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

Members of the Committee

Bradford Members Councillors: Thornton Salam Winnard	**Calderdale Members** Councillors: Baines Hutchinson Lynn
Kirklees Members Councillors: Firth Ramsay Uppal	**Leeds Members** Councillors: Scopes Shemilt vacancy
Wakefield Members Councillors: Collins Mitchell Swift	**Trades Union Members** Ms L Bailey (UNISON) Mr Chard (GMB) Mr A Goring (UNISON)
Scheme Members Mark Morris Vacancy	

Notes:

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

From: **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. MINUTES 1 - 10

Recommended –

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

(Jane Lythgow – 01274 432270)

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

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

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

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

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

(Jane Lythgow - 01274 432270)

B. BUSINESS ITEMS

4. EXCLUSION OF THE PUBLIC

Members are 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 and, if so, to approve the following recommendation-

Recommended –

That the public be excluded from the meeting during consideration of Not for Publication appendices 1 & 2 to Document "K" relating to the West Yorkshire Pension Fund Audited Report and Accounts 31 March 2021, 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.

5. **WEST YORKSHIRE PENSION FUND (WYPF) AUDITED REPORT AND ACCOUNTS 31 MARCH 2021** 11 - 60

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

Recommended –

A. That the Audited report and accounts for 2020/21 be noted.
B. That the WYPF total cost per member of £33.63 and investment management costs of 3.15 basis point be noted.

(Ola Ajala – 01274 434534)

6. **WYPF PENSION ADMIN AND OVERSIGHT BUDGET REPORT - 2021/22 FORECAST AND 2022/23 BUDGET** 61 - 70

The report of the Director, West Yorkshire Pension Fund **(Document "L")** will be submitted to Members on budget proposals, projections and pension administration costs for its members and employers.

Recommended –

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.**

(Ola Ajala – 01274 434534)

7. **BUSINESS PLAN 2022-2027** 71 - 74

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

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

8. FUNDING STRATEGY STATEMENT 75 - 146

The report of the Director, West Yorkshire Pension Fund **(Document "N")** will be submitted to provide details of proposed changes to the Funding Strategy Statement (FSS) following a review of how liabilities are calculated for non-tax-raising bodies whose liabilities become 'orphan 'on exit.

Recommended –

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.**

(Caroline Blackburn – 01274 434523)

9. 2022 ACTUARIAL VALUATION 147 - 150

The report of the Director, West Yorkshire Pension Fund **(Document "O")** will be submitted to advise Members on the level of employers' contributions from April 2023 onwards.

Recommended –

That the report be noted.

(Caroline Blackburn – 01274 434523)

10. PENSIONS ADMINISTRATION 151 - 176

The report of the Director, West Yorkshire Pension Fund **(Document "P")** will be submitted to provide Members with an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities over the last six months.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

11. SHARED SERVICE PARTNERSHIP UPDATE 177 - 206

The report of the Director, West Yorkshire Pension Fund **(Document "Q")** will be submitted to provide an update to Members of the Group on current administration issues and performance for WYPF's Shared Service Partnership.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

12. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE 207 - 214

The report of the Director, West Yorkshire Pension Fund **(Document "R")** will be submitted to update Members of the Group 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)

13. REGISTER OF BREACHES OF LAW 215 - 224

The report of the Director, West Yorkshire Pension Fund **(Document "S")** will be submitted to inform Members of the Group about entries on the 2021/22 Register of Breaches

Recommended –

That the entries on the Register of Breaches be noted.

(Caroline Blackburn – 01274 434523)

14. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2022/23 225 - 250

The report of the Director, West Yorkshire Pension Fund **(Document "T")** will be submitted to Members of the Group to review and approve the policy, particularly if there are any new regulations and revisions to working practices.

Recommended –

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

(Yunus Gajra - 01274 432343)

15. TRAINING, CONFERENCES AND SEMINARS 251 - 254

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

Recommended –

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

(Yunus Gajra – 01274 432343)

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Minutes of a meeting of the West Yorkshire Pension Fund Joint Advisory Group held on Thursday, 29 July 2021 in the Council Chamber, City Hall, Bradford

Commenced 1.30 pm
Concluded 3.25 pm

Present - Members of the Committee

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

Apologies: Councillors Baines, Scopes, Shemilt, Collins, Mitchell, T Chard and A Goring

1. APPOINTMENT OF CHAIR (Standing Order 35)

Resolved –

That Councillor Thornton be appointed Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2021/2022.

Action: City Solicitor

2. APPOINTMENT OF DEPUTY CHAIR (Standing Order 35)

Resolved –

That Councillor Winnard be appointed Deputy Chair of the West Yorkshire Pension Fund Joint Advisory Group for the municipal year 2021/2022.

Action: City Solicitor

3. **DISCLOSURES OF INTEREST**

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

Action: City Solicitor

4. **MINUTES**

Recommended –

That the minutes of the meeting held on 28 January 2021 be signed as a correct record.

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

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

6. **WEST YORKSHIRE PENSION FUND RISK MANAGEMENT REPORT**

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

Members attention was drawn to two additional risks identified since the issue was last discussed and those were Local Government Pension Scheme (LGPS) regulation changes as a result of the McCloud ruling and the potential loss of shared service contracts. A brief explanation of the McCloud ruling was provided and advised members that this was due to a challenge made by trade unions that age discrimination had occurred following changes from final salary pensions to Career Average Revalued Earnings (CARE). The Government had lost that challenge and a massive piece of work was required to look at memberships and recalculate benefits. The fund had engaged with software providers to process those calculations and receive historical data from employers. Government guidance was awaited.

Concerns were raised that beneficiaries could be overpaid and it was questioned what measures were in place to address that issue. It was explained that legislation was awaited, however, assurances were provided that members would not lose out and they would receive the better of the CARE or Final Salary schemes. It was queried if the McCloud ruling would have any impact on survivors' pensions and it was confirmed that was the case.

A Member representing Kirklees explained the majority of concerns she heard from constituents were wanting an end to investment in fossil fuels and that there was an increased appetite for renewable energy. She questioned why the risk register did not contain reference to that topic. In response she was advised that the risks being considered were for the administration of the fund and it was the

Investment Advisory Panel which would consider risks to investments.

The economic impact of the COVID pandemic was questioned and it was explained that home working or some hybrid version of that would continue and would minimise the need for additional office space. Investment had been made in technology to allow people to work from home and had tested the funds' resilience to continue to operate with minimum impact. A positive effect of working from home had been reductions in energy use. The Risk Register was reviewed every two to three months and whilst it did not currently contain any reference to climate change that could be added in the future.

The impact of increased deaths due to the pandemic was questioned and Members were advised that the staffing structure was continually reviewed. The teams dealing with those issues had been given additional resources in recognition of the additional work required.

Retention and recruitment was discussed and arrangements for in-house training and career progression queried. It was explained that many pension funds had issues with recruitment and retention due to the governance required. A report being considered later in the meeting would cover those issues. Staff turnover was recorded as 4.2% and was due to the fund encouraging and providing training opportunities; the fund paid for staff to further their qualifications; time off was granted and training was embedded in career grade schemes. The fund scored well in those areas against CIPFA benchmarks.

Resolved –

That WYPF's latest risk management report be noted.

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

7. PENSIONS ADMINISTRATION

The report of the Director, West Yorkshire Pension Fund **(Document "B")** was submitted to the Committee to provide an update on the West Yorkshire Pension Fund's (WYPF) pensions administration activities over the previous six months.

The report was broken down into sections which reported on a variety of activities as well as providing data on performance against key areas of work and an explanation in areas of underperformance.

Officers advised Members in relation to work which was underway and pending indicating that there was a considerable amount of activity taking place.

The report also included details of the most recent Membership details for all schemes and a breakdown of complaints and praise from a random survey that was carried out.

Information on the schemes' Internal Disputes Resolution procedure (IDRP) with some statistics for appeals, the nature of these and the outcomes was also included in the report. The nature and outcome of recent audits was reported on and an update on new scheme Members. The number of members who were registered online was updated from the report from 29,000 up to 35,000. --

An update on staffing was also provided giving staffing numbers, recruitment positions and absence figures.

WYPF had been shortlisted for some awards but was not successful on this occasion.

Members commented on the fantastic job done by WYPF staff in providing service throughout the pandemic and that sickness absence was well managed. Members were also advised on the average age of employees and were assured that succession planning was already in place as the profile showed a mature workforce with many long standing employees who could retire at the same time. Training was in place and development was encouraged. Officers stated that senior positions were filled through staff progression indicating that they were a good employer with happy staff.

A Member asked whether there were any plans to upgrade the user experience of the online portal and whether the activity of new members of the scheme was monitored. Officers advised that a meeting was due to take place with Civica as there was a need for development and refinement of an 'off the shelf' product. Development and improvement work were planned with additional information to be added and the aim to increase activity.

Members also asked how much the portal is used in place of hard copy documents and was there an intermediate option to email when providing information to Members. Officers advised that Google analytics showed what was being accessed and it was possible to see what had been opened, whereas if information was sent by post there was no way of knowing whether it was opened and read. There would also be the issue of security as email is not absolutely secure.

Resolved –

(1) That Members wished to pass on their thanks to Pensions staff members who continued to work and deliver an excellent service throughout the pandemic.

(2) That the report be noted.

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

8. ADMINISTRATION OUTTURN 31 MARCH 2021

The report of the Director, West Yorkshire Pension Fund (**Document "C"**) summarised WYPF total costs of administering pensions and investments for 2020/21.

The report revealed low costs per member and reduced financial transactions. It was known that there would be pressure on costs per member in the coming year and it was questioned how that would be expressed without causing alarm to members. The Director explained that a new structure had been approved last year but would take some time to fully implement. Investment had been made in administration and support services and as more shared services were gained posts would be reviewed. The impact of COVID had made it difficult for all funds to recruit and competition was faced. The implementation of working from home had allowed for recruitment from further afield.

A Member queried a figure of 20 to 25 vacancies and was advised that the pandemic had meant that the new structure had taken a while to implement. Some process had been automated and staff not replaced. It was anticipated that all new employees could be fully trained and in place before the McCloud legislation was announced.

It was questioned if custodial arrangements were a work in progress and it was reported that those arrangements had been completed one year ago. That work had been a major risk although all had gone well and audit had provided a clean bill of health.

Assurances were provided that the Fund was in a good place compared to other LGPS to deliver high quality services at a good price and costs would not rise significantly. Members were advised that there were a couple of typographical errors in the draft report and these would be amended shortly.

Resolved –

That the report be noted.

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

9. UNAUDITED REPORT AND ACCOUNTS 2020/2021

The report of the Director, West Yorkshire Pension Fund **(Document "D")** was submitted to the Committee to provide the details of financial activities and financial performance for the year 2020/21 in the form of an unaudited report. Deadlines for publication of WYPF audited accounts were included as these had been subject to statutory changes. Despite the impact of home working and the COVID pandemic, officers were still confident that the deadlines would be met. The report also indicated that the value of the fund had recovered what had been wiped off as a result of the COVID pandemic.

The report included details of member and employer numbers, and the performance against KPI's plus the breakdown of costs per member which placed WYPF favourably when compared with other similar schemes.

Members were then given the opportunity to comment and ask questions, the details of which and the responses given are as below:

A Member wished to congratulate the fund managers on the healthy valuation of the fund and asked about whether pressure was yielding positive results in relation to the Paris agreement as oil, gas and airline companies were poor at producing a strategy and if there was an illustration of the positive impact.

Officers responded that there were a number of positive results but airlines stated that they were in a difficult position. First steps had been taken and investment in renewable energy was envisaged. There was progress being made but with work still to do.

Officers were asked whether any resolutions had been co-signed with these types of companies and were advised that several had already been signed and not solely in the gas and oil industry.

Members raised the issue again around setting aside funds to investigate divesting in fossil fuels and were advised that the ESG Manager reviewed how this was being done on an ongoing basis as well as reviewing investment strategies. There were some issues around the accuracy of data which would be addressed. There were also some Members who were unclear about the role on JAG and the Investment Panel and an undertaking was made to deliver clearer documentation going forward.

Resolved –

That the unaudited report and accounts for 2020/21 be considered and noted.

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

10. LOCAL GOVERNMENT PENSION SCHEME REGULATION UPDATE

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

Members requested further clarity on the McCloud remedy contained in the report and it was explained that the greatest impact would be on pension workloads. It was anticipated that guidance would be received before the end of the year and that the regulations would come into effect on 1 April 2022.

It was explained that the 2014 Pension Scheme had changed from a final salary scheme to CARE. Anyone who had left the scheme or died will have their pensions recalculated to ensure they receive the better of the CARE or final salary scheme. Costs will be incurred due to administration costs to recalculate and software needed to undertake those calculations.

The valuation of the fund was due at 31 March 2022 and the actuary is aware of the change and will take account when calculating liabilities.

Resolved –

That the report be noted.

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

11. REVIEW OF ADDITIONAL VOLUNTARY CONTRIBUTION PROVIDERS

The report of the Director, West Yorkshire Pension Fund **(Document "F")** was submitted to provide Members with an update in relation to the ongoing issues with Prudential as a result of the implementation of a new system.

