.	Assistant Director (Finance, Administration and Governance)	Improved systems, costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market, Effective and efficient system, with scalable capacity to support shared services.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing. Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non-standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
14	D II	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: Pensions Administration Strategy, Communication Strategy	Assistant Director (Finance, Administration and Governance) JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	Annually	Attract new business to the Fund

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	Assistant Director (Finance, Administration and Governance)	• Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors	DII	Finance	Prompt payment of pensions on the due date.
18	D II	Partnership/ Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads WYPF not being able to meet contractual obligations	Assistant Director (Finance, Administration and Governance)	• Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income •	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
19	D II	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments. **Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.**	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	
20	D II	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose. Detrimental decisions made in relation to investments. **Annual Review of delegations.**	Control is adequate, annual review when Independent Advisor reports on IAP Governance Arrangements.	Director to consider changes required following Annual Governance Report.	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	

21	D II	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. Members fail to act in the best interests of the fund. **A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.** **The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time.** **The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences**	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
		The IAP is very experienced and knowledgeable and monitors the performance of the Fund							
22	D II	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions. **As per risk 3 above.**	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
23	D II	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions. **All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.**	Control is adequate.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Director	Decisions to be in the best interest of the Fund.	Quarterly		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
24	D II	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF. Detrimental decisions made in relation to investments. **Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.**	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Director	CPD confirmation obtained.	Annual.		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
25	D II	Failure to adhere to relevant statutory regulations and guidance. Fund not invested in accordance with requirements. Reputational damage to fund within sector and investment markets. **An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these.** **Sufficient resources are in place to implement any changes.** **Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates**	Control is adequate.	Technical team to flag investment regulatory changes proposed at consultation stage. Investment team to maintain contacts within the sector to identify non LGPS specific regulatory changes.	Assistant Directors	Full compliance with all regulatory requirements.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
26	D II	Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. **Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.**	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding	Triennial	Receipt of 2022 valuation	
27	D II	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility. **As per risk 12 above.**	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
28	C II	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. **Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.**	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
29	D II	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value. **Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.**	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Director Head of Finance	Cash resources maintained at an appropriate level.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
30	D II	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels. **The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.**	Control is adequate.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	IAP	Fund assets safeguarded and returns achieved.	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. **Engagement is unsuccessful and does not promote change.**	Control is adequate.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. **The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.**	Control is adequate.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. **Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.**	Control depends on quality of external data.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	Ongoing		

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
34	DII	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken. **The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.**	Control is adequate.	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	Director, Assistant Directors and Investment Managers	Fund assets safeguarded and returns achieved.	Ongoing		Investment in developing sectors diversifies the portfolio and improves returns.
39	C II	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems (refer to Business Continuity Plan).	Staff enabled to work from home with access to all systems.	Assistant Director (Finance, Administration and Governance)	Full disaster recovery plan in place which enables business to operate as usual during any disaster	Annual	Ongoing	System resilience, essential in providing 3rd party services – shared services.
41	C II	Recruitment and retention of experienced staff	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure. Restructure of WYPF completed September 2020	Monitor salaries in both public and private sector. Increase flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Director Assistant Director (Finance, Administration and Governance) Director of HR	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades. Attractive flexible working, home working and mobile working

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
43	D II	Key staff on long term absence	Document all procedures to ensure cover is available from other staff.	Monitor absences and take action at key dates. Delegation and succession planning.	Senior Managers	No effect on service provision	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.
45	D II	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		

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

Future review and revision of risks

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

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

Appendix 1
Risks register

PENSIONS ADMINISTRATION RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C II	Economic	Valuation registers a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	• Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'
2	C II	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	• Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	D III	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	• Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	D III	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds Could be asked to compete against other LG Funds or the private sector	Becomes Government policy	• Admin costs rise to unacceptable levels • Culture change • Cost pressure • Fail to become provider for Yorkshire region • Staff relocation • Staff redundancies • Bad publicity for Bradford • Become provider for Yorkshire • Increased resource requirement • Good publicity
5	D II	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	• E-government cannot be supported • Increased time and support needed for number crunching • Less added value support
6	C II	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis Deadlines not met	• People can't access vital information in a timely manner • Sustainability issues • Transcription errors • Delays • Invalid employer contribution rates set • Invalid ABS's sent to members • ABS's not sent to members • Non compliance • Bad publicity • Key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
7	E III	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	• other systems available but enforced change time consuming • pressure on staff
8	B III	Legislative/ Regulatory	Failure to administer the scheme in line with regulations and policies	Lots of legislative/regulatory change resulting in additional work. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	• Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non-compliance • Key objective not met • general pensions knowledge declines • pressure on staff • staff don't have up to date, consistent knowledge and understanding • recalculations of pensions to do

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	C II	People	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	• Staff frustrated • Reduced level of service to other employers
10	C III	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	• Act 'ultra vires' • Promises made that can't be met
11	E IV	Competitive	National and local KPI's are not being met		Poor performance leading to complaints and reduction in service to stakeholders	• Can't manage performance effectively • Fail to meet explicit objective
12	E II	Finance	External Fraud	Pensions paid where here is no entitlement	Returned payments/payslips, non return of life certificates, flagged by NFI	• overpaid pensions • court cases • time commitment • key objective not met

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	• Inefficiencies in operations • Lack of automation • Poor benchmarking returns	• Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity
14	D II	Customer	Customer Satisfaction below acceptable levels	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	• Fines • Bad publicity • Shrinking user base
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	• Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
16	D III	Economic	Lack of Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	• Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity
17	E II	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	• Funds might go bust resulting in losses for the Fund
18	D II	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads	WYPF not being able to meet contractual obligations	• Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income •

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
47	E II	Customer	Failure to communicate adequately with scheme members	• Website regularly updated. • Newsletters are published at least annually, • Annual Benefit Statements and Deferred benefit Statements issued annually	Complaints or cases going to IDRP	• Fines from TPR • Bad publicity • Members not able to make timely decisions • Reduction in value of pension benefits
48	D II	Legislation	Failure to include all required information issued to members under disclosure regulations	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.		• Fines from TPR • Bad publicity • Members not able to make timely decisions
INVESTMENT RISKS						
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments.	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Review of roles or constitution	• Detrimental decisions made in relation to investments.
20	D II	Governance	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.		Annual Review of delegations	• Detrimental decisions made in relation to investments.
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.		• Members fail to act in the best interests of the fund.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences. The IAP is very experienced and knowledgeable and monitors the performance of the Fund		
22	D II	Governance	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions	A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences. The IAP is very experienced and knowledgeable and monitors the performance of the Fund		• Members fail to act in the best interests of the fund.
23	D II	Governance	Members take decisions without due regard to advice, along party political lines or	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not	• Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.		made in the best interests of the Fund may be overruled.	
24	D II	Governance	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.	Detrimental decisions made in relation to investments.	Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	• Advice of poor quality or not tailored to WYPF. • Detrimental decisions made in relation to investments.
25	D II	Legislative /Regulatory	Failure to adhere to relevant statutory regulations and guidance.	An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates	Changes in regulations	• Fund not invested in accordance with requirements. • Reputational damage to fund within sector and investment markets.
26	D II	Investment Strategy	Strategic benchmark not set to meet the return required by the actuarial valuation.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	• Funding shortfall has to be made good by employer contribution increases.
27	D II	Investment Strategy	Lack of asset class diversification in the strategic benchmark.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including	Benchmark reviewed after each actuarial valuation.	• Increased risk of a funding shortfall due to excessive portfolio volatility.

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.		
28	C II	Investment Strategy	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.	Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Valuation	• Funding shortfall has to be made good by employer contribution increases. •
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value.	Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Negative cashflow	• Fund has to sell investment at an inopportune time, risking a loss of value.
30	D II	Responsible Investment	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels.	The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	• Expected returns not achieved • Asset values decrease
31	D II	Responsible Investment	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	• Actions not agreed where engagement has failed.
32	D II	Responsible Investment	Climate Risks identified - Green House Gas Emissions - Transition risk	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Loss of value of assets or volatility in the value	• The fund fails to recognise and manage physical and transition risks due to focus on emissions

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			- physical risks use of scarce resources e.g. minerals, water.			and is exposed to undue loss of value or volatility.
33	C II	Responsible Investment	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	To safeguard Fund assets and achieve target returns.	• Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.
34	D II	Responsible Investment	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	To safeguard Fund assets and achieve target returns.	• The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.
35	E II	Governance	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.	Complete and authorised agreements are in place with external custodian as part of NLGPS. External custodian is in compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations, and report presented to IAP annually. Regular reconciliations carried out to check external custodian records to nominal ledger.	Regular reconciliations carried out to check external custodian records to nominal ledger.	• Fund assets not safeguarded
36	E II	Governance	Stock lending counterparty failure. Fund assets at risk.	Credit rating of counterparties verified before adding to approved list. Guarantee from external custodian for all stock on loan.	Verify credit ratings of approved counterparties. Ensure custodian agreement fully documented.	• Losses on stock lending