The report focussed on the administration and distribution of AVC's and how the allocation of these was affected by the system change and the knock on effect to WYPF payments. Prudential cited the system change and changes in work practices as a result of the pandemic which affected their productivity as the main causes of disruption to service.

The report provided the latest information on the recovery plan from Prudential and the actions being taken by WYPF in view of the situation which was still not completely resolved.

It was noted that contributions were not allocated and therefore not invested potentially losing investment income. Members were assured that allocation would be made from the date that funds were received so that pension members did not miss out.

WYPF was in regular contact with Prudential for settlement information and compensation would be paid to members. Most of the backlog was clear but Prudential had been reported to the Pensions Regulator as the situation was not satisfactory.

Prudential have been reported to FCO also and WYPF were waiting to see what the consequences would be and what would be imposed as members' best interests were the priority.

Officers confirmed that 19 members were affected.

Resolved –

That the report be noted.

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

12. 2022 ACTUARIAL VALUATION

The report of the Director, West Yorkshire Pension Fund **(Document "G")** provided Members with information relating to the next triennial actuarial valuation of the Fund which was due at 31 March 2022. This would determine the funding position and employer contribution rates from April 2023 onwards.

Members were advised that an initial meeting with the Fund's Actuary would be arranged in the autumn, when issues relating to the valuation and investment markets would be explored in some depth.

Resolved –

That the report be noted.

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

13. **REGISTER OF BREACHES OF LAW**

The report of the Director, West Yorkshire Pension Fund **(Document "H")** was submitted to provide Members with details of breaches of law as per its procedures and to demonstrate compliance with regulations in relation to reporting of breaches. The report gave an overview of the background to the register of breaches and what was included.

The report also included 3 appendices which contained the registers for 20/21 and 21/22 and a copy of the report which was submitted to the Pensions regulator.

Officers provided a verbal summary of the report and signposted Members to the appendix relating to Prudential in light of the ongoing issues.

Resolved –

That the Joint Advisory Group noted the 2020/21 and 2021/22 Register of Breaches.

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

14. **MAZARS REPORT TO JAG**

The Director, West Yorkshire Pension Fund submitted the report of City of Bradford Metropolitan District Council's auditor Mazars (**Document "I").** The auditors were in attendance and presented their audit strategy memorandum for the WYPF annual reports and accounts for the year ended 31 March 2021.

Resolved –

That the audit strategy memorandum from Mazars for their work on the accounts year ended 31 March 2021 be noted.

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

15. **TRAINING, CONFERENCES AND SEMINARS**

The report of the Director, West Yorkshire Pension Fund **(Document "J")** was submitted to inform Members of training made available in order that they understood their responsibilities and the issues they would be dealing with.

Training of Members continued to be a high priority and Officers encouraged them to take advantage of the training offered.

Resolved –

That Members were requested to give consideration to attending the training courses, conferences and seminars set out in Document "J".

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

Chair

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

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

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Agenda Item 5/

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 27 January 2022.

K

Subject:

West Yorkshire Pension Fund (WYPF) Audited Report and Accounts 31 March 2021.

Summary statement:

The Local Government Pension Scheme Regulations 2014, Regulation 57 specified that the deadline for publishing the WYPF audited account is 1st December each year. The WYPF accounts forms part of the City of Bradford Metropolitan District Council (CBMDC) accounts as such WYPF accounts are signed by auditors as a bundle with the Bradford accounts. 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. This was 21 days late, however considering the current COVID-19 pandemic operating environment we are still ahead of a number of LGPS funds in publishing the 2020/21 report and accounts.

An earlier version of the WYPF Report and Account for 2020/21 was presented to the Group on 29 July 2021. The asset values presented on 29 July 2021 has not changed from £16,327.2m, a net increase of £3,112.9m compared to the value of £13,214.3m for 31 March 2020, an increase of 23.6%.

Rodney Barton
Director WYPF

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

Portfolio:

Overview & Scrutiny Area:

1 SUMMARY

1.1 In order to comply with statutory accounting requirements for Local Government and Local Government Pension Schemes, WYPF must prepare an annual audited report and accounts. The 2020/21 report and accounts was presented to the Joint Advisory Group to note on 29 July 2021, before being presented to Bradford Council Governance and Audit Committee on 23 September 2021 for approval.

1.2 The Report and Accounts provide a summary of West Yorkshire Pension Fund's financial position at the end of the year, and key financial activities during the year ended 31 March 2021. The accounts have been prepared in accordance with:

- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2020/21
- CIPFA Guidance on Accounting for Local Government Pension Scheme Management Costs
- Latest Pensions Statement of Recommended Practice
- International Financial Reporting Standards (IFRS), as amended for the UK public sector

External Auditor work 2020/21

1.3 Due to delays in signing the Bradford 2020/21 accounts, the WYPF report and accounts were signed by Mazars LLP on 21 December 2021. The report and account and the Audit Completion Statement (ACR) were presented to the Bradford Governance and Audit Committee (GAC) on 23 September 2021. An ACR follow up letter was also circulated to the members of the GAC on 15 December 2021.

1.4 There are two confidential not for publication papers attached to this report - the ACR in Appendix 1 and the ACR follow up letter in Appendix 2.

1.5 The WYPF Audited Report and Accounts 31 March 2021 can be downloaded from WYPF website:

https://www.wypf.org.uk/media/3239/2020_21-wypf-audited-report-and-accounts.pdf

2 BACKGROUND

Initial value of assets

2.1 The value of the Fund as at 31 March 2021 was £16,327.2m, a net increase of £3,112.9m (23.6%) from 31 March 2020. The table below gives assets values for the last ten years including 2020/21

Year to 31 March	Net Asset	Increase (Decrease)	Increase (Decrease)
	£m	£m	
2021	16,327.20	3,112.90	23.56%
2020	13,214.30	-1,148.74	-8.00%
2019	14,363.04	796.41	5.87%
2018	13,566.63	-65.7	-0.48%
2017	13,632.33	2,421.35	21.60%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.4	9.17%
2014	10,368.80	428.5	4.31%
2013	9,940.30	1,155.89	13.16%
2012	8,784.41	134.11	1.55%

Change in net assets during the year

2.2 The increase in net assets of £3,112.9m between 31 March 2020 and 31 March 2021 is mainly due to the positive turnaround of financial markets after the immediate financial impact of the Covid-19 pandemic.

Return on investment

2.3 The total return on investment in 2020/21 is £3,189.3m (2020/21 -£1,038.8m). This is made up of £2,833.7m (2020/21 - £1,497.1m) gains in market value and net investment income of £361.2m (2020/21 £464.3m) from dividends, interest, and stock lending commission, less taxes on income £7.9m (2020/21 £8.4m).

Net cashflow

2.4 WYPF continues to have a positive net cashflow, in 2020/21 net cash was £297.1m (2019/ £369.3m).

Investment performance

2.5 In 2020/21 we recovered the losses in 2020/21 and investment performance in 2020/21 is 23.4%. This is 2.1% above our benchmark. The long term track record is also positive, as shown in the table below, and over five and ten years WYPF's performance has outperformed the benchmark by more than 0.5% per annum. Investment returns against benchmark are as follows:

31-Mar-21	**Annualised Return** %	**Fund Specific Benchmark** %	**Over /(Under)** %
One Year	23.2	21.1	2.1
Three Years	6.8	6.2	0.6
Five Years	9.2	8.2	1.0
Ten Years	7.7	7.2	0.5

Membership numbers

2.6 Our membership increased from 294,447 in 31 March 2020 to 298,307 in 31 March 2021, an increase of 1.3%.

Number of employers

2.7 The number of employers as at 31 March 2021 was 423, at 31 March 2020 it was 451, a net reduction of 28, as a result of employers leaving due to contractual changes and academy mergers.

Key performance indicators

2.8 The table below shows our 2020/21 performance in 20 key work areas, this performance reflects the commitment of officers and managers in delivering services to all our clients.

	Work type	Total cases 2020/21	Target days 2020/21	Target cases met 2020/21	KPI target 2020/21 %	Actual KPI 2020/21 %	Actual KPI 2020/21 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,899,096	Paid on due days	1,899,096	100	100.00	100
2	Change of address	3,844	10	3,682	85	95.79	94.7
3	Change to bank details	1,313	10	1,241	85	94.52	87.3
4	Death grant nomination	9,134	20	9,113	85	99.77	99.4
5	Death grant payments	2,980	5	2,773	85	93.05	96.9
6	Death in retirement	251	10	223	85	88.84	93.9
7	Deferred benefits	3,742	35	3,617	85	96.66	97.2
8	Deferred Benefits Into Payment Actual	3,209	5	2,832	90	88.25	80.8
9	Divorce quote	463	20	423	85	91.36	96.2
10	Life certificate received	148	10	119	85	80.41	96.7
11	Monthly posting	5,091	10	4,866	95	95.58	96.8
12	Payroll changes	1,990	10	1,965	85	98.74	87.3
13	Pension estimate	4,653	10	4,481	75	96.30	83.4
14	Refund payment	1,909	10	1,875	95	98.22	98.6
15	Refund quote	2,464	35	2,449	85	99.39	97
16	Retirement actual	3,157	3	2,927	90	92.71	92.9
17	Transfer out payment	217	35	195	85	89.86	92.2
18	Transfer-in payment	548	35	520	85	94.89	96.5
19	Transfer-in quote	801	35	798	85	99.63	99.7
20	Transfer-out quote	1,435	20	1,093	85	76.17	92.9

Cost performance

2020/21 WYPF Cost per member

2.9 The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.46, investment management £17.25, oversight and governance £2.93 giving a total management cost per member of £33.63. These figures placed WYPF 1st within the LGPS.

WYPF COST PER MEMBER	2019/20 OUTTURN	2020/21 OUTTURN	2021/22 BUDGET	2021/22 FORECAST	2022/23 BUDGET	2022/23 FORECAST
MEMBER NUMBER (UPDATED MAY20)	**SF3**	**SF3**	**298,307**	**301,352**	**303,000**	**303,000**
WYPF PENSION ADMIN	16.23	13.46	**14.89**	13.80	16.82	16.99
WYPF INVEST MANAGEMENT	22.83	17.25	**24.27**	20.21	28.29	28.34
WYPF OVERSIGHT	2.88	2.93	**3.23**	3.09	3.54	3.34
TOTAL COST PER MEMBER	41.94	33.63	**42.39**	37.10	48.66	48.68
INVESTMENT VALUE	13,180,582	16,267,534	16,267,534	17,500,000	17,500,000	17,500,000
COST OF INVEST MANAGEMENT	6,697	5,129	7,239	6,090	8,573	8,588
COST OF INVEST MANAGEMENT IN BASIS POINTS (bps)	**5.08**	**3.15**	**4.45**	**3.48**	**4.90**	**4.91**

Investment cost of management in basis points (bps).

2.10 Using basis points (bps) WYPF investment cost is 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 is 18bps, this is 300% more than WYPF. Similar to the LGPS table, this measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

	2020/21									2019/20	
Local Authority SF3 2019/20 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 85	Total members	Invest mngmt pr mbr	Rank	Pension Admin pr mbr	Rank	Gov & Ovsht pr mbr	Rank	Total mngmt cost pr mbr	Rank	Total mngmt cost pr mbr	Rank
West Yorkshire Superannuation Fund	**297,384**	**17.25**	**1**	**13.46**	**5**	**2.93**	**4**	**33.63**	**1**	**41.94**	**1**
Nottinghamshire	**145,647**	**30.00**	**2**	**18.48**	**13**	**12.39**	**40**	**60.87**	**2**	**60.93**	**2**
East Riding of Yorkshire UA	100,050	51.71	4	20.64	21	8.64	28	80.99	3	63.07	3
Tameside	390,652	78.78	8	18.90	17	3.95	7	101.63	4	90.43	4
Middlesbrough UA	73,620	67.33	6	26.32	41	7.99	25	101.64	5	103.85	5
Lewisham	25,399	62.64	5	27.21	44	20.04	61	109.89	6	134.88	6
Surrey	111,800	68.14	7	26.20	40	22.26	66	116.60	7	133.54	9
Bedfordshire	72,124	94.49	9	20.83	22	13.32	47	128.64	8	121.21	8
Somerset	67,907	105.78	11	18.70	14	10.03	35	134.51	9	121.25	9
Islington	20,981	46.85	3	68.73	80	19.64	60	135.22	10	151.04	12
Lincolnshire	76,856	128.30	12	12.82	3	9.82	33	150.94	11	156.66	13
Hounslow	69,878	168.31	29	38.16	62	5.07	10	211.54	29	238.91	41
Merseyside Pension Fund	140,023	249.90	44	21.61	29	12.66	42	284.17	44	339.88	60
Barnet	26,803	350.60	63	38.91	65	32.38	80	421.89	63	342.52	62
England & Wales AVERAGE	**6,128,702**	**238.43**		**24.16**		**11.74**		**274.34**		**245.41**	**0**
								+12% on 19/20			

Based on government figures LGPS average cost was up by 12%, WYPF went down by 20% from 2019/20.