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
37	E II	Governance	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.	A robust framework of controls, including separation of investment managers from settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	Settlement and reconciliation processes maintained and verified.	• Fund assets at risk, fraud.
38	F II	Governance	Pension Fund investments may not be accurately valued. Strategic asset allocation not delivered as a result, poor investment decisions on future investment, fund assets at risk.	Investments are valued using current prices obtained from independent pricing sources wherever possible. Unlisted valuations provided by managers monitored to ensure any sales are above manager valuation. Quarterly valuations reconciled to custodian valuation. Internal and external audit verification work completed for year-end valuation. Portfolio valuations are completed and reported to the IAP	Internal valuation reconciled to custodian data. Unlisted valuations from external managers reviewed for reasonableness and consistency over time or on sale.	• poor investment decisions on future investment, • fund assets at risk
JOINT ADMINISTRATION AND INVESTMENT RISKS						
39	C II	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate	Minor incident occurs Major incident occurs	• Can't back up the data • Loss of service • Permanent data loss • Loss of income

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc.		• Inability to pay pensioners
40	E II	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	fraud	• Loss of data • Corrupt data • Incorrect payments • Breach of DP Act
41	C II	People	Recruitment and retention of experienced staff	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	• Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
42	E II	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	• Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
43	D II	People	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	• Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
44	D III	People	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	• Information could be passed on • Records updated inappropriately • Contravene DP Act
45	D II	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	• Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	• Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts

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Agenda Item 10/

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022

AB

Subject: 2022 Actuarial Valuation

Summary statement:

The next triennial actuarial valuation of the Fund will be prepared based on the situation at 31 March 2022, and will determine the level of employers' contributions from April 2023 onwards.

Recommendation

That this report is noted.

Rodney Barton
Director WYPF

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Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

1.1 This report provides the Local Pension Board with a summary of the proposed approach to the actuarial valuation at 31 March 2022 by the Fund's actuary.

2. BACKGROUND

2.1 In accordance with the Local Government Pension Scheme Regulations the Fund is subject to an actuarial valuation by its appointed consulting actuary at 31 March 2022.

2.2 The main aims of carrying out an actuarial valuation of the Fund are to:

- Review the financial position of the fund,
- Determine the employer's contribution rates; and
- Ensure that the legal requirements in relation to the actuarial valuation are met.

2.3 The Fund will work with the Fund's Actuary to try and ensure, wherever possible, any changes to employer's contributions are minimal, to enable accurate budgeting by employers. This is consistent with the Regulations, which specify that the actuary must have regard to the desirability of maintaining as nearly constant a common rate as possible.

2.4 Meetings will be held once the valuation process has started to discuss the assumptions to be used by the Actuary in calculating the valuation of the Fund.

2.5 The last actuarial valuation at 31 March 2019 resulted in a funding level of 106%, with employers paying the aggregate employer future service contribution rate of 18% of pensionable pay. In addition, some employers were required to pay additional monetary contributions to recover any deficits to restore their individual funding ratio to 100% using a recovery period of 22 years.

2.6 The contributions payable by each employer or group of employers may differ because they allow for each employer's particular membership profile, funding ratio, assumptions and recovery periods appropriate to their circumstances.

3. Approach to the Valuation at 31 March 2022

3.1 The aim is for a valuation result with a minimal contribution change while keeping the funding risk at an acceptable level. The preferred primary tool for adjustment to achieve the acceptable level of contributions is the assumed rate of investment return.

3.2 Data needs to be submitted to the actuary by the Fund in summer 2022. Employers have been reminded that meeting the deadline for the year end returns is essential, as this will ensure that the data submitted to the actuary is as accurate as possible.

3.3 Under the Aon's risk based approach there are three key decisions to be made in relation to each employer in the Fund (in practice many employers can be grouped together for these decisions). These are:

- The solvency target for each employer.
- The trajectory period for each employer (i.e. when you want to reach the solvency target).
- The required probability of funding success i.e. how likely do you wish it to be that you achieve the solvency target by the end of the trajectory period.

3.4 The aim will be to continue to be 100% funded.

3.5 The objective will be to maintain as steady a contribution rate for the main employers as is possible, as stated in 3.1. For the other employers there will be slightly differing approaches.

3.6 The amount assessed by the Actuary as required to meet cost of paying benefits ("the liabilities") is likely to have increased. This is due to the low interest rate environment which has persisted much longer than most people expected.

3.9 As part of the valuation exercise the Funding Strategy Statement will be reviewed and employers will be formally consulted on changes prior to the actuary issuing the results.

3.10 The Rates and Adjustments certificate, which forms part of the 2022 Actuarial Valuation, will set employers' contributions to be paid from 1st April 2023.

4. Training

4.1 The Fund's actuary provided a training session on 8 February 2022 for all Joint Advisory Group, Investment Advisory Panel and Pension Board members as part of the preparation for the 2022 valuation. A recording of this training session is available should any member wish to watch it again or if they were unable to attend on the 8 February 2022.

5. Section 13 Report

5.1 The Government Actuary (GAD) has been appointed by the Department of Levelling up, Housing and Communities (DLUHC) (formally Ministry of Housing Communities and Local Government - MHCLG) to report under section 13 of the Public Service Pensions Act 2013 in connection with the Local Government Pension Scheme (LGPS).

5.2 Section 13 of the Public Service Pensions Act 2013 requires the Government Actuary to report on whether four main aims are achieved, every three years:

- compliance: whether the fund's valuation is in accordance with the scheme regulations
- consistency: whether the fund's valuation has been carried out in a way which is not inconsistent with the other fund valuations within the LGPS
- solvency: whether the rate of employer contributions is set at an appropriate level to ensure the solvency of the pension fund

- long term cost efficiency: whether the rate of employer contributions is set at an appropriate level to ensure the long-term cost-efficiency of the scheme, so far as relating to the pension fund

5.3 GAD's report under Section 13 of the Public Service Pensions Act 2013, concerning the 2019 LGPS (England and Wales) actuarial valuations, was published late December 2021.

The four recommendations that GAD make are also largely achievable for the imminent 2022 valuations:

Recommendation 1. The Scheme Advisory Board should consider the impact of inconsistency on the funds, participating employers and other stakeholders. It should specifically consider whether a consistent approach needs to be adopted for conversions to academies, and for assessing the impact of emerging issues including McCloud.

Recommendation 2. We recommend the Scheme Advisory Board consider how all funds ensure that the deficit recovery plan can be demonstrated to be a continuation of the previous plan, after allowing for actual fund experience.

Recommendation 3. We recommend fund actuaries provide additional information about total contributions, discount rates and reconciling deficit recovery plans in the dashboard.

Recommendation 4. We recommend the Scheme Advisory Board review asset transfer arrangements from local authorities to ensure that appropriate governance is in place around any such transfers to achieve long term cost efficiency.

5.4 In general there are positive messages in the report, indicating improvements both in the strength of funding of LGPS benefits and the extent to which the objectives which GAD are commenting on have been achieved.

5.5 WYPF has attracted a "white" flag in relation to GAD's asset shock metric. GAD have stated that this is an advisory flag that highlights a general issue which does not require an action in isolation; there could have been an amber flag if GAD had broader concerns.

5.6 Details at the following link include an executive summary, the full report, Appendices and a summary funding analysis:
Local Government Pension Scheme: review of the actuarial valuations of funds as at 31 March 2019 - GOV.UK (www.gov.uk)

6. Recommendation

6.1 That this report is noted.

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022

AC

Subject: Funding Strategy Statement (FSS)

Summary statement:
Changes to the Funding Strategy Statement follow a review of how liabilities are calculated for non tax-raising bodies whose liabilities become ‘orphan ‘on exit. The FSS was approved at the January meeting of the Joint Advisory Group.

Recommendation

The Local Pension Board note the changes to the Funding Strategy Statement.

Rodney Barton
Director WYPF

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Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

1. Background

1.1 WYPF's current approach, which we understand is common in other Local Government Pension Scheme Funds, is to calculate the exit liabilities by reference to the yield on index-linked gilts. Whilst this approach has served the Fund well over many years, we decided to ask Aon, the Fund's actuary carry out a thorough review of this approach, prompted by two key factors:

- The Fund does not believe that current index-linked gilt prices represent value for money, particularly given they haven't really fallen following the announcement that RPI will be linked to CPIH from 2030 (which means pay-outs from index-linked gilts will fall because CPIH is lower than RPI by virtue of differences in how the two measures are calculated). Following discussions with the Fund Actuary we therefore felt that it was appropriate to reconsider our approach of calculating orphan exit liabilities assuming they would be backed by index-linked gilts

- The Fund is committed to maintaining a single investment strategy which applies to all employers and we wanted to explore if and how we could refine our strategy such that a consistent methodology is used to calculate the funding target for all employers

2. Changes to WYPF approach and updates to the Funding Strategy Statement

2.1 The change of approach is to derive a discount rate (investment return assumption) using the same methodology as for contributions for the tax-raising bodies, i.e. setting a solvency target and then determining the discount rate which gives us a suitable chance (probability) of meeting that funding target over a defined period based on modelling carried out by the Fund Actuary taking account of the Fund's investment strategy.

2.2 It should be noted, however, that whilst the Fund moves to a consistent methodology we will continue to operate different funding targets depending on the level of risk posed to the Fund. In particular, we will continue to operate a much more prudent funding target when employers exit leaving orphan liabilities than is adopted for setting contributions for tax-raising bodies. We believe this is appropriate, noting that once an employer has exited and paid any exit deficit it is not possible to ask for more money from that employer if experience leads to a deficit arising on those liabilities in future. This prudent approach is intended to reduce the risk that tax raising employers will be asked to make additional contributions in future to cover any deficit arising on orphan liabilities.

2.3 We have also considered the consequent implications for the funding targets adopted for the purpose of setting contributions for the non-tax-raising employers whose liabilities would become orphan should they exit the Fund. In particular, there is no rationale for setting the discount rates for the intermediate and orphan funding target by reference to gilt yields. For these funding targets, we will adopt a similar methodology to that used to set contributions for the tax-raising bodies – a risk-based approach which allows for the Fund's long-term investment strategy – but with a higher level of prudence to reflect the additional risk to the Fund posed by these types of employers, and/or the likelihood and expected timing of their exit from the Fund.

3. Consultation exercise

3.1 The Local Government Pension Scheme (LGPS) Regulations 2013 require:

- An administering authority must, after consultation with such persons it considers appropriate, prepare, maintain and publish a written statement setting out its funding strategy.

- The authority must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

3.2 A consultation exercise was started on 30 November 2021 with all stakeholders on the proposed changes to the Funding Strategy Statement. The consultation closed on the 7 January 2022.

3.3 As part of the consultation exercise a meeting was held with a group of employers who will be most affected by these changes. On 14 December all Intermediate and Orphan employers were invited to a meeting with the Funds Actuary and WYPF officers to talk through the proposed changes and also allowed employers and their advisors to ask questions for further clarification.

3.4 The changes to the Funding Strategy Statement are highlighted on Appendix A.

3.5 A summary of the responses to the consultation exercise with all stakeholders (all employers, Members of JAG, Panel, Pension Board) and Officers of the Fund are shown at Appendix B.

4. Recommendation

The Local Pension Board note the changes to the Funding Strategy Statement.

5. Appendices

- Appendix A – Funding Strategy Statement
- Appendix B – Comments received from stakeholders

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WYPF
Funding Strategy Statement

January 2022

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;
- the supplementary statutory guidance issued by MHCLG (now DLUHC): Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements 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 Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS and associated policies at Appendix 1 and Appendix 2.

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
- 2.2.5 makes use of the provisions of Regulation 64(7A), 64A, and 64B

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 and information required by the Government Actuary's Department in relation to Section 13 of the Public Service Pensions Act 2013;
- 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 FSS/ISS 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;
- 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference;
- 4.2.15 ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt agreements and spreading exit payments; 4.2.16 ensure the process of applying those policies is clear and transparent to all fund employers

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 (including contributions due under a Deferred Debt Agreement);
- 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;

- 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, in particular in relation to any review of contributions between triennial valuations under Regulation 64A;

- 4.4.6 provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B; and

- 4.4.7 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 rates from 1 February 2022 are 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 rates:

- 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 rates (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 all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure, from 1 February 2022 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)).

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. 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 (ongoing orphan employers). The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.

5.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement (DDA) ends.

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.

5.9 The Probability of Funding Success and Trajectory Period will be set considering whether or not new members will be admitted to the Fund and a risk assessment to enable the Administering Authority to judge an employer's financial security. 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, then form the "intermediate" employer category.

5.10 With effect from 1 February 2022, the discount rates will be set such that the Fund Actuary estimates that the chance that the Fund would reach or exceed its Solvency Target for each group of employers, over the relevant Trajectory Periods, as set out below:

	Probability of funding success	Trajectory Period
Secure Scheduled Bodies and admission bodies with a guarantee from such bodies	75%	25 years
Intermediate employers	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	25 years

Already orphaned employers	95%*	15 years*

* The ongoing orphan funding target will be set taking in to account the exit funding target. The ongoing orphan funding target is used to set ongoing contributions for employers who will leave orphan liabilities upon exit and do not qualify for the intermediate funding target, but it is not the same as the exit funding target.

Funding Target

5.11 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 Actuary's report on the valuation, based on the methodology set out in the Funding Strategy Statement in force at the time.

5.12 For deferred employers where a deferred debt agreement is in place, the ongoing funding target will take into account the funding target at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:

- 5.12.1 the agreed period of the deferred debt agreement;
- 5.12.2 the type/group of the employer;
- 5.12.3 the business plans of the employer;
- 5.12.4 an assessment of the financial covenant of the employer;
- 5.12.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.13 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

5.14 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.

5.15 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.

5.16 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: -

- 5.16.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption commitments or suitable guarantees from such bodies - 22 years

- 5.16.2 open admission bodies without a subsumption commitment or suitable 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

- 5.16.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)

- 5.16.4 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)

- 5.16.5 deferred employers – remaining period of the deferred debt agreement

5.17 In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

- 5.17.1 the type/group of the employer

- 5.17.2 the size of the funding shortfall or surplus;

- 5.17.3 the business plans of the employer;

- 5.17.4 the assessment of the financial covenant of the employer;

- 5.17.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

- 5.17.6 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

5.18 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The

Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in Appendix 2 Amending Employer Contributions between Valuations.

5.19 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.

5.20 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.

5.21 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.

5.22 The primary rates may be reduced if the employer or group’s notional share 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 (or groups of employers where employers are pooled) 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 active employers. In attributing the overall investment performance achieved on the assets of the Fund to each employer a pro-rata principle has been adopted.

5.23 It is not envisaged that any deferred employers will be in surplus relative to the relevant funding target. If there were a surplus on the exit basis then, as required by Regulation 64(7E)(e), the deferred debt agreement would terminate and an exit valuation would be carried out.

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

- 5.24.1 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.

- 5.24.2 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 For intermediate and ongoing orphan employers the Administering Authority may without limitation, take into account the following factors when setting the contributions for such employers:

- 5.25.1 the type/group of the employer;

- 5.25.2 the business plans of the employer;

- 5.25.3 an assessment of the financial covenant of the employer;

- 5.25.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;

- 5.25.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS

5.26 On the exit of an employing authority's participation in the Scheme, the Fund Actuary will be asked to complete an exit valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution unless it is agreed by the Administering Authority and the other parties involved that:

- the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.
- the employer and Administering Authority will enter into a DDA,
- the exit payment can be spread over a reasonable period as permitted by Regulation 64B

Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a deferred debt agreement or to permit spreading of any exit payments are set out in the Policy on New Employers and Exit Valuations document at Appendix 1.

5.27 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 active employers.

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

- 5.28.1 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;
- 5.28.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.29 It may not be possible to adopt the two principles outlined in paragraph 5.26 for some or all of the employers identified in paragraphs 5.14.2, 5.14.3 and 5.14.4, 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.

5.30 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

5.31 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

5.32 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.

5.33 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding for admission bodies temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

5.34 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 contribution requirements have been relaxed, 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)

5.35 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.

5.36 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.

5.37 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

5.38 Unless a subsumption arrangement is in place, where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which assumes a stronger (more prudent) funding target than that used for calculating contributions. This is known as the exit funding target.

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. In certain circumstances it may be agreed to enter into a DDA rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. Further details of the Administering Authority's policy for exit valuations and deferred debt agreements are set out in Appendix 2.

5.39 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the exit 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. Some of these risks will affect the *amount* of benefit payments; others will affect the *value* of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experience 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 and 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 changes in the value of the liabilities 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 a review of 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.

7.10 Where it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A. Details of the Administering Authority's policy in this area are set out in Appendix 2.

Liquidity and Maturity risk

7.11 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,

- 7.11.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- 7.11.2 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 or scheduled employers establish wholly owned companies which do not fully participate in the LGPS),

- 7.11.3 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 or in the Fund),
- 7.11.4 scheme changes and lower member contributions, which may be 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 contributions;
- 7.11.5 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.

7.12 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

7.13 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:

- 7.13.1 The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.
- 7.13.2 The outcome of the cost management process as at 31 March 2020
- 7.13.3 The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it

is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

- 7.13.4 Redundancy early retirement provisions - with effect from 4 November 2020 a cap on exit payments made by public sector employers came into effect, including the cost of early payment of LGPS pensions for those over age 55. These new Regulations have since been revoked but Government is expected to come forward with new proposals and it is not yet clear what the final provisions will be for the LGPS.

7.14 Consultations which have been published but not yet taken forward by Government include changes relating to new Fair Deal arrangements, changes to the valuation cycle (although the Administering Authority understands that the 2022 valuation is going ahead as planned) and changes to the status of HE/FE sector employers.

7.15 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

7.16 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 where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic may have adverse consequences in relation to employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.

7.17 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 and level of risk of the short term and Tier 3 employers between triennial valuations where it believes this is appropriate. In due course it will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, noting that the Regulations specifically provide for a DDA to end when the Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation (review) date.

Governance risk

7.18 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 participates for some employees, or an admission body closing the scheme to new entrants.

7.19 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.

7.20 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.

7.21 The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers. It may also carry out a risk assessment in relation to employers subject to the intermediate funding target between valuations, which will offer the opportunity for further engagement with employers and a better understanding of their future financial plans.