Local Authority SF3 2020/21	NORTHERN LGPS 2020/21								
	Total number of members	Insvt Exp per Mbr	Rank	Admin Exp per Mbr	Rank	O&G Exp per Mbr	Rank	Tot Exp per Mbr	Rank
West Yorkshire Superannuation Fund	297,384	£17.25	1	£13.46	5	£2.93	4	£33.63	1
Tameside	390,652	£30.00	8	£18.48	17	£12.39	7	£60.87	4
Merseyside Pension Fund	140,023	£249.90	44	£21.61	29	£12.66	42	£284.17	44
NORTHERN LGPS POOL	**828,059**	**£62.61**	**5**	**£17.21**	**9**	**£9.04**	**29**	**£88.85**	**4**

The impact of WYPF cost per member within the Northern LGPS is shown above, and the relative rank of the NLGPS Pool when compared to the government figures, would place NLGPS in 4th overall.

3 OTHER CONSIDERATIONS

None

4 FINANCIAL & RESOURCE APPRAISAL

The Council is required by law to produce an audited annual financial report for WYPF within the Council's financial statements. The audited accounts for the Council were signed on 21 December 2021. WYPF audited report and accounts was published on the 22 December 2021, 21 days after the deadline of 1 December 2021.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

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

6 LEGAL APPRAISAL

We missed the deadline of 1 December 2021, by 21 days. Under the current Covid-19 pandemic pressures no sanction is expected from government.

7 OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

The services covered in this report are committed to mitigating climate by using energy efficient supplies and services, avoid waste and where not possible minimising waste, reuse materials and where facilities are available recycle office wastes.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

WYPF operates from a modern "Aldermanbury House", the building was bought in 2014 and we have invested significant sums to improve the energy efficiency of the building, however there is still more to do. We are working with our property managers to further improve the building for staff, visitors and our commercial tenants. Electricity supplied to the building is sourced from renewable suppliers and there is programme to review water boilers and other plants.

In terms of our operations a significant number of our staff have always been able to work from home before the Covid-19 pandemic and since the start of the pandemic all staff that want to work from home have been able to work from home. This has reduced our staff daily journeys into work and also reduced our operational greenhouse gas emission significantly. When on business travel our staff are encouraged to use public transport, unless low greenhouse gas emission alternatives are available.

7.3 COMMUNITY SAFETY IMPLICATIONS

None.

7.4 HUMAN RIGHTS ACT

None.

7.5 TRADE UNION

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.6 WARD IMPLICATIONS

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None.

8 NOT FOR PUBLICATION DOCUMENTS

The two papers in Appendix 1 and Appendix 2 are not for publication.

9 OPTIONS

None

10 RECOMMENDATION

That the:

A. Audited report and accounts for 2020/21 be noted.
B. WYPF total cost per member of £33.63 and investment management costs of 3.15 basis point be noted.

11 APPENDICES

Appendix 1 – NFP Audit Completion Report (ACR) and ACR follow up letter.
Appendix 2 – NFP ACR follow up letter.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 27 January 2022.

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Subject:

WYPF Pension Admin and Oversight Budget Report
2021/22 Forecast and 2022/23 Budget

Summary statement:

The latest pension admin and oversight net expenditure forecast for 2021/22 is £5.09m against a budget of £5.41m, net underspend of £0.32m. The proposed budget for 2022/23 is £6.17m and expenditure forecast is £6.16m. A separate report on financial resource for investment management is also being presented to the WYPF Investment Panel for consideration on 27 January 2022.

The 2021/22 total cost per member for WYPF is projected to be £37.10, the last published result from government for WYPF 2020/21 total cost per member is £33.63, a reduction of 20% compared to the 2019/20 result of £41.94. This placed WYPF in 1st position, with the lowest cost. The proposals in this report should maintain this performance.

The budget proposal in this report is based on a detailed analysis of costs and planned services activities that will address a number of service pressures such as McCloud, GMP reconciliation, hybrid working, digital services and cyber security. With the continued expansion of WYPF shared services which is forecast to generate income of £2.48m in 2021/22 (actual £2.07m in 2020/21), increasing to £2.83m in 2022/23, the financial resources in this report will support over 470,000 members, 900 employers and 20 pension administration services across the UK.

Rodney Barton
Director WYPF

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

Portfolio:

Overview & Scrutiny Area:

1. SUMMARY

In accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to the pension fund accounts and not to local authorities' general fund accounts. The cost of services reported in this report will be charged to WYPF accounts. The budget proposals in this report will deliver pension administration services to both LGPS and fire services pension scheme members and employers across the UK and will support the governance and oversight of over £17.5 billion of WYPF investment assets. Our service strategy is to maintain our service quality and cost performance, not necessarily the lowest cost in all areas, but a balance of cost and performance.

2. BACKGROUND

WYPF pension admin and oversight net expenditure, forecast and budget

2.1 Budget and expenditure monitoring is a routine monthly activity within WYPF and it underpins our financial control, financial planning and financial risk management. We use detailed activity analysis of expenditure, contracts, commitments, identified service risks, regulatory changes and service best practice on a monthly basis to produce budget monitoring reports for decision making and management information. This detailed process is also known as zero base budget management and provides the most effective financial control. Summarised result of the budget monitoring and review process is provided in the table below for 2021/22 and 2022/23.

WYPF PENSION ADMIN & OVERSIGHT	2020/21 OUTTURN £000	2021/22 BUDGET £000	2021/22 FORECAST £000	2021/22 VAR BGT - FCST FAV (ADV) £000	2022/23 BUDGET £000	2022/23 FORECAST £000
Accommodation	263	122	190	-68	197	186
Actuary	337	370	300	70	371	350
Computer	287	291	291	0	267	252
Invest to Save resources	0	0	0	0	0	500
Employees	3,091	3,711	3,553	158	4,339	4,094
CBMDC Support Services	316	323	323	0	343	323
WYPF Support Services	1,535	1,863	1,912	-49	2,385	2,250
Other Running Costs	619	802	704	98	782	738
Transaction Costs	0	0	0	0	0	0
Printing & Stationery	492	499	299	200	317	299
WYPF PENSION ADMIN & OVERSIGHT EXPENDITURE	6,940	7,981	7,572	409	9,001	8,992
Other Income	-88	-75	-90	15	0	0
Shared Service Income	-1,980	-2,500	-2,393	-107	-2,830	-2,830
WYPF PENSION ADMIN & OVERSIGHT NET EXPENDITURE	**4,872**	**5,406**	**5,089**	**317**	**6,171**	**6,162**

Further analysis is provided in Appendix 1 to this report.

2021/22 Pension admin and oversight net expenditure forecast

2.2 The latest pension admin and oversight net expenditure forecast for 2021/22 is £5.09m, against a budget of £5.72m, resulting in underspend of £0.32m. The £0.32m underspend forecast is made up of a mixture of underspends and overspends, two significant items are:

a) Underspend of £0.16m on salaries. We have increased the number of staff in in pensions admin, however we are still struggling to fill a number of vacancies across WYPF.

b) Underspend of £0.20m on printing and stationery, we are finally seeing some savings being delivered by switching our communication to digital channels.

2022/23 Pension admin and oversight net budget and expenditure forecast

2.3 The budget for 2022/23 was compiled using last year budget, adjusted for cost specific inflation, additional service costs and removing cost of services not needed. This process resulted in a base budget of £6.17m. Net expenditure forecast for 2022/23 is £6.16m and was produced using the latest expenditure data and current planned expenditure. We are using invest to save strategies to manage a number of budget and service pressures from a resource pool of £0.5m, most of this resource is from £0.38m increase income from shared service charges. Key proposals we are looking at are listed below:

a) £200k - Maintain staffing resources and create capacity for additional shared services. This is mainly directed at staffing resources, processes and procedures. The WYPF senior staff average age is over 50yrs, and succession planning for key staff members that may retire soon needs resourcing. There is an urgent need to build service resilience across WYPF and create capacity for shared services.

b) £100k - We need to increase our engagement with employers to improve pension services and train employers. There is also an urgent need to improve the quality of pension management information we provide to employers and also ensure we get accurate pension data in return.

c) £100k - Increased regulations from government, the Pension Regulator, increased tax compliance regulations on payment reporting to close tax loopholes. In addition, the Pension Ombudsman is changing its approach on how complaints is handle – possible class actions and members needing lower thresholds to raise complaints.

   a. Pension dashboard
   b. McCloud
   c. GMP reconciliation
   d. Pension scams

e. Exit cap – is still a key government aspiration
f. Tax compliance rules – tax allowance (annual and life time),

More investment is needed to improve our processes – were are building more auto processes, this will release staff to work on exceptions and activities that will add value. We are investing in systems and processes that will improve data quality and accuracy of pension calculations. We are also procuring digital training for staff and employers.

d) £100k - Uncertain costs - impact of Covid-19 – accelerated digitisation of services, virtual services not only for staff, also migration of virtual services to clients and customers. Added complexity of maintaining and meshing traditional face to face services with new digital services.

The £0.5m held in Invest to Save resources will be released only after further consideration of the business case by management.

WYPF total service cost

2.4 The table below gives a summary of WYPF total budget and cost, this is made up of pension administration, oversight and investment management. The budget for pension administration and oversight is being presented at this meeting. The budget for investment management, the largest of the three operational budgets will be presented for approval by Investment Panel on 27 January 2022.

WYPF TOTAL SERVICE	2020/21 OUTTURN £000	2021/22 BUDGET £000	2021/22 FORECAST £000	2021/22 VAR BGT - PD09 FAV (ADV) £000	2022/23 BUDGET £000	2022/23 FORECAST £000
WYPF PENSION ADMIN EXP	6,069	7,017	6,641	376	7,927	7,979
WYPF PENSION ADMIN INC	-2,068	-2,575	-2,483	-92	-2,830	-2,830
WYPF PENSION ADMIN NET EXP	**4,001**	**4,442**	**4,158**	**284**	**5,097**	**5,149**
WYPF OVERSIGHT EXP	**871**	**964**	**931**	**33**	**1,074**	**1,013**
WYPF PENSION ADMIN & OVERSIGHT	**4,872**	**5,406**	**5,089**	**317**	**6,171**	**6,162**
WYPF INVEST MANAGEMENT EXP	5,302	7,397	6,230	1,167	8,762	8,767
WYPF INVEST MANAGEMENT INC	-173	-158	-140	-18	-189	-179
WYPF INVEST MANAGEMENT NET EXP	**5,129**	**7,239**	**6,090**	**1,149**	**8,573**	**8,588**
TOTAL WYPF NET EXPENDITURE	**10,001**	**12,645**	**11,179**	**1,466**	**14,744**	**14,750**

Cost performance 2020/21 WYPF Cost per member

2.5 The 2020/21 annual cost of administering the West Yorkshire Pension Fund per member is £13.46, investment management £17.25, oversight and governance £2.93 giving a total management cost per member of £33.63. These figures placed WYPF 1st the LGPS league table.

WYPF COST PER MEMBER	2019/20 OUTTURN	2020/21 OUTTURN	2021/22 BUDGET	2021/22 FORECAST	2022/23 BUDGET	2022/23 FORECAST
MEMBER NUMBER (UPDATED MAY20)	**SF3**	**SF3**	**298,307**	**301,352**	**303,000**	**303,000**
WYPF PENSION ADMIN	16.23	13.46	**14.89**	13.80	16.82	16.99
WYPF INVEST MANAGEMENT	22.83	17.25	**24.27**	20.21	28.29	28.34
WYPF OVERSIGHT	2.88	2.93	**3.23**	3.09	3.54	3.34
TOTAL COST PER MEMBER	41.94	33.63	**42.39**	37.10	48.66	48.68
INVESTMENT VALUE	13,180,582	16,267,534	16,267,534	17,500,000	17,500,000	17,500,000
COST OF INVEST MANAGEMENT	6,697	5,129	7,239	6,090	8,573	8,588
COST OF INVEST MANAGEMENT IN BASIS POINTS (bps)	**5.08**	**3.15**	**4.45**	**3.48**	**4.90**	**4.91**

Investment cost of management in basis points (bps).

2.6 Using basis points (bps) WYPF investment cost is 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 is 18bps, this is 300% more than WYPF. Similar to the LGPS table, this measure put WYPF in the top quartile in terms of investment management cost of the best performing investment management organisations.

Local Authority SF3 2019/20 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 85	2020/21									2019/20	
	Total members	Invest mngmt pr mbr	Rank	Pension Admin pr mbr	Rank	Gov & Ovsht pr mbr	Rank	Total mngmt cost pr mbr	Rank	Total mngmt cost pr mbr	Rank
West Yorkshire Superannuation Fund	**297,384**	**17.25**	**1**	**13.46**	**5**	**2.93**	**4**	**33.63**	**1**	**41.94**	**1**
Nottinghamshire	**145,647**	**30.00**	**2**	**18.48**	**13**	**12.39**	**40**	**60.87**	**2**	**60.93**	**2**
East Riding of Yorkshire UA	100,050	51.71	4	20.64	21	8.64	28	80.99	3	63.07	3
Tameside	390,652	78.78	8	18.90	17	3.95	7	101.63	4	90.43	4
Middlesbrough UA	73,620	67.33	6	26.32	41	7.99	25	101.64	5	103.85	5
Lewisham	25,399	62.64	5	27.21	44	20.04	61	109.89	6	134.88	6
Surrey	111,800	68.14	7	26.20	40	22.26	66	116.60	7	133.54	9
Bedfordshire	72,124	94.49	9	20.83	22	13.32	47	128.64	8	121.21	8
Somerset	67,907	105.78	11	18.70	14	10.03	35	134.51	9	121.25	9
Islington	20,981	46.85	3	68.73	80	19.64	60	135.22	10	151.04	12
Lincolnshire	76,856	128.30	12	12.82	3	9.82	33	150.94	11	156.66	13
Hounslow	69,878	168.31	29	38.16	62	5.07	10	211.54	29	238.91	41
Merseyside Pension Fund	140,023	249.90	44	21.61	29	12.66	42	284.17	44	339.88	60
Barnet	26,803	350.60	63	38.91	65	32.38	80	421.89	63	342.52	62

England & Wales AVERAGE	6,128,702	238.43	24.16	11.74	274.34	245.41	0
					+12% on 19/20		

2.7 Based on government figures LGPS average cost was up by 12%, WYPF went down by 20% between 2019/20 and 2020/21.

2.8 The impact of WYPF cost per member within the Northern LGPS is shown below, and the relative rank of the NLGPS Pool when compared to the government figures, would place NLGPS in 4th overall.