Climate Change

7.22 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 Fund's policy in relation to how it takes climate change into account in relation to its investments is set out in its Investment Strategy Statement and Statement of compliance with the UK stewardship code for institutional investors. In relation to the funding implications, 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 Fund's 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: Policy on New Employers, Exit Valuations and Employer Flexibilities

1. Background

1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund ("the Fund"), administered by City of Bradford Metropolitan District Council ("the Administering Authority"), in the treatment of employers including:

- considerations in respect of the participation of employers, including Admission Bodies on commencement or admission,

- the methodology for assessment of an exit payment of employers from the Fund; and

the Administering Authority's policy in relation to Deferred Debt Agreements and spreading of exit payments as permitted by Regulation 64 and 64B.

1.2 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 is intended to provide transparency and consistency for employers in relation to the calculation of assets and liabilities on admission and exit as well as use of the flexibilities within Regulation 64 and 64B.

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.

1.3 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.

1.4 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

2.1 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.

2.2 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.

2.3 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.

2.4 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 ongoing 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.

2.5 With effect from 1 April 2020 the Administering Authority is also prepared to admit new contractors on a "pooled pass through" basis which means that for funding and contribution rate purposes the admission body will be grouped (or pooled) with the Scheme employer. It will operate as follows:

- There will be no notional allocation of assets from the Scheme employer to the admission body on commencement of the contract

- On admission the contractor will pay the contribution rate payable by the Scheme employer (with any monetary secondary contributions converted to a % of pay as appropriate

- Contributions will be set at each triennial valuation (and any other time as appropriate) based on the combined funding position and primary contribution rate for the group/pool (i.e. there will be no separate calculation of funding position or employer contributions for the admission body)

- There will be no payment due from or to the contractor on exit, with responsibility for funding its liabilities assumed to remain with the Scheme employer unless there is a transfer to another employer.

2.6 The contractor will be assumed to be liable for any strain costs or other payments due to the Fund where it grants additional pension under Regulation 31 and strain costs. All other experience will be shared between the members of the Scheme employer group/pool.

2.7 Should there be any need to provide a notional asset value for the contractor, e.g. for accounting under FRS102/IAS19, this will be on a pro rata basis, i.e. the group/pool's notional asset share will be allocated to the employers in the pool in proportion to their liabilities calculated on assumptions appropriate to the group's funding target.

2.8 A pooled pass through arrangement will be the default option for all new admissions under paragraph1(d) where the initial contract length is less than 5 years and there are fewer than 100 members transferring to the new admission body.

2.9 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. This will include specific provisions relating to pass through as outlined above. Details are available on request.

2.10 Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a new employer, whether an admission body or otherwise, will be re-charged to the employer. These costs will include, where appropriate, the cost of actuarial advice relating to any risk assessment required under the Regulations (see next section).

3. Bonds, Indemnities and Guarantees

3.1 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.

3.2 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.

3.3 Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or bond the admission body must secure a guarantee from the Scheme employer. In the event of unfunded liabilities on the termination of the admission, the Scheme employer’s contribution rate to the Fund would be revised accordingly. In most cases it is expected that the Scheme employer will provide a subsumption commitment whereby the assets and liabilities of the outgoing admission body post-exit are "subsumed" into the Scheme employer's liabilities and notional pool of Fund assets.

3.4 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.

3.5 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.

3.6 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.

3.7 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.

4. Funding Target

4.1 The funding target for a new employer depends upon what will happen to the liabilities in respect of the employees of the employer on exit of that employer.

4.2 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 adopt a Funding Target (comprising the relevant Solvency Target, Probability of Funding Success and Trajectory Period) in line with that adopted for the subsuming employer.

4.3 Scheduled Bodies

New academies are currently considered to qualify as indefinite participants in the Fund with full taxpayers backing, as they have a guarantee from the Department for Education. As such the Funding Target adopted is in line with that adopted for Secure Scheduled Bodies. 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.

Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to a scheduled body joining the Fund will be re-charged to the employer.

4.4 Orphan liabilities

4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, or a Deferred Debt Agreement ends, 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.

4.4.2 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. From 1 February 2022, to give effect to this, the Administering Authority will seek funding from the outgoing employer which allows for a more prudent solvency target and gives the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy.

4.4.3 Ongoing calculations for deferred employers (i.e. those where a Deferred Debt Agreement has been put in place), and employers subject to the ongoing orphan funding target will be carried out using assumptions which are intended to broadly target the eventual exit position.

5. Initial notional asset transfer

5.1 When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets may be needed from the original employer to the new employer.

5.2 Unless a pass through approach applies, 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.

5.3 Another option for the initial notional asset transfer (where required) is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering Authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new academies upon conversion to Academy status.

5.4 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.

5.5 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.

5.6 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. Additional notional assets will be transferred:

- as an approximate allowance for the potential liabilities arising from the McCloud judgement remedy, equal to 0.9% of liabilities upon commencement.

- in respect of confirmed changes to GMP indexation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

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 7.13 above) are resolved.

6. Employer Contribution Rate

6.1 Initial Rate

6.1.1 When a new employer joins the Fund, unless a pass through approach is in place where the employer will pay the same contribution rate as the Scheme employer, the Fund's Actuary determines the initial employer contribution rate payable.

6.1.2 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.

6.1.3 When a new academy joins a multi–academy trust (MAT) where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the MAT until the next triennial Actuarial Valuation at which time the contributions for the MAT will be reviewed. Where the new academy is material relative to the MAT, the contributions for the MAT may be reviewed under Regulation 64A. Where the new academy is not material, the MAT may elect to increase contributions for all employers in the MAT 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.

6.1.4 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.

6.2 Review of Employer Contribution Rates

6.2.1 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.

6.2.2 The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where:

(i) it appears likely to the administering authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;

(ii) it appears likely to the administering authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or

(iii) a Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

Details of the Fund's policy on reviewing employer contributions under these provisions are set out in Appendix 2.

6.2.3 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.

In addition, in exceptional circumstances contributions may be reviewed between valuations where this is indicated in the Rates and Adjustments Certificate.

7.Cessation of participation, Deferred Debt Agreements and Exit Payments

7.1 An employing authority can cease participation in the following circumstances:

- an active employer ceases to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or has no active members contributing to the Fund and does not enter into a Deferred Debt Agreement,
- a deferred employer ceases to participate where the Deferred Debt Agreement ends.

7.2 Where participation ceases, an exit 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.

7.3 The assumptions adopted to value the departing employer’s liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) 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 allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. 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.

7.4 For subsumed liabilities the Administering Authority's policy is that the funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.

7.5 In exceptional circumstances the funding target for subsumed liabilities may be varied if deemed appropriate by the Administering Authority, on the advice of the Fund Actuary.

7.6 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. 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.

7.7 For exits, the following refinements will be made to the approach at the 2019 funding valuation:

- approximate allowance will be made for the potential liabilities arising from the McCloud judgement remedy, equal to 0.6% liabilities upon exit, plus 0.7% of assumed salary over the period from 2019 valuation to the date of exit
- allowance will be made for the confirmed changes to GMP indexation equalisation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

However, the Administering Authority will not seek to recalculate the exit liabilities for exits where the exit deficit (or credit) has already been paid as at the date this statement comes into effect.

7.8 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.

7.9 However, where agreed between the parties the deficit (or any exit credit) 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 or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

7.10 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.

7.11 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.

7.12 Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to the exit of an employer from the Fund will be re-charged to the exiting employer.

8. Exit payments

8.1 Any deficit would normally be levied on the departing employer as a single capital payment although, the Administering Authority may, allow phased payments as permitted under Regulation 64B. The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64B is set out below.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply

8.2 In determining whether or not to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

8.3 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

8.4 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

8.5 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be three years but longer periods of up to ten years will be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

8.6 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the Administering Authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor, the guarantor will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

8.7 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level quarterly amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

8.8 Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs payable* and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.

*Employers will be asked to pay all advisory costs associated with the spreading agreement as well as calculation of the exit deficit (these costs will not be spread).

8.9 The Administering Authority will generally review spreading agreements as part of its preparation for each triennial valuation and will take actuarial, covenant, legal and other advice as considered necessary. In addition, employers will be expected to engage with the Administering Authority during the spreading period and adhere to the notifiable events framework as set out in the Pensions Administration Strategy. If the Administering Authority has reason to believe the employer's circumstances have changed such that a review of the spreading period (and hence the payment amounts) is appropriate, it will consult with the employer and a revised payment schedule may be implemented. Whilst this review may also consider the frequency of payments, it should be noted that it is not envisaged that any review will consider changes to the original exit amount nor interest rate applicable. An employer will be able to discharge its obligations under the spreading arrangement by paying off all future instalments at its discretion. The Administering Authority will seek actuarial advice in relation to whether or not there should be a discount for early payment given interest will have been added in line with the discount rate used for the exit valuation.

9. Exit Credits

9.1 Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and an exit credit is due to be paid to the exiting employer, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 6 months the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6-month period should run from the date all the necessary data has been provided. In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

(a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)

(b) the proportion of the surplus which has arisen because of the value of the employer's contributions

(c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, anybody listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and

(d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place.

9.2 For exits where there is a subsumption commitment and hence the ongoing funding target appropriate to the subsuming employer is adopted on exit, the Administering Authority's default approach will be to pay an exit credit which is the lower of the surplus amount and the amount of contributions paid by the exiting employer.

9.3 For exits where there is no subsumption commitment and hence the exit funding target will apply, the Administering Authority's default approach will be to pay an exit credit equal to the amount of the surplus on exit less any costs incurred by the Administering Authority in relation to the exit.

10 Multi-academy trusts

10.1 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 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 on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware to the extent of these 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, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.2 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.

10.3 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.

11. Suspension notices

11.1Regulation 64(2A) 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.

12. Deferred Debt Agreement (DDAs)

12.1 Regulation 64(7A) permits the Administering Authority to enter into a written agreement with an exiting Scheme employer for that employer to defer their obligation to make an exit payment and continue to make contributions at the secondary rate ("a deferred debt agreement").

12.2 The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64(7A) is set out below.

In determining whether or not to enter into a DDA with an employer the Administering Authority will take into account the following factors, including but not limited to:

- the materiality of the employer and any exit deficit in terms of the Fund as a whole;
- the risk to the Fund of entering into a DDA, in terms of the likelihood of the employer failing before the DDA has ended, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser
- the rationale for the employer requesting a DDA, particularly if the Administering Authority believes it would be able to make an immediate payment to cover the exit deficit; and
- whether an up-front payment will be made towards the deficit, and/or any security is, or can be put, in place, including a charge over assets, bond, guarantee or other indemnity, to reduce the risk to other employers.

12.3 Where it is expected that the employer's covenant may materially weaken over time the Administering Authority is very unlikely to consider entering into a DDA with that employer. Further, where an employer can demonstrably meet the exit payment in a single instalment, the Administering Authority would be unlikely to enter into a DDA unless it was clear that this wouldn't increase risk to the Fund, e.g. if the employer was fully taxpayer-backed and sufficient assurance was in place that all contributions due, including any residual deficit at the end of the DDA, would be met in full.

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant.

Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches

12.4 Employers should be aware that all advisory fees incurred by the Fund associated with a request for a DDA, whether or not this results in an agreement being entered into, and its ongoing monitoring, will be recharged to the employer.

12.5 The Administering Authority has a template agreement for DDAs, which it will require employers (and any guarantors) to sign up to. The matters which the Administering Authority will reflect in the DDA, include:

- an undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- a provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- a provision that the DDA will terminate on the first date on which one of the following events occurs-

(a) the deferred employer enrols new active members;

(b) the period specified, or as varied, elapses;

(c) the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;

(d) the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or

(e) the Fund Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation date.

- the responsibilities of the deferred employer

- the circumstances triggering a cessation of the arrangement leading to an exit payment (or credit) becoming payable, in addition to those set out in Regulation 64 (7E) and above.

It is expected that the consultation process with the employer will include discussions on the precise details of the DDA, although the purpose of developing a template agreement is to make the process easier, quicker and cheaper and therefore it is not envisaged that there will be material changes to the Administering Authority's template.

12.6 The Administering Authority will monitor the funding position and risk/covenant associated with deferred employers on a regular basis. This will be at least triennially and most likely annually, but the frequency will depend on factors such as the size of the employer and any deficit and the materiality of movements in market conditions or the employer's membership.

12.7 The circumstances in which the Administering Authority may consider seeking to agree a variation to the length of the agreement under regulation 64(7D) include:

- where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund

- where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer’s ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months

- where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate

12.8 At each triennial valuation, or more frequently as required, the Administering Authority will carry out an analysis of the financial risk or covenant of the deferred employer, considering actuarial, covenant, legal and other advice as necessary. Where supported by the analysis and considered necessary to protect the interests of all employers, the Administering Authority will serve notice on the deferred employer that the DDA will terminate on the grounds that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially, or is likely to weaken materially in the next 12 months, as set out under regulation 64(7E)(d).

12.9 Employers should be aware that all advisory fees incurred by the Fund associated with consideration of a DDA for an exiting employer, whether or not this results in a DDA being entered into, will be recharged to the employer. This will include actuarial, legal, covenant and other advice and the costs of monitoring the arrangement as well as the initial set up. Estimated costs can be provided on request. All fees must be paid up front and cannot be added to any secondary contributions payable under the DDA.

12.10 It is expected that employers will make a request to consider a DDA before they would otherwise have exited the Fund under Regulation 64(1) and that a DDA should be entered into within 3 months of that date. The employer should continue to make secondary contributions at the prevailing rate whilst the DDA is being considered unless the Administering Authority, having taken actuarial and other advice as appropriate, determines that increased contributions should be payable. In exceptional circumstances, e.g. where there has been a justifiable delay due to circumstances outside of the employer's control, and at the sole discretion of the Administering Authority, a DDA may be entered into more than 3 months after the exit date.

12.11 Deferred employers will be expected to engage with the Administering Authority during the period of the DDA and adhere to the notifiable events framework as set out in the Pensions Administration Strategy as well as providing financial and other information on a regular basis. This will be necessary to support the effective monitoring of the arrangement and will be a requirement of the DDA.

13. Responsibilities of employers in the Fund

13.1 Individual employers, whether active or deferred, Multi Academy Trust or the Department for Education will pay for any legal and actuarial costs incurred by the Fund on their behalf.

13.2 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.

13.3 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, regardless of whether or not that company will participate in the Fund
- 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
- any intervention by, or voluntary undertaking provided to, the appropriate regulator

13.4 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.

APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations

1. Background

1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund ("the Fund"), administered by City of Bradford Metropolitan District Council ("the Administering Authority"), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.

1.2This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in use of the flexibilities within the Regulations.

1.3 The Administering Authority will consider reviewing employer contributions between formal valuations in the following circumstances:

- it appears likely to the Administering Authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation;
- it appears likely to the Administering Authority that there has been a significant change in the ability of the Scheme employer or employers to meet the obligations of employers in the Scheme; or
- Scheme employer or employers have requested a review of Scheme employer contributions and have undertaken to meet the costs of that review.

For the avoidance of doubt, the Administering Authority will not consider a review of contributions purely on the grounds of a change in market conditions affecting the value of assets and/or liabilities.

2. Factors used to determine when a review is appropriate

2.1 In determining whether or not a review should take place, the Administering Authority will consider the following factors (noting that this is not an exhaustive list):

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as the restructuring of a Multi-Academy Trust, a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract

- the materiality of any change in the employer's membership or liabilities, taking account of the Actuary's view of how this might affect its funding position, primary or secondary contribution rate
- whether, having taken advice from the Actuary, the Administering Authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, or other form of indemnity in relation to the employer's liabilities in the Fund

- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund

- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy Statement and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms

3. Assessment of the risk/impact on other employers

3.1 In determining whether or not a review should take place, the Administering Authority will generally focus on the materiality of any potential changes in the context of the employer concerned; its financial position and current contribution levels. As a matter of principle, the Administering Authority does not consider that a review is not justified just because an employer is small in the context of the Fund as a whole, noting that failure to act could make discussions at the next formal valuation more difficult and compound the risk to the Fund. However, in determining the extent and speed of any changes to the employer's contributions the Administering Authority will consider the effect on the overall funding position of the Fund, i.e. other Fund employers.

3.2 Where contributions are being reviewed for an employer with links to another Fund employer, particularly where this is a formal organisational or contractual link, e.g. there is a tripartite admission agreement, an ownership relationship or a formal guarantee or subsumption commitment is in place, the Administering Authority will consider the potential risk/impact of the contribution review on those other employer(s), taking advice from the Fund Actuary as required.

4. Employer involvement and consultation

4.1 It is expected that in most cases the employer will be aware of the proposed review of their contributions since this will be triggered by an employer's action and employers should be aware of the need to engage with the Fund in relation to any activity which could materially affect their liabilities or ability to meet those liabilities.

The requirements on employers to inform the Fund of certain events are set out in the Pensions Administration Strategy.

4.2 In other cases information will be required from the employer, e.g. in relation to its financial position and business plans which could be the catalyst for informing the employer that a review is being proposed. In all cases the Administering Authority will advise the employer that a review is being carried out and share the results of the review and any risk or covenant assessment as appropriate. It should be noted that the fact of a review being carried out does not automatically mean that contributions will be amended (up or down) since that will depend upon the materiality of the changes and other factors such as the outcome of discussions with the employer and any related/linked employer in the Fund and the proximity to the next formal valuation.

4.3 Where, following representations from the employer, the Administering Authority is considering not increasing the employer's contributions following a review, despite there being good reason to do so from a funding and actuarial perspective, e.g. if it would precipitate the failure of the employer or otherwise seriously impair the employer's ability to deliver its organisational objectives or it is expected that the employer's financial position will improve significantly in the near-term, the Administering Authority will consult with any related/linked employers (including any guarantor or employer providing a subsumption commitment) and, where appropriate, the largest employers in the Fund with a view to seeking their agreement to this approach.

5. Process for requesting a review

5.1 Before requesting a review, employers should consider the regulatory requirements and the Fund's policy as set out above and satisfy themselves that there has been a relevant change in the expected amount of liabilities or their ability to meet those liabilities. The employer should contact WYPF’s Technical Services Manager and complete the necessary information requirements for submission to the Administering Authority in support of their application.