Local Authority SF3 2020/21	NORTHERN LGPS 2020/21								
	Total number of members	Insvt Exp per Mbr	Rank	Admin Exp per Mbr	Rank	O&G Exp per Mbr	Rank	Tot Exp per Mbr	Rank
West Yorkshire Superannuation Fund	297,384	£17.25	1	£13.46	5	£2.93	4	£33.63	1
Tameside	390,652	£30.00	8	£18.48	17	£12.39	7	£60.87	4
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NORTHERN LGPS POOL	**828,059**	**£62.61**	**5**	**£17.21**	**9**	**£9.04**	**29**	**£88.85**	**4**

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

Expenditure and income detailed in this report will be charged to the WYPF pension fund account. This report is one of two reports that will be used to determine the financial resources available to the WYPF to deliver operational services for the 2021/22 and 2022/23 financial years. As the lowest cost LGPS fund, the level of resources requested will maintain value for money, service standards and quality.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

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

6. LEGAL APPRAISAL

In accordance with Local Government Pension Scheme Regulations 2013, the pension fund must prepare annual management and financial performance reports. This report will allow the Group to consider the resources available to WYPF to deliver statutory functions and effective high performing pension management and financial services.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

The services covered in this report are committed to mitigating climate change by using energy efficient supplies and services, avoid waste and where not possible minimise waste. Reuse materials and where facilities are available recycle office wastes.

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

WYPF operates from a modern “Aldermanbury House”, the building was bought in 2014 and we have invested significant sums to improve the energy efficiency of the building, however there is still more to do. We are working with our property managers to further improve the building for staff, visitors and our commercial tenants. Electricity supplied to the building is sourced from renewable suppliers and there is programme to review water boilers and other plant.

In terms of our operations a significant number of our staff have always been able to work from home before the Covid-19 pandemic and since the start of the pandemic all staff that want to work from home have been able to work from home. This has reduced our staff daily journeys into work and also reduced our operational greenhouse gas emission significantly. When on business travel our staff are encouraged to use public transport, unless low greenhouse gas emission alternatives are available.

7.3 COMMUNITY SAFETY IMPLICATIONS

None.

7.4 HUMAN RIGHTS ACT

None.

7.5 TRADE UNION

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.6 WARD IMPLICATIONS

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.7 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

The services covered by this report will provide additional employment and apprenticeship opportunities within the local area.

7.8 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None.

8. NOT FOR PUBLICATION DOCUMENTS

No

9. OPTIONS

The Joint Advisory Group should consider, approve the original estimate for 2022/23, note the projected outturn for 2021/22, or may make recommendations to management on any part of this report.

10. RECOMMENDATIONS

That the Group:

A. Note the projected outturn of £5.09m against budget of £5.41m for 2021/22.

B. Approve the proposed budget of £6.17m for 2022/23.

C. Note 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.

11. APPENDICES

Appendix 1 – Pension admin and oversight analysis of expenditure 2021/22 and 2022/23.

Appendix 1 – Pension admin and oversight analysis of expenditure 2021/22 and 2022/23.

WYPF PENSION ADMIN & OVERSIGHT	2020/21 OUTTURN £000	2021/22 BUDGET £000	2021/22 FORECAST £000	2021/22 VAR BGT - FCST FAV (ADV) £000	2022/23 BUDGET £000	2022/23 FORECAST £000
Accommodation	263	122	190	-68	197	186
Actuary	337	370	300	70	371	350
Computer	287	291	291	0	267	252
Invest to save resources	0	0	0	0	0	500
Employees	3,091	3,711	3,553	158	4,339	4,094
CBMDC Support Services	316	323	323	0	343	323
WYPF Support Services	1,535	1,863	1,912	-49	2,385	2,250
Other Running Costs	619	802	704	98	782	738
Transaction Costs	0	0	0	0	0	0
Printing & Stationery	492	499	299	200	317	299
WYPF PENSION ADMIN & OVERSIGHT EXPENDITURE	6,940	7,981	7,572	409	9,001	8,992
Other Income	-88	-75	-90	15	0	0
Shared Service Income	-1,980	-2,500	-2,393	-107	-2,830	-2,830
WYPF PENSION ADMIN & OVERSIGHT NET EXPENDITURE	**4,872**	**5,406**	**5,089**	**317**	**6,171**	**6,162**

a) Accommodation – this is the charge for the office area occupied by the pension admin teams in Aldermanbury House. WYPF owns the building and we charge ourselves a market rent. The rent is reviewed every three years by our professional valuers CBRE.

Increased spend forecast for 2021/22 of £190k is due to increased building repairs, cleaning, cost of electricity and gas. We are also looking at ways of making the building and our office area safer for staff and visitors – in terms of security, safety and Covid-19 risks.

The budget for 2022/23 of £197k is based on rent charges, planned building maintenance and energy costs. The reduced forecast of £186k is due to staff count forecast for investment teams compared to increased staff forecast for pension admin.

b) Actuary – This is a key element of pensions governance management ensure correct benefits are paid, each employers pay their cost and obligations, and overall the fund is well managed.

The reduction in cost forecast for 2021/22 the result of two invest to save projects:

a.) Monthly unitisation data – traditionally information is shared every three years with the actuary during valuation. We send data to the actuary on members, employers, asset value, operational cost and income. This process allows issues with members' data, employers asset share, costs and income issues and experience to be actively managed each month. This means employers leaving or joining, IAS19 etc can be deal with more efficiently and at reduced costs.

b.) We have put more resources into our control process in Finance and Technical teams to ensure all actuary work for employers are tightly controlled, majority of work are delivered on fixed price and where possible negotiated to reduce cost to employers and WYPF.

2022/23 Actuary budget is based on the current contract and increase for the March 2022valuation work, however the forecast takes in some savings resulting from 2021/22.

c) Computer – this is the total cost of pension admin management systems and any other direct computer systems used to support members, employers and shared services clients.

2021/22 £291k forecast, we are planning to spend to budget in 2021/22.

2022/23 £267k budget is based on current contracts, the forecast of £252k recognises the high level of investments we have made in improving systems. This is under constant review and we will assess and address all emerging pressures, if necessary fund from Invest to save resources provision using invest to save criteria.

d) Invest to Save resources – provision for a number of emerging cost pressures in 2022/23:

i. Staffing resources, processes and procedures £200k, rebuild shared service capacity.

ii. Employers engagement and compliance £100k.

iii. Increased regulations £100k, McCloud, GMP, pension scams, exit cap, tax rules.

iv. Improve back office, systems, digital services and management information £100k.

e) Employees – Direct staff cost of pension admin and oversight.

2021/22 forecast is £3,553k. Out of a total staff structure of 91 FTE, we have 13 FTE staff vacancies, 14% for a service that is labour intensive this very high. We have made progress in bringing this down from 20% and there are plans in place to increase our recruitment activities.

For 2022/23 we have budgeted for full structure total cost of £4,339k. The forecast of £4,094k is based on the full structure, adjusted for the fact that it will take few months to fill vacancies in the new financial year.

f) CBMDC Support Services – this is the cost of central support services provided by CBMDC, Bradford ICT, Legal, telephone systems, corporate services, HR etc.

   A projected charge of £158k is expected for 2021/22 and a budget of £343k is provided for 2022/23. We are still waiting for a proposed charge for 2022/23 from Bradford.

g) WYPF Support Services – this is made up of departmental support costs within WYPF (finance, IT, facilities management, service development, staff training, health and safety, contact centre, communication and website services).

   The total spend for WYPF support services is forecasted to be £2,958k. Charge to pension admin and oversight is based on specific usage factors, the charge for 2021/22 is forecasted to be £1,1912k.

h) Other running costs – cost of tracing agents, legal opinions, professional training, access to technical services for pension, LGA LGPS services. We also pay for strategic advice on investments, investment performance independent analytics, tax advice and compliance, external audit fees, general bank charges etc

   Service cost forecast for 2021/22 is £704k, budget for 2022/23 is £782k and forecast is £738k, we hope to achieve this by negotiating with service providers and reviewing how we use these services.

i) Other income – this is income generated from providing independent dispute resolution procedure (IDRP) to other pension funds across the UK.

   Income of £90k for 2021/22 is our best forecast, we are reviewing this area of service and budget for 2022/23 is currently set at zero. We are looking at reallocating resources to this area to assess if this is adequate and if what we charge cover the cost.

j) Shared service income – this is income generated from pension admin services provided to LGPS and fire service across the UK. By the end of 2021/22 financial we will have a total of 25 partners (3 LGPS and 22 fire services)

   Forecast for 2021/22 is income of £2,393k against a budget of £2,500k overspend of £170k. We charge our service partners based on actual costs, therefore a reduced invoice because we are underspending. This ensure we share cost savings across the group, keeping our cost low and bringing in more business.

   Budget for 2022/23 is currently set at £2,830k, the increased income is based on current number of members within the pension admin shared services, this is a prudent forecast.

City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022.

M

Subject:

Business Plan 2022 - 2027

Summary statement:

WYPF is finalising a five year business plan which highlights objectives for the Fund and documents the priorities and improvement to be implemented to help achieve those objectives.

Recommendation:

It is recommended that the Joint Advisory note this report.

Mr Rodney Barton
Director

Portfolio:

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

Overview & Scrutiny Area:

1.0 Background

Purpose

1.1 WYPF are working with Aon to develop a five year business plan for the period 2022-2027 which will outline the Fund's goals and objectives over the medium term. Once completed, the business plan will be formally reviewed and agreed every year by JAG. It will also be monitored during the year and updated as required.

1.2 The purpose of this business plan is 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.

1.3 The business plan is at an early stage of production but will be brought to JAG at the July meeting to review.

2.0 Business Plan 2022 – 2027

2.1 In the Business Plan 2022 – 2027 the Fund will set out a number of key objectives, categorised as governance, funding, investments, administration and communications.

2.2 Looking forward to 2022, the Fund is conscious of the continued drivers for change with pending regulatory change, increasing service demand, rising expectations for information and risk management, together with increased oversight and reporting. In conjunction with changing customer focus and needs, heightened awareness of the protection of members from pension scams, introduction of a carbon reduction target for investments and development of the Fund's responsible investment approach and the ongoing challenge to recruit and retain key skills all continue to be at the forefront of the Fund's evolving goals and ambitions.

2.3 Recent developments and changes impacting WYPF include:

- A focus on the Fund's governance, including an internal review of the Fund's adherence to the Pensions Regulator's Code of Practice 14 which was completed in December 2017 and will be reviewed again next year.
- A review of the Fund's operational structure and introduction of a revised structure with effect from September 2020.
- Establishment of the Northern Pool.
- Introduction of a carbon reduction target for investments and development of the Fund's responsible investment approach.
- Expansion of our external customer base such that we now provide administration services to 3 other LGPS funds and 24 Fire authorities, as part of our objectives to deliver greater efficiencies and "future proof" the Fund
- changes to how the pensions administration software is used, including enhancements to monthly employer data collection and online member and employer services

These and other areas of recent focus have put WYPF in a strong position to meet the challenges ahead.

2.4 As we set out our plan for 2022 – 2027 key areas of focus for the Fund over the next five years include:

- Implementing required amendments to the LGPS Regulations following the McCloud case
- Implement Pensions Dashboard solution
- Further enhance our member on-line self-service facility
- Implementing an employer on-line system, allowing more timely submission of data and in a more automated manner
- Understanding and complying with The Pension Regulator's new Single Modular Code
- Implementing any governance changes as a result of the Scheme Advisory Board's Good Governance review
- Further developing the Fund's Responsible Investment Policy, with a focus on both sustainable investment and stewardship of assets and complying with any new requirements on TCFD
- Implementing the Fund's investment strategy
- Continuing to work with the Fund's employers to reduce the risk of unmet ongoing contributions and/or exit deficits, including via the implementation of our recently introduced policy on employer flexibilities
- Working in partnership with the employers and the Fund's actuary to complete the 2022 valuation and implement revised employer contributions from 1 April 2023
- Manage the cost per member whilst providing a high quality service to attract and retain external business

These, and other priorities for the next five years, will articulated in more detail in this business plan.

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022

N

Subject: Funding Strategy Statement (FSS)

Summary statement:

Proposed 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.

Recommendation

The Joint Advisory Group approve:

- The proposed change of approach to how liabilities will be calculated for non tax-raising bodies whose liabilities become 'orphan 'on exit.
- The changes to the Funding Strategy Statement.

Rodney Barton
Director WYPF

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

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. Proposed changes to WYPF approach and updates to the Funding Strategy Statement

2.1 The proposed 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 proposes to move 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, if the proposed new exit funding target is adopted, 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, our proposal is again to 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 would be most affected by these proposed 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 proposed changes are highlighted on the Funding Strategy Statement at 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 officer of the Fund are shown at Appendix B.

4. Recommendation

The Joint Advisory Group approve:

- The proposed change of approach to how liabilities will be calculated for non tax-raising bodies whose liabilities become ‘orphan ‘on exit.
- The changes to the Funding Strategy Statement.

5. Appendices

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

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WYPF
Funding Strategy Statement

~~March~~ November 2021

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~~2~~ and Appendix 2~~3~~.

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 arrangements and spreading exit payments; and
- 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 ~~(for the secure scheduled bodies) has been~~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)).

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

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

5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, ~~other than those community admission bodies where a suitable guarantee is in place,~~ a more prudent approach will be taken (ongoing orphan employers). The Solvency Target ~~will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds after exit.~~ is set assuming a more prudent long-term investment return of 2% p.a..

~~5.7 For scheduled bodies with no guarantee from local or central government and Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Solvency Target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.~~

5.8 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. ~~For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds at the end of the period of the deferred debt agreement.~~

Probability of Funding Success

5.6~~9~~ 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.

~~5.10 With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 75% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period).~~

5.7 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. ~~For s~~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. ~~the Solvency Target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.~~

5.8~~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	75%	25 years

bodies with a guarantee from such bodies		
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

5.9~~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 ~~Appendix 1~~.

~~5.12 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.~~

~~5.13 For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.~~

~~Funding Targets and assumptions regarding future investment strategy~~

~~5.14 For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite, Admission Bodies with a subsumption commitment from such Scheduled Bodies, and community admission bodies, where a suitable guarantee is in place the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.~~

~~5.15 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:~~

- ~~5.15.1 the type/group of the employer;~~
- ~~5.15.2 the business plans of the employer;~~
- ~~5.15.3 an assessment of the financial covenant of the employer;~~
- ~~5.15.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;~~
- ~~5.15.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS~~

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

~~5.16 For Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Administering Authority may assume continued investment in a broad range of assets of higher risk than risk free assets despite the approach taken on exit. This is known as the intermediate funding target and the precise target depends upon the employer's assessed level of risk. At the 2019 valuation this applies to admission bodies in the housing and HE/FE sectors.~~

~~5.17 For all other Admission Bodies whose liabilities are expected to be orphaned on exit, other than those community admission bodies where a suitable guarantee is in place, the Administering Authority will have regards to the potential timing of such exit and any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the ongoing orphan admission bodies funding target. It is not the same as the exit basisfunding target.~~

5.10~~8~~ For deferred employers where a deferred debt agreement is in place, the ongoing funding target will take into account ~~any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities~~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:

- 5.10~~8~~.1 the agreed period of the deferred debt agreement;
- 5.10~~8~~.2 the type/group of the employer;
- 5.10~~8~~.3 the business plans of the employer;
- 5.10~~8~~.4 an assessment of the financial covenant of the employer;
- 5.10~~8~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.11~~9~~ 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

5.12~~0~~ 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.

5.13~~21~~ 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.

5.14~~22~~ 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:-

- 5.14~~22~~.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

- 5.14~~22~~.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

- 5.14~~22~~.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
- 5.14~~22~~.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)
- 5.14~~22~~.5 deferred employers – remaining period of the DDA

5.15~~23~~ In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

- 5.15~~23~~.1 the type/group of the employer
- 5.15~~23~~.2 the size of the funding shortfall or surplus;
- 5.15~~23~~.3 the business plans of the employer;
- 5.15~~23~~.4 the assessment of the financial covenant of the employer;
- 5.15~~23~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.15~~23~~.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

5.16~~24~~ 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~~3~~ Amending Employer Contributions between Valuations.

5.17~~25~~ 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.

5.18~~2~~ 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.

5.19~~3~~ 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.

5.20~~26~~ 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.

5.21~~27~~ 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.

~~5.28 The method and assumptions for assessing employer contributions at the 2019 Valuation are set out in Appendix 1.~~

5.2~~9~~2 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:

- 5.2~~9~~2.1 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.

- 5.2~~9~~2.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps as long as the regulatory objectives of solvency and long-term cost efficiency are met.

5.23~~15~~ For intermediate and ongoing orphan employers ~~other Scheduled Bodies~~ the Administering Authority may without limitation, take into account the following factors when setting the ~~funding target~~contributions for such employers~~bodies~~:

- 5.23~~15~~.1 the type/group of the employer;
- 5.23~~15~~.2 the business plans of the employer;
- 5.23~~15~~.3 an assessment of the financial covenant of the employer;
- 5.23~~15~~.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.23~~15~~.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS

~~5.29.3~~5.24~~30~~ O~~o~~n 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:

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- 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 12.

5.25~~30~~ 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.

5.26~~31~~ Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:

- 5.26.1~~31~~. 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;

- 5.26~~31~~.2 retain a maximum 22 year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.27~~32~~ It may not be possible to adopt the two principles outlined in paragraph 5.26~~31~~ for some or all of the employers identified in paragraphs 5.14.~~22.~~2, 5.14~~22~~.3 and 5.14~~22~~.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the Administering Authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.

5.28~~33~~ 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

5.29~~34~~ 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

5.30~~5~~ 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.

5.31~~6~~ 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.

5.32~~7~~ 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)

5.33~~8~~ 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.

5.349 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.

5.35~~40~~ 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

5.36~~41~~ Unless a subsumption arrangement is in place, w~~W~~here 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. ~~on the assumption that, unless a subsumption arrangement is in place, the assets will be assumed to be invested in low risk investments and this~~

~~will be sufficient to meet the liabilities.~~ This approach reduces the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. 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.

5.37~~42~~ Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the ~~appropriate~~ 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 3.

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 How Government will address the issues of GMP equalisation~~

- 7.13.1~~2~~ 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~~3~~ The outcome of the cost management process as at ~~31 March 2016 and~~ 31 March 2020~~, noting the agreement reached in relation to the 2016 Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay, before the process was paused due to the McCloud judgement~~

- 7.13.~~3~~4 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~~5 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~~d~~ 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 3, 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~~

~~Actuarial Valuation as at 31 March 2019~~

~~Method and assumptions used in calculating the funding target~~

1. ~~The actuarial method to be used is the Projected Unit method, under which member benefits are projected to increase in line with the salary increases and revaluation of pension accounts (as appropriate) until that member is assumed to leave active service by death, retirement or withdrawal from service.~~

~~2, Principal assumptions~~

~~2,~~.~~1 Investment return (discount rate)~~

~~The discount rates adopted vary according to the solvency target as set out in section 5.~~

~~For the 2019 valuation the discount rate is 4.35% p.a (the scheduled and subsumption body funding target), with the exception of:~~

- ~~Admission Bodies without a subsumption commitment or suitable guarantee, where the discount rate is 3.3% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 1.6 % (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.3 % in light of the market expectations of future increase in gilt yields. This is the ongoing orphan admission body funding target.~~

- ~~Housing associations, universities and colleges, where a risk assessment has been carried out and the employer has been allocated to one of the intermediate funding targets, and admission bodies with a subsumption commitment from such employers.~~

~~2.2 Inflation (Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation)~~

~~The RPI inflation assumption is taken to be the Capital Market Assumption at the valuation date as produced by Aon Solutions UK Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.~~

~~The CPI inflation assumption at the valuation date is set as RPI inflation less 1.1%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.~~

~~2.2.1 Salary increases~~

~~The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.25% p.a. over the consumer price inflation assumption as described above.~~

~~2.2.2 Pension increases~~

~~Increases to pensions are assumed to be in line with the inflation (CPI) assumption as determined above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).~~

~~3 Post-retirement Mortality~~

~~3.1 Base Rates~~

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

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

~~3.2 Future improvement to base rates~~

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

~~**4. Other Demographic Assumptions**~~

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

~~**5. McCloud/Cost Cap**~~

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

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

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

~~**6. Method and assumptions used in calculating the cost of future accrual**~~

~~The cost of future accrual (primary contribution rate) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.~~

~~**7. Funding method**~~

~~For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods member benefits are protected to increase in line~~

~~with revaluation of pension accounts until that member is assumed to leave active service by death, retirement or withdrawal from service.~~

~~8. Assumptions used in calculating contributions payable under the Recovery Plan~~

~~The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target~~

~~Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the "primary contribution rate") for the 2019 actuarial valuation~~

~~Discount rate (in service)~~	~~4.35% for Secure Scheduled bodies~~ ~~4.1% Intermediate (low risk Scheduled Bodies)~~ ~~3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)~~ ~~3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)~~ ~~3.3% Ongoing Orphan Admission Bodies~~ ~~Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)~~
~~Discount rate (left service)~~	~~4.35% Secure Scheduled Bodies~~ ~~4.1% Intermediate (low risk Scheduled Bodies)~~ ~~3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)~~ ~~3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)~~ ~~1.6% Ongoing Orphan Admission Bodies~~

~~Rate of general pay increases~~	~~3.35%~~
~~Rate of price inflation (RPI)~~	~~3.2%~~
~~Rate of price inflation (CPI)~~	~~2.1 %~~
~~Rate of pension increases (on benefits in excess of GMPs)~~	~~2.1%~~
~~Rate of pension increases on post-88 GMPs~~	~~1.9%~~
~~Rate of deferred pension increases~~	~~2.1%~~
~~Rate of GMP increases in deferment~~	~~3.35%~~

APPENDIX 1~~2~~: 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 on the exit 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 ~~assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, if the subsuming employer is considered to be of~~

~~sufficiently sound covenant and likely to participate in the Fund indefinitely, e.g. being one of the 5 main Councils, this will mean assuming continued investment in more risky investments than Government bonds.~~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, ~~.~~ t~~T~~he 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, ~~T~~to give effect to this, the Administering Authority will seek funding from the outgoing employer ~~sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.~~ 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 To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term, the returns achieved on the Fund's assets will be allowed for when calculating the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.~~

~~4.4.4 The Administering Authority ensures that it has sufficient investment in Government bonds to cover the orphan liabilities and at each triennial valuation the Fund Actuary notionally allocates assets to ensure the orphan liabilities are met in full, where those liabilities are measured by reference to the yield on gilts.~~

4.4.3~~5~~ 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 whe~~n~~re 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 the 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 3.

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 ~~anticipate investment in low risk investments such as Government bonds~~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 exit valuation will generally anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities, i.e. if the outgoing employer has a subsumption commitment from~~

~~another employer in the Fund,~~ the Administering Authority's policy is that the 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 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, any body 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 ~~orphan~~ exit ~~(i.e. gilts-based)~~ 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 3 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 Agreements (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 Trusts 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~~3~~: 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.

Appendix B

Comments received to the proposed 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%: link here
• West Sussex: 66%: link here
• Norfolk: 75% for all types of employer - link here

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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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022.

O

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

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

Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

1. SUMMARY

This report provides the Joint Advisory Group 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 Unfortunately, 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 will be providing a training session in early 2022 for all Joint Advisory Group, Investment Advisory Panel and Pension Board members as part of the preparation for the 2022 valuation.

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 Joint Advisory Group to be held on 27 January 2022.

P

Subject:

Pensions Administration

Summary statement:

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

Recommendation:

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

Mr Rodney Barton
Director

Portfolio:

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

Overview & Scrutiny Area:

1.0 Background

1.1 As well as providing pensions administration for WYPF scheme members, WYPF provides a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and more recently the London Borough of Barnet and to twenty one Fire Authorities. This includes pensioner payroll (except for the London Borough of Hounslow), all member and scheme level events, reporting to statutory bodies, provision of data to external bodies such as actuaries, and local authorities for the production of the scheme accounts.