5.2 The Administering Authority will consider the employer's request and may ask for further information or supporting documentation/evidence as required. If the Administering Authority, having taken actuarial advice as required, is of the opinion that a review is justified, it will advise the employer and provide an indicative cost. Employers should be aware that all advisory fees incurred by the Fund associated with a contribution review request, whether or not this results in contributions being amended, will be recharged to the employer.

6. Other considerations

6.1 The Administering Authority will carry out an annual assessment of the risk for Tier 3 employers and any others as considered appropriate. This will help identify whether a contribution review is required and is expected to be carried out as at 30 September with any contribution changes effective from the following 1 April.

6.2 More generally, the Administering Authority may carry out a review at any time during the valuation cycle where it becomes aware that a review is required. In such cases the employer will be expected to provide the requested information within one month of request and the review will be completed within 6 weeks of the provision of all requested information, or completion of the risk/covenant assessment if later.

6.3 The Administering Authority will consult with the employer on the timing of any contribution changes and there will be a minimum of 4 weeks' notice given of any contribution increases. In determining whether, and when, any contribution changes are to take effect the Administering Authority will also take into account the timing of contribution changes flowing from the next formal valuation. As a result, contribution reviews are unlikely to be carried out during the 12-month period from the valuation date although if there were any material changes to the expected liabilities arising or the ability of the employer to meet those liabilities during that period, this should be taken into account when finalising the Rates and Adjustments Certificate flowing from the valuation.

6.4 Any appeal against the administering authority's decision must be made in writing to WYPF Director within 6 months of being notified of the decision.

An appeal will require the employer to evidence one of the following:

- a deviation from the published policy or process by the administering authority, or
- Any further information (or interpretation of information provided) which could influence the outcome, noting new evidence to be considered at the discretion of the Administering Authority.

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Comments received to the changes to the FSS consultation

A consultation was undertaken with all WYPF stakeholders (over 450 employers, members of JAG, Panel and Pension Board.). The consultation period was for 5 weeks.

10 responses were received which are shown below.

WYPF general comments on the consultation response are shown at 2.

1. Comments received

1 and 2. Members of JAG, Panel and Pension Board

- This sounds very sensible.
- Thanks Jayne I would be happy to accept Caroline's recommendation

3. West Yorkshire Fire

In response to the consultation of WYPF Funding Strategy Statement, I have no objections to the proposals

4. Wakefield District Housing

Thank you for issuing the consultation and inviting WDH to respond. We welcome the opportunity.

We feel that the timescales for responses or the approach to this consultation do not allow employers a meaningful opportunity to respond. It would be useful to have another meeting before July. The extended deadline to 7 January is not sufficient to resolve these challenges.

The impact on individual employers is not evident at all from what has been provided. There will inevitably be "winners" and "losers" from the changes, and we rightfully would want to know which group WDH are in. In the session it was mentioned that you had considered the changes on an intermediary and orphan employer and the impact was positive, are you able to clearly state the % of the impact on the contribution rate, and also clearly what factors are considered in determining this. Are you able to confirm whether the impact of the changes is positive for all contributing bodies compared to the existing FSS?

It is not clear under what circumstances the changes would present a negative situation for member bodies in comparison to the current FSS.

A consultation normally consists of questions that you are seeking respondents to comment on. The consultation is not clear what questions are being asked and therefore it is not clear what we are being consulted on.

Could you also clearly state the reasons for the proposed changes.

5. Bradford University

Given the complexities and detail of this, combined with our institution closing for just short of two full working weeks over Xmas, could we please extend the consultation deadline? It doesn't currently give us much opportunity to digest and give adequate consideration. We would also then have the opportunity to share and consult our own advisors if we feel the need, something this unusually short window doesn't really allow, practically.

6. Skills for Care

As an ongoing orphan employer, the presentation given on 14 December 2021 lacked enough detail for us to be able to make a meaningful response.
Whilst it was pleasing to see that the exit valuation basis is moving away from an approach targeting gilts yields to a longer-term risk basis it was not clear how the change to ongoing funding target will impact ongoing orphan employers. Slide 16 of the presentation stated that the final decision on parameters for ongoing orphan employers will be made at the 2022 valuation. It is therefore not possible for us to be able to give a view on any such changes.

The amount of time provided to discuss the proposed changes is unrealistically short and the information on the impact provided is insufficient.
The proposed changed the WYPF's FSS were announced by email on 30 November 2021 which included a draft of the new document. As the draft did not contain marked up changes it was time consuming to be able to identify the proposed changes. It was not until the presentation on 14 December 2021 that the proposed changes became clearer.
The consultation has asked for responses back by 4 January 2022, a period of 22 working days over the Christmas period when most people will be taking holiday. This seems an unrealistically short period of time for consultation on changes which could have a major impact on the funding of the pension scheme.
We request that the timescale for consultation is extended.

7. Leeds Becket University

We would like to thank the Fund for sharing the draft policy with us and entering into this consultation. We hope that this consultation and our response to it develops a more open and collaborative relationship with the Fund to best meet both ours and the Fund's objectives. However, we would like to make it clear that the short timescale for response (a little over a month, covering the festive period during which universities are closed for two weeks) was not suitably long for us to give this consultation the level of consideration that we would have liked, or that we feel it deserves given its importance. In future, we would hope to see longer consultations to allow us to give them the attention and thought required, and to facilitate an authentic and meaningful consultation.

We understand that the deadlines set by the Fund are related to meeting dates in January and July, but we do not see why it is not possible to hold an additional meeting at an interim date to approve changes to this very important Fund document.

Despite our comments above, in the limited time available to review the draft Funding Strategy statement we have provided our feedback, much of which highlights to need for more information.

This consultation appears to set out a very different way to assessing how much money the University (and other employers) will have to pay to the Fund from the 1st April 2023. This is clearly very important to us. However, we have found it very difficult to understand the likely impact on us, both at this valuation and at future times.
There are several important pieces of information that we would like to have had access to before providing an informed response.

1. A version of the FSS showing where it had changed versus the current version – this would make our review more straightforward.

2. A clear explanation for the reasons for the change. We acknowledge that this was given, to an extent, in the meeting on the 14th December, but this has not been clearly set out in writing and the timing of the meeting adds to our concerns around the consultation timescales overall.

3. An understanding on the likely impact on us as an individual employer of the Fund so that we can understand the size and direction of any financial change that would affect us.

4. There was an underlying message from the employer meeting that the changes were a way of avoiding a deterioration in funding levels at the next valuation, but this would appear to be simplification of what is clearly a complex change. No possible alternative approaches to achieving the same aim were raised.

Furthermore, it would be usual for a consultation to direct certain questions to its recipients. In this case there are no questions to answer, and it is not clear how you will collate and compare responses.

Notwithstanding the above comments about the lack of information required, we have reviewed the draft FSS and would like to provide the following comments for consideration by the Fund. In this section we concentrate on the changes. We raise our other points in a later section.

We acknowledge and appreciate that the Fund is trying to move away from measuring liabilities relative to long-term index-linked gilt yields, which are seen to be an inappropriate measure of future asset returns in the current economic climate. However, the change in approach feels that it has become much more complicated and is not straightforward for even an informed employer to understand.

While a stochastic approach can be more appropriate for measuring long-term risk, the Fund have not provided information in various areas, such as:
• How you will measure expected asset returns and volatility of those returns, which feel important to the overall process.
• Why this approach was chosen and whether the Fund considered alternative, more straightforward, adjustments to the funding model that could meet the Fund's aims of separating from gilts as a measure.
• This approach may be expected to improve results relative to the current approach at the present time, but what are the longer-term possibilities and risks of this approach?
Probability of funding success ("POFS")

We note that the current approach uses a POFS approach for the scheme as whole. As things stand there is already a lack of transparency around how this then leads to the setting of the discount rate for the various employer bodies.
Our understanding is that the Fund is moving from this approach to one where a POFS model is being used separately for employer groups. We do not necessarily object to this in principle (noting the complexity point above), however the probabilities assigned to the different risk categories, of 80%, 83% and 85% are very specific, and we would like to know how they were derived.

We understand that they have been "backed-out" to make sure that the resulting discount rate is then similar to the one that had been used. However:
1. there is no transparency as to how this calculation has been carried out and at what date.

2. we consider that the POFS's should be considered as assumptions on a stand-alone basis. It does not feel very satisfactory for your actuaries to make assumption to fit a model.
3. It is not clear what the impact of the grouping is and how this will affect our discount rates.

In addition, and in relation to point 2 above, we are informed that the probabilities are high relative to other actuarial firms who use a similar approach. To provide a small selection of examples (more could be provided if required) the following "funding targets" are quoted in current Funding Strategy Statements of Hymans Robertson advised Funds:

- GMPF: 75%:
- West Sussex: 66%:
- Norfolk: 75% for all types of employer

Finally, we have concerns that there seems to be an unopposed view that local authorities are considerably stronger than all other intermediaries, including universities, by virtue of their tax raising powers. Raising taxes is tightly regulated and as such, our perspective is that local councils are under much more financial pressure than many intermediaries. For this reason, automatically rating a university (or similar organisation) as higher risk, and potentially requiring materially higher contributions to compensate, doesn't make sense.