2.0 Performance and Benchmarking

2.1 The table below shows the performance against key areas of work for the period 1 July 2021 to 31 December 2021.

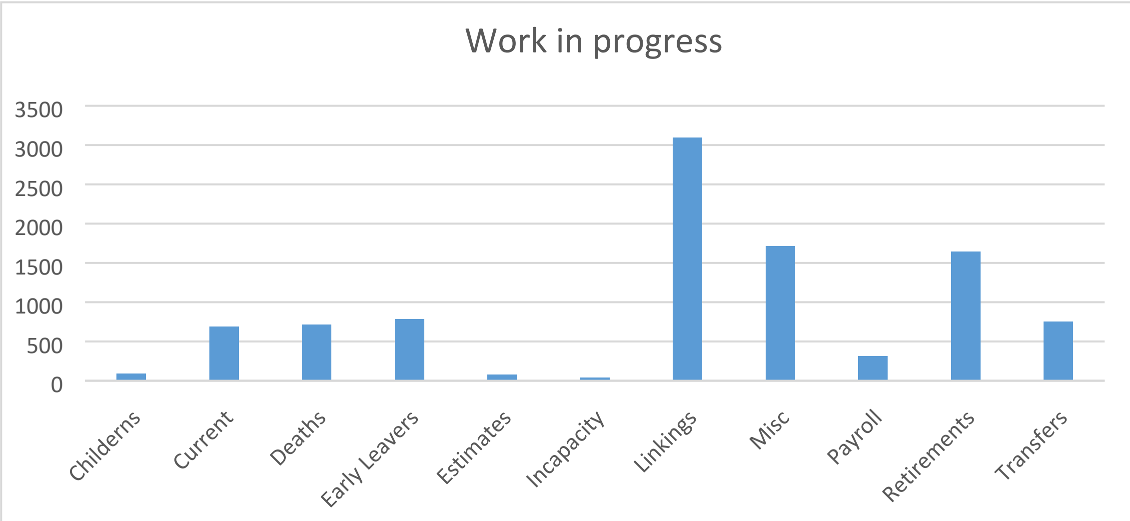
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	593	35	589	85	99.33
Transfer In Actual	369	35	343	85	92.95
Divorce Settlement Pension Sharing order Implemented	15	80	15	100	100
Deferred Benefits Set Up on Leaving	4186	20	2869	85	68.54
Refund Quote	2903	35	2890	85	99.55
Refund Actual	1339	10	1331	95	99.4
Transfer Out Payment	176	35	149	85	84.66
Pension Estimate	1838	10	1290	90	70.18
Retirement Actual	2365	3	2271	90	96.03
Deferred Benefits Into Payment Actual	1972	5	1827	90	92.65
AVC In-house (General)	545	20	530	85	97.25
Deferred Benefits Into Payment Quote	2272	35	2127	85	93.62
Transfer Out Quote	1295	20	1183	85	91.35
Monthly Posting	5518	10	5269	95	95.49
Divorce Quote	334	20	286	85	85.63
Change of Address	2691	10	2563	85	95.24
Change of Bank Details	1300	10	1230	85	94.62
General Payroll Changes	1319	10	1292	85	97.95
Age 55 Increase to Pension	3	20	3	85	100
NI adjustment to Pension at State Pension Age	135	20	131	85	97.04
Enquiry	78	5	76	85	97.44
DWP request for Information	34	20	30	85	88.24
Life Certificate Received	15	10	13	85	86.67
Death Grant Nomination Form Received	5027	20	3975	85	79.07

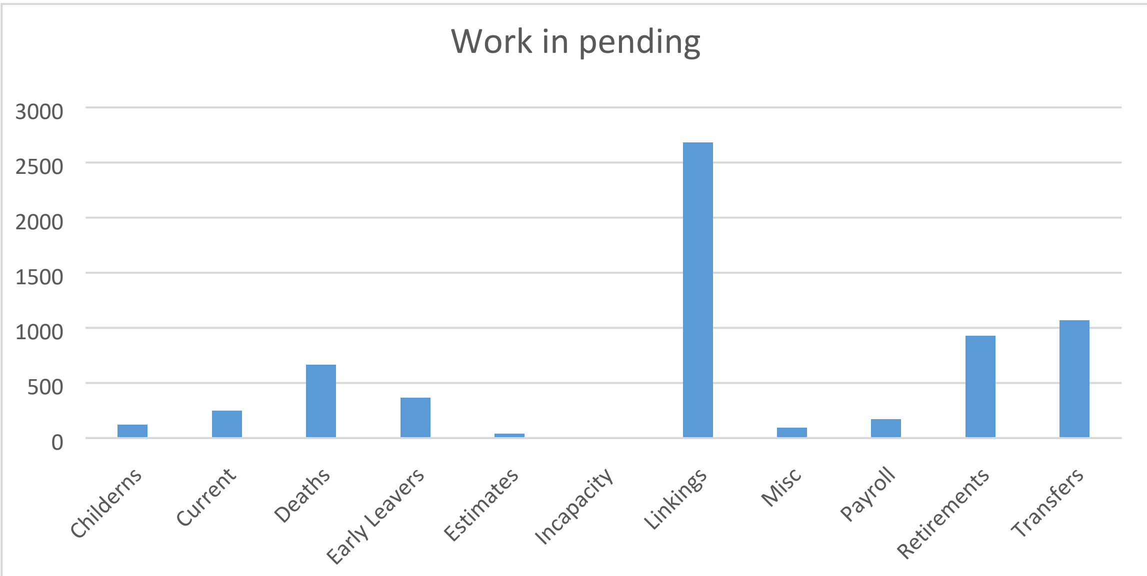
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIUM TARGET PERCENT	TARGET MET PERCENT
Spouse Potential	99	20	89	85	89.9
Death Grant to Set Up	398	5	351	85	88.19
Initial letter Death in Retirement	1813	5	1754	85	96.75
Death In Retirement	1813	5	1500	85	82.74
Initial Letter Death in Service	58	5	54	85	93.1
Death In Service	58	5	45	85	77.59
Initial letter Death on Deferred	146	5	120	85	82.19
Death on Deferred	146	5	81	85	55.48
Estimates for Deferred Benefits into Payment	55	10	45	90	81.81
Update Member Details	9948	20	9908	100	99.6
Pension Saving Statement	21	20	21	100	100
Payment of Spouses _Child Benefits	807	5	712	90	88.23
Phone Call Received	16140	3	15659	95	97.02

Reasons for underperforming KPI's:

Worktype	**Reason**
Deferred Benefits Set Up on Leaving	Low priority
Pension Estimate	Estimates with long future dates
Death Grant Nomination Form Received	Low priority
Death in Retirement	Complex cases involving additional work/documents
Death In Service	Additional information required from beneficiaries
Initial letter Death on Deferred	Complex cases involving additional work/documents
Death on Deferred	Complex cases involving additional work/documents
Estimates for Deferred Benefits into Payment	Delays in getting information from members

2.2 Work in progress





The above graph shows the total volume of work in progress categorized into work groups. Work volumes will fluctuate depending on how much work comes in and how much work is completed. Some of the larger volume work cover:

Current Member – changes to member records, changes to AVC's, queries from monthly postings

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

Linkings – multiple employments where member can link those employments

Misc – All other types of work i.e. phones calls to return, general enquiries.

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

Transfers – Transfers in and out (quote and actual), AVC transfers, Divorce

3.0 Scheme Information

3.1 Membership for all schemes administered as at June 21 was 470,031. A full breakdown between the different Funds and Schemes is shown at Appendix A.

3.2 Number of Employers in the West Yorkshire Pension Fund

	Actives	**Ceased**	**Total**
Scheduled bodies	266	1	265
Admitted bodies	148	5	143
Total	**414**	**6**	**408**

4.0 Praise and Complaints

4.1 As part of our commitment to improving our services we carry out a random survey of customers who have been in contact with us regarding their pension benefits. We also have an online survey which any member can complete at any time. An analysis of the responses received for the quarter July 21 to September 21 is shown at Appendix B – WYPF.

4.2 **Employer Training**

Over the quarter 1 July 2021 to 30 September 2021 we held the following webcasts which were attended by employers from all four Funds that WYPF administer:

- Understanding final pay
- Final pay – 'the deep dive'
- Overview of the LGPS
- The ill-health process
- Processing pension blocks and quarantines

The sessions were attended by 252 people representing Employers from all our LGPS shared service partners.

5.0 Internal Disputes Resolution Procedure (IDRP)

5.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the

‘Adjudicator’). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered by the Director of WYPF. Stage 2 appeals are considered by the Chief Executive of the City of Bradford MDC.

A summary of the IDRP decisions for the period 1.7.20 to 31.12.20 is shown below:

	Number of Determinations	Outcomes	Type
STAGE 1	5		
		5 Turned down	1 Distribution of death grant 1 No death grant payable 1 Allowed to proceed with transfer out 1 Time limit to receive refund of contribution or transfer out. 1 Pay used in calculation of pension benefits.
STAGE 2	3		
AGAINST EMPLOYER	2	1 Turned down	1 Made redundant shortly before 55th birthday.
		1 Referred back to employer to reconsider	1 Tier of ill health retirement awarded
AGAINST WYPF	1	1 Turned down	1 Not entitled to transfer out.

6.0 Administration Update

6.1 Annual Benefit Statements (ABS) and Deferred Benefit Statements (DBS)

Last year’s statements were issued electronically through the secure ‘MyPension’ portal. A small number of members opted to receive paper copies.

6.2 Audits undertaken by Bradford Council’s Internal Audit in the period:

a) Final Audit Report WYPF Life Existence

It is audit’s opinion that the standard of control of identified risks in the system is **good.**

The audit review has determined that most of the risks examined were found to be effectively managed.

The control environment is largely as expected but would benefit from some enhancement to support the achievement of key business objectives. Three recommendations were made which have been accepted by WYPF.

WYPF continue to use Mortality Screening which provides positive results. This is demonstrated by the participation in the recent NFI (National Fraud Initiative) exercise which only identified 3 deaths. Of those 3 death, only 1 was not already known to WYPF and this was an Overseas Pensioner.

The continued use of Mortality Screening and NFI, should have minimised the risks associated with the Life Certificate process not being fully functional/operational during the pandemic.

A review of the action taken by WYPF during the pandemic with regards to Life Certificates seemed reasonable given the current situation.

b) Follow Up Audit – WYPF Accuracy of Contributions Recorded on Members Record

It is audit's opinion that the standard of control of identified risks in the follow up audit still remains to be **partially effective**.

6 High Priority recommendations have been examined. Of these, 6 High Priority recommendations are deemed to be partially implemented.

It is Internal Audit's view that the implementation of Phase 3 of the Monthly Postings Project should address the previously identified weaknesses and strengthen the overall Control Environment.

Whilst acknowledging that progress has been made moving forwards, there still remains a risk with monthly postings associated with historical flexible retirement and deferred pension cases.

Two new recommendations were made which have been accepted by WYPF.

c) Local Government Pension Scheme Contributions

It is audit's opinion that the standard of control of identified risks in the system is **good**.

The audit review has determined that most of the risks examined were found to be effectively managed.

The control environment is largely as expected but would benefit from some enhancement to support the achievement of key business objectives.

Two recommendations were made which have been accepted by WYPF.

d) Mitigation of Pension Scams

It is audit's opinion that the standard of control of identified risks in the system is **excellent.**

The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives.

However, it is noted that there is room for further improvement and development as WYPF have not yet signed up to the pledge to combat pension scams.

Consideration should be given as to whether this is something WYPF would pursue moving forwards and whether the merits of doing so outweigh any further resources required.

e) New Pensions and Lump Sums – Death Benefits

It is audit's opinion that the standard of control of identified risks in the system is **excellent.**

The audit review has determined that the identified risks are being effectively managed. The control environment is as expected and supports the achievement of key business objectives.

It is pleasing to report that there were no issues found with the sample selected for audit testing.

6.3 ISO 9001 Quality Audits

The following internal quality audits were completed by WYPF staff:

Quality Records

Transfers In

Pensioner Services Incapacity Cases/National Fraud Initiative

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

6.4 Two new Fire clients, Shropshire and Warwickshire will join WYPF's administration from 1st April 2022. This will bring the total number of Fire Authorities under administration to 23.

6.5 Security Breaches

During this period seven Security Breaches were logged which were reported to the Council's Data Protection Officer. Two of the breaches were made by Employers. These were all deemed to be isolated incidents due to human error and were not reported to the ICO.

7.0 Staffing

7.1 Recruitment to fill existing and additional new posts is continuing.

7.2 WYPF headcount is 179 established employees with an average age of 46.5, compared to the Council's average age of 46.5 (see Appendix C).

7.3 For the quarter ending Sept 2021 the average number of days absence due to sickness is 5.28 per staff member. This is the lowest in the Council and compares with the Council average of 11.30 days (see Appendix D).

7.4 There were 22 new starters during the last 12 months (see Appendix E)

7.5 There were 11 leavers during the last 12 months, 2 of which were due to retirement, 4 were casual employees and 1 re-joined (see Appendix F).

8.0 Member Portal

8.1 Web Registrations

The number of members registered for online member web are:

Membership Type	Number	Percentage
Active	29,338	19.52%
Deferred	15,523	11.37%
Pensioner	22,010	13.81%

9.0 Awards

WYPF were shortlisted by **LAPF** under the following categories:

- Good Governance Award
- Scheme Administration Award

Winners should have been announced at a ceremony in London on 15 December 2021 but this was postponed due to concerns with the latest variant of he Coronavirus.

WYPF has also been shortlisted by Pensions Age under the following categories:

- DB Pension Scheme of the Year
- Pension Scheme Communication Award
- Pensions Administration Award

Winners will be announced at a ceremony in London on 23 February 2022.

10.0 Conclusion

WYPF continue to provide an efficient, cost effective and high level of service to members and Employers within the Fund.