Leeds Beckett University is a longstanding strong and stable organisation, and we hope we will be judged on these merits in a fair and consistent manner.

We like to have more detailed explanation for recovery periods being less than the POFS time horizon. As a starting point these should be the same and if using shorter recovery periods is an introduction of prudence this should be made clear and quantified.
Alternative approaches to meeting the Fund's objectives
Your email to employers sent on the 30th November 2021 communicated that the main drivers for a change in approach are:
1. A belief that index- linked gilts are no longer value for money.
2. A commitment to maintaining a single investment strategy for all employers and desire for single funding approach.

On the first point, our reading of the current Funding Strategy Statement does not appear to require the discount rate for intermediate bodies to be fixed relative to long term yields on index-linked Government gilts. The only possible reference we see is in 5.6 where it states ***"for Admission Bodies whose liabilities are expected to be orphaned following exit … the Solvency Target will be set commensurate with assumed investment in Government bonds after exit"*** which is open to interpretation***.*** For intermediate bodies using a gilts based adjustment to the discount rate gives a very different outcome to the discount rate that would be derived if a new valuation was run using the Funding Strategy Statement principles. Therefore, we wonder why a simple change in discount rate index to mirror the whole of fund approach could not be considered instead, perhaps through simple clarification of wording in the Funding Strategy Statement.
On the second point, we do not understand why a single investment strategy is critical (particularly, as you say, when there is a very wide range of employer circumstances in the Fund), nor do we consider that these changes lead to a single funding approach over and above the current approach.

We would like to understand whether alternative approaches were considered by the Fund and reasons that they were not taken forward.

Other aspects of the FSS

Whilst not a part of the proposed changes, we consider the requirement to be an open employer in order to retain intermediate body status to be misplaced.

We understand that an employer who closes to new hires moves into a position whereby an eventual exit becomes apparent. However, this is likely to be over a very long time frame. In addition, the Deferred Debt provisions mean that an exit payment will not be required at that time.

In line with your new principles of looking at employers who are financially secure, we consider that employer benefit changes should be considered on their own merits and therefore that the strict requirement in the FSS should be removed.

Risk assessments

The risk assessment carried out by the Fund into Leeds Beckett University has increased in importance given that it now determines our funding requirements rather than being automatically in a particular bracket due to our status as a higher education body.

We would like to receive more information about how the information we provide is used to allocate us into a low/medium/high risk bracket, and what the process and timing for any negotiation or appeal would look like.

There is comment in the draft FSS about bodies who “are considered by the Administrative Authority to be sufficiently financially secure”. We believe this is the first time this wording has been used, and so seek to understand how the Administrative Authority will make this assessment.

GAD review

The 2016 section 13 report by the Government Actuary’s Department (“GAD”) included as one of its five recommendations that the Scheme Advisory Board and fund actuaries should consider “how greater clarity and consistency of actuarial assumptions could be achieved” across funds. Its 2019 report (published November 2021) stated that this area still required progress and that they “encourage further discussion on how assumptions are derived based on local circumstances in valuation reports”.

We do not find this change in keeping with this recommendation, as it is both diverging from what most other funds do (in our understanding) and also creates complexity and opaqueness that is not easy to replicate.

To emphasise this point, our actuarial advisers inform us that they are not in a position to be able to advise on the financial implications of the proposed changes based on the information provided, including the information given in the 14th December meeting. We think that leaves us in a disadvantaged position and so puts at risk your ability to fulfil your fiduciary duties to employers.

Closing remarks

We hope that you have found our input helpful.

We have several outstanding questions which we request that the Fund respond on, and our main requests are:

1. that the Fund reconsider the tight timescales, including the date at which the JAG is planning to make a decision on the FSS;

2. that we are provided with more information as part of that process, so that we can consider the FSS in the required level of detail and provide a more informed view on the draft FSS as presented; and
3. that you share any decisions made or updates that follow the January JAG meeting as soon as possible.

8. Together Housing Group

The short timescale for response (a little over a month), covering the festive period during which many organisations are closed for up to two weeks, was not suitably long for us to give this consultation the level of consideration that we feel it deserves given its importance.

Further, there was no one from our business who was able to attend the employer call in the short notice, due to there being other important rearranged meetings at that time, which means that our needs as an employer in the Fund were not met.

We understand that the deadlines set by the Fund are related to meeting dates in January and July, but we do not see why it is not possible to hold an additional meeting at an interim date to approve changes to this very important Fund document.

For this reason, this letter sets out the information we believe would be required for this to be an authentic and meaningful consultation and is not a full formal response that we would like to provide in due course, on receipt of this additional information.

This consultation appears to set out a very different way to assessing how much money Together Housing Association (and other employers) will have to pay to the Fund from 1 April 2023. This is clearly very important to us. However, we have found it very difficult to understand the likely impact on us, both at this valuation and at future times.

There are several important pieces of information that we would like to have had access to before providing an informed response.

1. A version of the FSS showing where it had changed versus the current version – this would make our review more straightforward

2. A clear explanation for the reasons for the change. We acknowledge that this was given, to an extent, in the meeting on 14 December, which we were unable to attend, and nor has this not been clearly set out in writing either before or after the meeting.

3. An understanding on the likely impact on us as an individual employer of the Fund – so that we can understand the size and direction of any financial change that would affect us.

4. There was an underlying message from the employer meeting that the changes were a way of avoiding a deterioration in funding levels at the next valuation, but this would appear to be simplification of what is clearly a complex change. No possible alternative approaches to achieving the same aim were raised.

Furthermore, it would be usual for a consultation to direct certain questions to its recipients. In this case there are no questions to respond to and it is not clear how you will collate and compare responses.

Our two main requests are

1) That the Fund reconsider the tight timescales, including the date at which the JAG is planning to make a decision on the FSS
2) In the meantime, you provide more information to us and other employers as part of that process

9. Amey

Thank you for your email about the proposed changes to the fund's FSS. Amey operates three admission agreements with the WYPF (employers 238, 298 and 354) and our results from the 2019 valuation show that in all three cases our Funding Target was that of a "Scheduled and subsumption body". I note that the proposed changes to the FSS relate to *"when an employer exits the Fund and the liabilities are not transferring to a long-term employer (so are becoming "orphan")."* Hence the changes to the FSS might not apply to us, given that none of our admitted employers have been classified as Orphan admission bodies.

10. Incommunities

Unfortunately, the relatively short timescale for response (a little over a month, including the festive period), was not suitably long for us to give this consultation the level of consideration that we feel it deserves given its importance.

We understand that the deadlines set by the Fund are related to meeting dates in January and July which has driven this tight timescale.

We believe for the consultation to be meaningful, which we would like to provide in due course, requires further information so that we could form a considered response, for this reason, this email does not constitute a full formal response.

This consultation appears to set out a very different way to assessing how much money Incommunities (and other employers) will have to pay to the Fund from 1 April 2023. This is clearly very important to us. However, we have found it very difficult to understand the likely impact on us, both at this valuation and at future times.

There are several important pieces of information that we would like to have had access to before providing an informed response:

A version of the FSS showing where it had changed versus the current version – this would make our review more straightforward

- A clear explanation for the reasons for the change. We acknowledge that this was given, to an extent, in the meeting on 14 December, which I was unable to attend, and nor has this not been clearly set out in writing either before or after the meeting.
- An understanding on the likely impact on us as an individual employer of the Fund – so that we can understand the size and direction of any financial change that would affect us.
- I have been advised there was an underlying message from the employer meeting that the changes were a way of avoiding a deterioration in funding

levels at the next valuation, but again, I have been advised this would appear to be simplification of what is clearly a complex change. No possible alternative approaches to achieving the same aim were raised.

Furthermore, it would be usual for a consultation to direct certain questions to its recipients. In this case there are no questions to respond to and it is not clear how you will collate and compare responses.

Based on the above, our two main requests are

That the Fund reconsider the tight timescales, including the date at which the Joint Advisory Group is planning to make a decision on the FSS

1) In the meantime, you provide more information to us and other employers as part of that process as set out above

If you can provide more information (as set out above), this would mean we can consider the FSS in the required level of detail and provide a more informed view on the draft FSS as presented.

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2. **WYPF general response to the consultation comments.**

Some of the comments we have received from employers are in relation to how the changes will directly affect their funding levels and contributions. The intention of the consultation exercise was to consult on the principals of the proposed strategy noting that we cannot say with certainty what the position for each employer will be at 31 March 2022.

The Fund was concerned about the contribution requirements which would flow from continuing to use gilt yields to place a value on the liabilities. We have therefore proposed a change in how the liabilities are calculated on exit and will be reviewing how the liabilities and contributions are calculated for employers subject to the ongoing orphan funding target as part of the 2022 valuation.

Ongoing funding target will depend upon the market conditions as at 31 March 2022. However, given that the funding target is intended to target the exit position over time we would expect the proposed changes to lead to lower liabilities and lower contribution requirements. Please note however we do not know what the market conditions at 31 March 2022 so may not mean liabilities and contributions will be lower in 2022 than 2019.