Appendices

These are listed below and attached at the back of the report	
Appendix A	Membership Numbers
Appendix B	Customer Feedback - WYPF
Appendix C	Workforce Headcount
Appendix D	Absence Performance
Appendix E	Starters
Appendix F	Leavers

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Membership Numbers January 2022 - Doc P Appx A

SCHEME NAME	Actives	Deferreds	Pensioners	Beneficiaries	Preserved Refunds	Leavers - Options Pending	Total
Councillors	0	88	144	18	0	0	250
Gratuity Payments	0	0	10	1	0	0	11
LGPS	103046	85417	91178	11474	11933	1434	304482
Teachers Compensation	0	0	1151	252	0	0	1403
West Yorkshire Fire (1992 Scheme)	32	88	2036	331	0	0	2487
West Yorkshire Fire (2006 Scheme)	2	91	8	6	2	0	109
West Yorkshire Fire (2006/RDS Scheme)	11	14	38	0	0	0	63
West Yorkshire Fire (2015 Scheme)	938	124	6	1	1	5	1075
West Yorkshire Fire (2015/RDS Scheme)	13	0	0	0	0	0	13
South Yorkshire Fire (1992 Scheme)	20	42	1109	200	8	0	1379
South Yorkshire Fire (2006 Scheme)	0	35	2	1	1	0	39
South Yorkshire Fire (2006/RDS Scheme)	0	1	15	0	0	0	16
South Yorkshire Fire (2015 Scheme)	596	77	6	1	0	9	689
South Yorkshire Fire (2015/RDS Scheme)	5	0	0	0	0	0	5
North Yorkshire Fire (1992 Scheme)	21	28	441	85	0	1	576
North Yorkshire Fire (2006 Scheme)	6	147	20	2	1	0	176
North Yorkshire Fire (2006/RDS Scheme)	10	25	56	2	0	0	93
North Yorkshire Fire (2015 Scheme)	593	217	14	3	10	5	842
North Yorkshire Fire (2015/RDS Scheme)	28	2	0	0	0	0	30
Humberside Fire (1992 Scheme)	23	42	832	155	0	0	1052
Humberside Fire (2006 Scheme)	9	111	11	2	2	0	135
Humberside Fire (2006/RDS Scheme)	20	7	75	4	0	0	106
Humberside Fire (2015 Scheme)	621	134	8	0	1	10	774
Humberside Fire (2015/RDS Scheme)	28	1	0	0	0	2	31
Lincolnshire Councillors	0	29	50	3	0	0	82
Lincolnshire LGPS	23490	25526	23171	2531	2583	649	77950
Lincolnshire Fire (1992 Scheme)	9	20	248	54	1	0	332
Lincolnshire Fire (2006 Scheme)	13	319	34	6	21	1	394

Lincolnshire Fire (2006/RDS Scheme)	13	11	40	0	0	0	64
Lincolnshire Fire (2015 Scheme)	553	309	9	4	14	37	926
Lincolnshire Fire (2015/RDS Scheme)	12	1	0	0	0	0	13
Royal Berks Fire (2015/RDS Scheme)	6	1	0	0	0	0	7
Royal Berks Fire (1992 Scheme)	22	60	420	54	1	2	559
Royal Berks Fire (2006 Scheme)	3	59	11	0	0	0	73
Royal Berks Fire (2006/RDS Scheme)	1	11	27	2	0	0	41
Royal Berks Fire (2015 Scheme)	372	97	1	0	0	10	480
Bucks and MK Fire (1992 Scheme)	12	37	359	67	1	0	476
Bucks and MK Fire (2006 Scheme)	2	161	16	11	2	0	192
Bucks and MK Fire (2006/RDS Scheme)	1	12	24	0	0	0	37
Bucks and MK Fire (2015 Scheme)	355	147	8	0	3	14	527
Bucks and MK Fire (2015/RDS Scheme)	1	0	0	0	0	2	3
Devon and Somerset Fire (1992 Scheme)	42	58	923	153	1	0	1177
Devon and Somerset Fire (2006 Scheme)	21	413	132	15	9	1	591
Devon and Somerset Fire (2006/RDS Scheme)	29	71	208	3	0	0	311
Devon and Somerset Fire (2015 Scheme)	1431	576	26	13	7	18	2071
Devon and Somerset Fire (2015/RDS Scheme)	43	7	2	0	0	3	55
Dorset and Wiltshire Fire (1992 Scheme)	25	60	647	96	3	0	831
Dorset and Wiltshire Fire (2006 Scheme)	8	273	36	12	3	0	332
Dorset and Wiltshire Fire (2006/RDS Scheme)	41	49	162	2	0	2	256
Dorset and Wiltshire Fire (2015 Scheme)	851	352	14	3	1	8	1229
Dorset and Wiltshire Fire (2015/RDS Scheme)	54	3	1	0	0	0	58
Unknown Modified Scheme	0	0	1	0	0	0	1
Tyne and Wear Fire (1992 Scheme)	25	71	1235	192	0	1	1524
Tyne and Wear Fire (2006 Scheme)	1	25	5	0	0	0	31
Tyne and Wear Fire (2006/RDS Scheme)	1	1	1	0	0	0	3
Tyne and Wear Fire (2015 Scheme)	552	29	0	0	0	13	594
Northumberland Fire (1992 Scheme)	7	18	282	47	0	0	354
Northumberland Fire (2006 Scheme)	6	84	12	4	2	0	108
Northumberland Fire (2006/RDS Scheme)	5	13	32	1	0	0	51
Northumberland Fire (2015 Scheme)	257	113	3	0	1	9	383
Northumberland Fire (2015/RDS Scheme)	3	3	2	0	0	0	8

Norfolk Fire (1992 Scheme)	14	45	382	68	0	1	510
Norfolk Fire (2006 Scheme)	8	103	19	10	0	0	140
Norfolk Fire (2006/RDS Scheme)	6	8	63	0	0	0	77
Norfolk Fire (2015 Scheme)	598	156	12	5	7	53	831
Norfolk Fire (2015/RDS Scheme)	14	1	0	0	0	1	16
Staffordshire Fire (1992 Scheme)	8	23	563	110	0	0	704
Staffordshire Fire (2006 Scheme)	6	312	27	4	2	0	351
Staffordshire Fire (2006/RDS Scheme)	11	36	85	2	0	0	134
Staffordshire Fire (2015 Scheme)	551	298	14	11	11	17	902
Staffordshire Fire (2015/RDS Scheme)	23	2	0	0	0	0	25
LB Hounslow LGPS	6628	7689	6777	863	1411	194	23562
LB Hounslow Teachers Compensation	0	0	143	40	0	0	183
Hereford and Worcester (1992 Scheme)	9	38	387	64	0	0	498
Hereford and Worcester (2006 Scheme)	10	125	30	7	1	0	173
Hereford and Worcester (2006/RDS Scheme)	12	12	41	0	0	0	65
Hereford and Worcester (2015 Scheme)	514	211	8	2	3	22	760
Hereford and Worcester (2015/RDS Scheme)	13	2	0	0	0	1	16
Durham and Darlington (1992 Scheme)	7	29	484	98	0	0	618
Durham and Darlington (2006 Scheme)	0	73	12	0	0	0	85
Durham and Darlington (2006/RDS Scheme)	5	10	26	0	0	0	41
Durham and Darlington (2015 Scheme)	446	125	5	3	0	0	579
Durham and Darlington (2015/RDS Scheme)	7	2	0	0	0	0	9
East Sussex (1992 Scheme)	24	61	509	98	1	0	693
East Sussex (2006 Scheme)	8	126	11	5	3	0	153
East Sussex (2006/RDS Scheme)	2	17	37	0	0	0	56
East Sussex (2015 Scheme)	511	166	4	2	1	27	711
East Sussex (2015/RDS Scheme)	9	3	0	0	0	0	12
LB Barnet Councillors	0	13	16	2	0	0	31
LB Barnet LGPS	9104	9415	7621	985	1021	1752	29898
LB Barnet Teachers Compensation	0	0	377	40	0	0	417
Derbyshire (1992 Scheme)	9	35	606	97	0	0	747
Derbyshire (2006 Scheme)	4	131	17	10	5	0	167
Derbyshire (2015 Scheme)	626	169	10	0	8	3	816

Leicestershire (1992 Scheme)	15	35	550	78	2	1	681
Leicestershire (2006 Scheme)	6	142	22	4	10	0	184
Leicestershire (2015 Scheme)	524	141	10	0	1	3	679
Nottinghamshire (1992 Scheme)	25	46	720	115	1	0	907
Nottinghamshire (2006 Scheme)	4	159	27	9	6	0	205
Nottinghamshire (2015 Scheme)	586	164	12	1	0	0	763
Cambridgeshire (1992 Scheme)	9	28	378	51	4	1	471
Cambridgeshire (2006 Scheme)	6	207	3	1	3	2	222
Cambridgeshire (2015 Scheme)	427	205	10	0	3	0	645
Northamptonshire (1992 Scheme)	8	20	354	55	0	0	437
Northamptonshire (2006 Scheme)	6	94	4	1	11	0	116
Northamptonshire (2015 Scheme)	360	171	6	0	5	12	554
							477804

Customer Survey Results – WYPF Members
(1st July to 30th September 2021)

Doc P Appx B

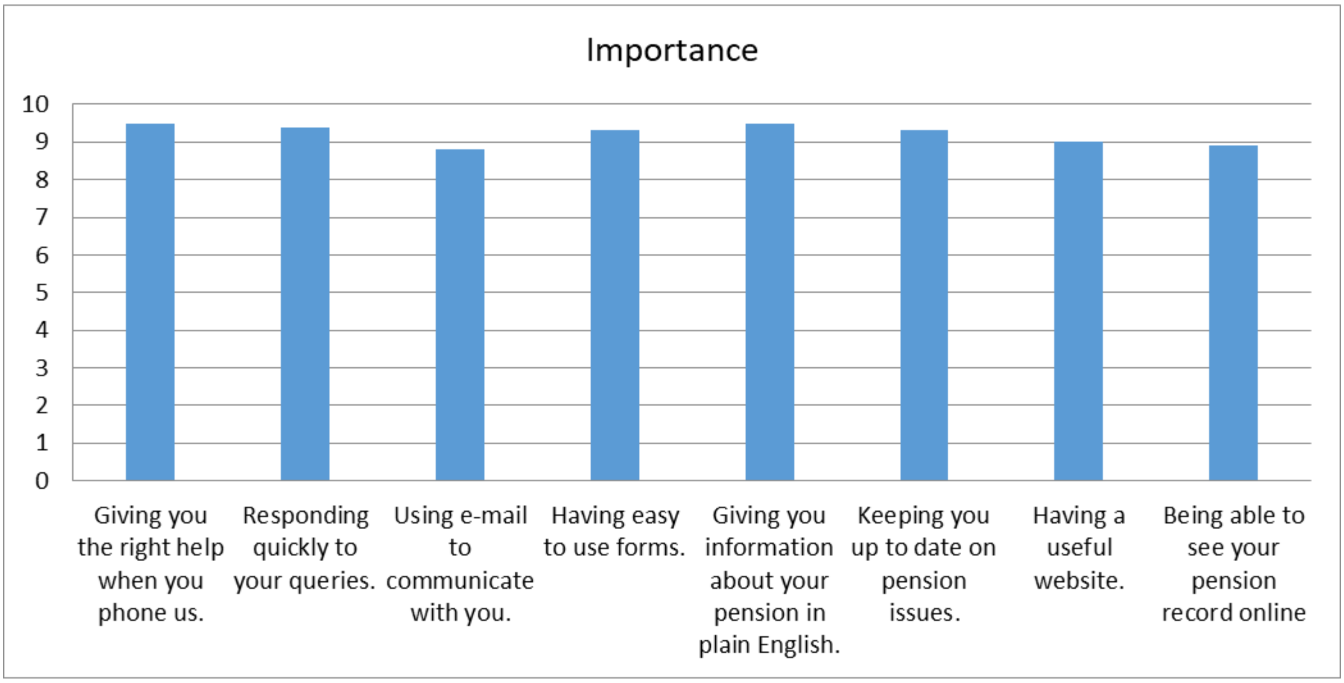
Over the quarter July to September, we received **9** online customer responses.

Over the quarter July to September **545** sample survey letters were sent out and **80 (14.7%)** returned:

Overall Customer Satisfaction Score:

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
84.6%	94.2%	86.4%	87.5%	96.3%

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



Sample of positive comments:

Member Name /Number	Comments
580645 Email	Hi xxxxx I've had a call from Mrs xx. Her query was a routine one – she had a problem with My Pension and simply needed her account unlocking so she could regain access. However once we had sorted that, she said she had called the Pension Fund several times in recent days, and on each occasion had received – quote – "extremely friendly, courteous and professional advice, and an overall outstanding service". She asked me to pass those comments onto the Team Manager – so job done. Looking at the File notes on her record, it would seem xx and xx are the other colleagues who have recently helped Mrs Walsh Kind Regards *xx*
782534	Brilliant dealt quickly and professionally. Nothing too much difficult when I made telephone enquires, dealt politely with courteously.
165082	Very good, always kept in touch regularly to give update on my pension, thank you excellent. It's like you are concerned about our welfare, for us to get our pension that's we so deserve, you are so top in the communication.
395475	fast and friendly. Very pleased with service we received, xx was really helpful
Online	Very efficient in dealing with the onset of my pension claim. I was very impressed that my queries were picked up so quickly as I claimed my pension. On both occasions a knowledgeable adviser telephoned me back very promptly and explained matters to me. A friendly, courteous and consistent approach.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
545842	Frustration, pension held up due to Prudential, slow to release my figures. But amazed that you offered no help to resolve this and told me to contact them myself and nothing you. From the day I retired I have had almost	Letter sent to member with copy of last 2 months' payslips. Email to xx to change wording on pension confirmation letter.

	no information or communication from WYPF. Very poor at communication. No information about how much tax had been taken from my 3 months arrears pension which was paid into my bank.	
766677	Cannot always log in. would have liked an email confirming lump sum and first payment in my bank account in next few days or date.	Letter to member. Email to xx re email confirmation suggestion.