We wanted to implement the proposed changes to the exit basis in advance of the 2022 valuation so as to provide immediate relief for any employers exiting over 2022 (since the FSS which will govern the 2022 valuation won't be approved by Joint Advisory Group (JAG) until January 2023). Given the Actuary's analysis based on market conditions as at 30 June 2021 suggested that the proposed changes would improve the exit funding position for any employers leaving orphan liabilities. We will be reviewing the FSS again as part of the 2022 valuation process and employers will have the opportunity to respond to that consultation, at which time we expect to have indicative results for the 2022 valuation available.

We do not believe it is in the interests of orphan employers to extend the consultation and hence delay the introduction of the proposed changes.

We believe that running a further consultation on proposals for the 2022 valuation later this year, once draft valuation results are available, with that consultation outcome being discussed at the January 2023 JAG meeting, will provide the opportunity for a robust and effective consultation.

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Report of the Director, West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 23rd March 2022.

Subject:

Pensions Dashboard

Summary statement:

This report gives an update on the progress of the introduction of the Pensions Dashboard.

Recommendation:

It is recommended that the Pension Board note the report.

Mr Rodney Barton
Director

Portfolio:

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Overview & Scrutiny Area:

1.0 Background

1.1 In 2019, the UK government established the Money and Pensions Service (MaPS), which brought together the Money Advice Service, The Pensions Advisory Service and Pension Wise with the aim to create improved awareness of pension assets and pension options for scheme members.

1.2 The Department of Work and Pensions (DWP) are now consulting on the secondary legislation that underpins how this new approach and pensions dashboard, that will establish this, will operate.

1.3 The objectives for Pensions Dashboards are:

- they will make accessing pensions information, including information on individuals State Pension, easier by allowing people to see what they have in their various pensions at the touch of their smartphone, laptop, or computer
- pensions dashboards will put individuals in control of planning for their retirement
- pensions dashboards will provide an opportunity for engaged individuals to consider taking action to consolidate their deferred small pots

1.4 The proposed legislation has two main parts:

- The MaPS pensions dashboard will connect up to 52 million citizens with their pensions, working with 43,000 providers simultaneously
- The second part will allow commercial and other organisations to develop their own pensions dashboards

1.5 The aim of this second part is to bring opportunities for individuals to reach their pensions via organisations who they may already interact with digitally and therefore provide opportunities to engage individuals who prefer to use tools from these organisations, that they already have a trusted relationship with, such as their bank or employer.

1.6 This consultation, which ran until 13th March, covers both parts. DWP state they will put the final legislation before the house later this year when parliamentary time allows.

2.0 Proposed Regulatory Framework

2.1 As you would expect from quite a technologically advanced legislative and regulatory framework there are a number of Government bodies covering the wider regulations.

2.2 It is proposed that MaPS will set standards covering the legislative requirements for:

- Data
- Technical infrastructure
- Design and reporting including monitoring compliance

- A Code of Connection covering security, service and operational requirements.

2.3 A new regulatory function will be created overseeing this process called the Governance Register. The governance register will work to ensure that the dashboard ecosystem is kept safe and that the required security and performance standards are met.

2.4 The Pensions Regulator (TPR) will continue as WYPF's primary regulator and will also be able to take enforcement action if schemes fail to comply with any of the requirements in these draft regulations. Fines for dashboard-related breaches can be up to £5,000 per individual scheme member breach and £50,000 in other cases.

2.5 Schemes would have a duty to cooperate with requests from MaPS relating to connection to the ecosystem, and would have to report certain information to MaPS, which will be set out in published standards and regulations.

2.6 The regulations have been developed to be consistent with existing data protection requirements, including the UK GDPR. Therefore, this remains the responsibility of the Information Commissioner's Office to investigate any breaches of data protection law and take the action it considers appropriate, in the usual way.

3.0 What Is Required of Pensions Schemes and WYPF

3.1 The date a pension scheme is required to join the MaPS pensions dashboard is set out in the proposed secondary legislation. WYPF's date is no later than November 2023; this is known as a schemes staging date.

3.2 Schemes have a duty to co-operate with requests from MaPS and report information to MaPS. These are set out in the proposed legislation and need to be retained by WYPF for 6 years.

3.3 The Pensions Dashboard Programme will audit a schemes readiness to connect to the ecosystem. For WYPF this audit is October 2023. MaPS has the regulatory power to work with the pension provider and any third party to define and monitor steps to ensure compliance.

3.4 DWP have proposed that it would be for the scheme manager to set their own matching criteria i.e. decide if a scheme members pension record matches an individual requesting pensions scheme information through the ecosystem. Scheme managers need to set a policy for how they will match and what criteria they will use.

3.5 The process of accessing information on dashboards rests on the consent of the individual i.e. scheme member. The nature of an individual's consent must be clear, explicit, understood, and informed. It cannot merely be perceived as a tick box condition of usage.

3.6 The Pensions Dashboard Programme will articulate this more clearly in their UK GDPR publication due to be published in summer 2022. This consent will be held by pension schemes at individual level. There is no central database within the ecosystem that holds personal information or pensions information.

3.7 The Pensions Dashboard Programme are alpha testing the ecosystem in Spring 2022 with a number of providers e.g. Aviva and L&G. We expect a technical update, further standards and guidance following this.

4.0 Conclusion

4.1 The consultation ran from 31st January to 13th March with feedback and final legislation being issued in due course.

4.2 The proposed legislation is very different from that local authority schemes have operated within to date, for example regulators will have a real time 24/7 view of our compliance and performance.

4.3 This draft legislation provides the details required for WYPF to commence project work in order to meet challenging timescales. The McCloud remedy is not a barrier to commencing work on Dashboard.

4.4 This is the first development from the programme of change brought forward by DWP in relation to pensions dashboards.

5.0 Recommendation

It is recommended that the Pension Board note the report.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of West Yorkshire Pension Fund Pension Board to be held on 22 March 2022

AE

Subject:

Training, Conference & Seminars

Summary statement:

There is a growing need for LGPS funds to demonstrate that their committees and board members have an adequate level of knowledge to carry out their roles effectively. With the upcoming introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board's Good Governance project (England and Wales), and increasing scrutiny from The Pensions Regulator, the expectation on funds has never been greater.

Details of training courses, conferences and seminars listed may assist Members. Full details about each event can be provided by contacting Officers of the Fund.

Recommendation:

Members note the requirement to ensure their knowledge and understanding is up to the required standard.

Mr Rodney Barton
Director

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Portfolio:

Overview & Scrutiny Area:

N/A

1. Training

1.1 New guidance resulting from the Good Governance Report (yet to be introduced) will require key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.

1.2 There was widespread agreement throughout the Good Governance Review process that those making decisions about billions of pounds of public money and the pension provision of millions of members should be properly trained to carry out the responsibilities of their role.

1.3 The expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees.

2.0 Recording and reporting of Training

2.1 WYPF will develop a training plan for each Investment Advisory Panel and Joint Advisory Group member, as well as Local Pension Board members, to ensure these training requirements are met, and maintain training records against the training plan. These records will be published in the Annual Report or the Governance Compliance Statement.

3.0 New online training For LGPS Committee and Board Members.

3.1 WYPF has signed up to an online LGPS Learning Academy launched by Hymans to support training needs for Pension Committee members, Pension Board members and Pension Officers. Covering the key elements of the CIPFA knowledge and skills framework and TPR Code of Practice, these bite-sized training videos will supplement all LGPS funds' training plans. Along with the core video support, there will be jargon busters and quizzes. Hot topics such as McCloud are covered, and they will continually look to update content with the most relevant issues affecting the LGPS.

3.1 It's difficult to cover the extensive training requirements at IAP and JAG meetings; meanwhile elected members have limited time to dedicate to long training sessions outside of these meetings. This new online course to make it easier for members to obtain the knowledge they require, in a more efficient and engaging way.

3.2 The online training course covers all the key areas that members need to understand in order to successfully manage the running of a fund, including:

- an introduction to LGPS oversight bodies, governance, legislation and guidance
- LGPS administration, including policies and procedures, pension fund auditing
- LGPS valuations, funding strategy and LGPS employers
- Investment strategy, pooling and responsible investment

- Performance monitoring and procurement

- Current issues in the LGPS

3.3 A demonstration video is available for viewing at https://vimeo.com/535819262/c019aafa7a

3.4 Members will be sent an email link to register for this training very shortly.

4.0 Other Training

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

4.2 PLSA Local Authority Conference
The Conference is the largest of its kind dedicated to the Local Government Pension Scheme. This will be held between 13–15 June in the Gloucestershire. Speakers in 2022 will include senior policy makers and influencers, high profile industry figures and people with something to teach us from outside pensions.

4.3 LGC Investment Seminar
This event has a strong practical focus on the latest topical issues. Three of these include the higher inflationary environment, the requirement to implement TCFD regulations and how we balance having a diversified portfolio of investments alongside the global issues of ESG and responsible investment. The event will be held on 24 – 25 March 2022 at Carden Park Hotel, Cheshire

4.4 The Pensions Regulator Toolkit
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/

5. NOT FOR PUBLICATION DOCUMENTS

➢ None.

By virtue of paragraph(s) 3 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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