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Doc P Appx D

Absence Performance

Council staff in Quarter 2 2021/22

Select a Department or Category to filter the information shown:

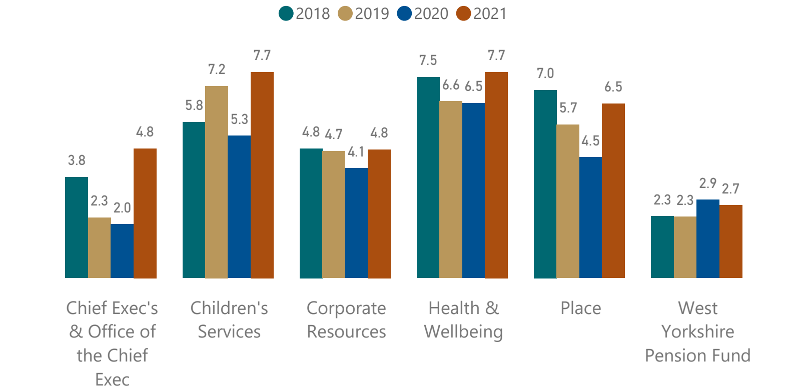
Department: West Yorkshire Pension Fund

Sickness Category: All

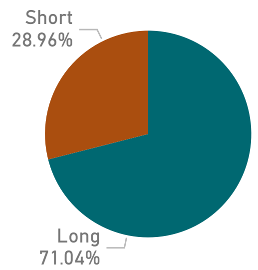
BV12 Sickness Absence Quarter End	2018	2019	2020	2021	FTE Days
Chief Exec's & Office of the Chief Exec	3.76	2.25	2.00	4.83	757
Children's Services	5.81	7.16	5.30	7.68	12,358
Corporate Resources	4.83	4.73	4.09	4.79	7,675
Health & Wellbeing	7.49	6.59	6.52	7.68	8,937
Place	7.01	5.72	4.50	6.50	11,928
West Yorkshire Pension Fund	2.30	2.28	2.92	2.71	431
Council Total (excluding Schools)	6.11	5.76	4.86	6.45	42,086

Department BV12 - Rolling 12 Mths	Performance	Q2 20	2020	YE20/21	Q1 21	Q2 21
Chief Exec's & Office of the Chief Exec	DETERIORATING	4.95	6.99	7.30	9.52	8.99
Children's Services	DETERIORATING	14.29	13.90	12.52	13.32	15.17
Corporate Resources	Overall improvement	10.66	10.00	9.47	9.66	10.38
Health & Wellbeing	DETERIORATING	13.48	13.61	13.66	14.20	14.88
Place	Overall improvement	11.72	9.78	9.23	9.89	11.36
West Yorkshire Pension Fund	Improving	7.06	6.55	5.48	4.54	5.28
Council Total (excluding Schools)	Slight Deterioration	12.09	11.30	10.75	11.30	12.46

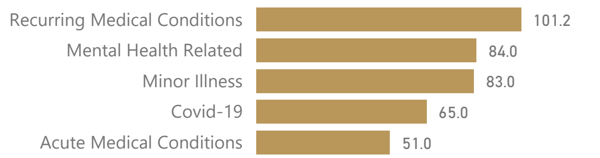
Department BV12 Outturn at Quarter End



FTE Days by Term YTD



Sickness Category (Actual FTE days in Period)

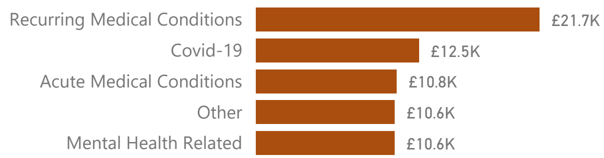


Sickness to Quarter End

431
FTE Days YTD

£0.1M
Sick Pay YTD

Sickness Category Cost (£)



For employee absence, please see the [Absence Management] page

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Starters

1 Dec 2021

Start Date

01/12/2020 | 30/11/2021

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

Select an Employee type to filter the information shown (press CTRL key to make multiple selections from a single dropdown)

Age Band	BME	Disability	Employee Group	Gender	Payscale
All	All	All	All	All	All

< Show All >

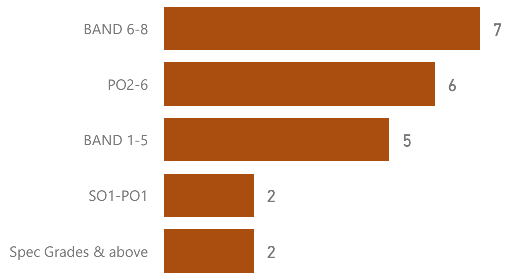
< Gender >

< Ethnicity >

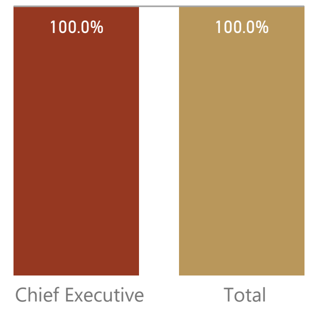
< Disability >

Number of Starters

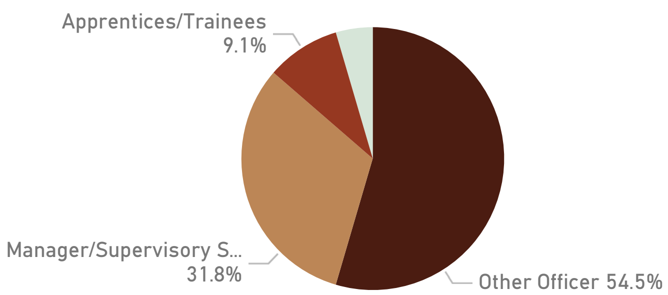
Starter Pay Band



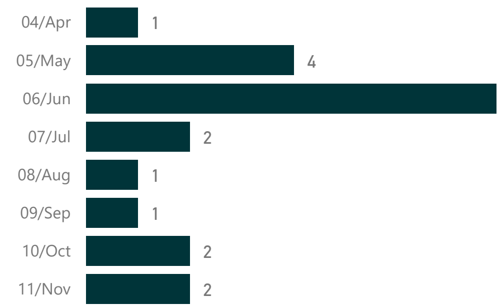
Percentage of Starters



Starter Job Types



Starters Over Time



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Doc P Appx F

Leavers

1 Dec 2021

Leaving Date

01/12/2020 30/11/2021

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

Select an Employee type to filter the information shown (press CTRL key for multiple selections from a single dropdown)

Age Band	BME	Disability	Employee Gr...	Gender	Payscale
All	All	All	All	All	All

< Show All >

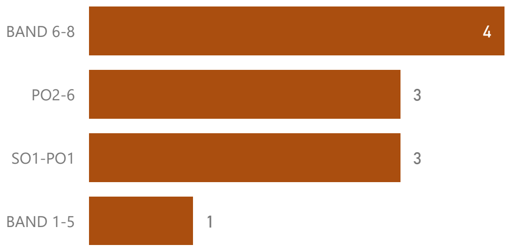
< Gender >

< Ethnicity >

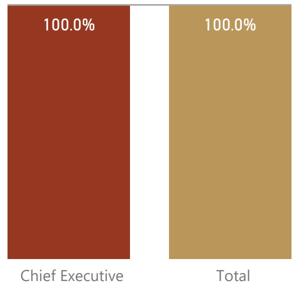
< Disability >

Number of Leavers

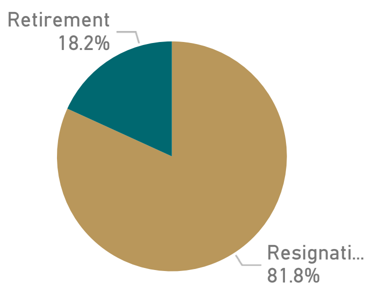
Leavers by Payscale



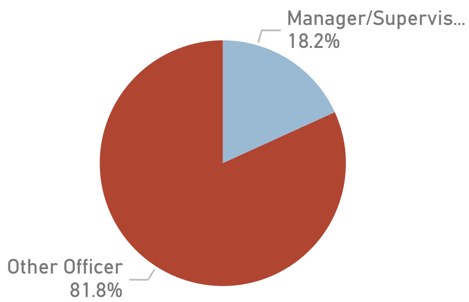
Percentage of Leavers



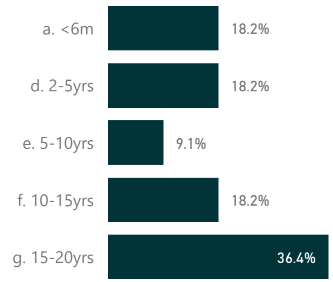
Leaving Reasons



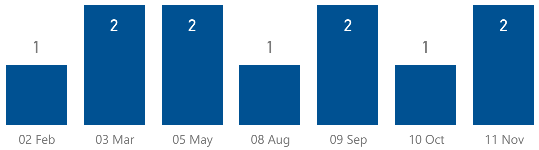
Leaver Job Types



Leaver Length of Service



Leavers Over Time



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Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022.

Q

Subject:

Shared Service Partnership update

Summary statement:

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

Recommendation:

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

Mr Rodney Barton
Director

Report Contact: Yunus Gajra
Head of Governance and Business Development
Phone: (01274) 432343

Portfolio:

Overview & Scrutiny Area:

E-mail: Yunus.gajra@bradford.gov.uk

Background

1.0 Introduction

1.1 WYPF provide shared service pensions administration to:

- Lincolnshire Pension Fund
- London Borough of Hounslow Pension Fund
- London Borough of Barnet
- Twenty one Fire Authorities

2.0 Scheme Information

2.1 Update on each of the servicess is provided at:

- Appendix 1 - Lincolnshire Pension Fund
- Appendix 2 - London Borough of Hounslow Pension Fund
- Appendix 3 - London Borough of Barnet Pension Fund
- Appendix 4 – Fire Authorities

3.0 Conclusion

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

Appendices

These are listed below and attached at the back of the report	
Appendix 1	Lincolnshire Pension Fund
Appendix 2	LB of Hounslow Pension Fund
Appendix 3	LB of Barnet Pension Fund
Appendix 4	Fire Authorities
Appendix A	Customer Survey results – Lincolnshire Pension Fund
Appendix B	Customer Survey results –LB of Hounslow Pension Fund

Appendix C	Customer Survey results – Barnet Pension Fund
Appendix D	Customer Survey results – Fire Services

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Lincolnshire Pension Fund

1.0 Scheme Information

1.1 Membership numbers in the Lincolnshire Fund are as follows:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	23,166	25,371	714	25,514	2,500
Percentage of Membership	29.98	32.84	0.92	33.02	3.24

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

1.2 **Employer Activity - During 1 July 2021 to 30 September 2021**

New Academies and Education Trusts	3
New Town and Parish Council	1
New Admission Bodies	1
Total of New Employer	**5**
Employers Exited	1
Total Numbers of employers	**300**

2.0 Member Contact

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

Over the quarter July to September, **132** Lincolnshire member's sample survey letters were sent out and **16 (12.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
94.9%	82.1%	86.8%	81.7%	96.9%

Appendix A – Customer surveys

3.0 Internal Disputes Resolution Procedures

3.1 Stage 1 appeals against the fund

One appeal currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
17/06/2021	Appeal against the decision not to allow a late transfer in.	Appeal turned down. Satisfied that the correct procedure had been followed in accordance to the discretionary policy in deciding to turn down a late request for transfer.	17/08/2021
03/08/2021	Appeal against the decision of who the recipients of a death grant should be.	Turned down	13/10/2021

3.2 Stage 1 appeals against scheme employers

Two appeals are currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
02/12/2020	Appeal against being refused an ill health pension.	Referred to Serco as the scheme employer. 2nd medical review being arranged.	Serco now confirmed that this issue has been concluded with the 2nd medical opinion and a ill health pension has been awarded – 22/11/2021.
28/04/2021	Appeal against being refused an ill health pension.	Referred to Lincoln College as the scheme employer. Requested copy of decision letter from Lincoln College once issued – 29/04/2021.	Further queries re ill health process from the College, responded to on 26/07/2021. Last chased up – 16/11/2021

3.3 Stage 2 appeals

Two appeals are currently outstanding.

Date application received	Reason for appeal	Current position/outcome	Date decision letter sent
07/06/2021	Appeal against transfer out being allowed to proceed.	Turned down	4/10/2021
08/06/2021	Appeal against decision re ill health retirement.	Awaiting further information from employer	Reminder sent 06/10/2021.

3.2 Ombudsman

No appeals

4.0 Web Registrations

The number of members registered for online member web are:

Active	7757	33.48%
Deferred	5774	22.76%
Pensioner	5205	20.40%

Appendices

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

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Hounslow Pension Fund

1.0 Scheme Information

1.1 Membership numbers are as follows (by member type):

Numbers	Active	Deferred	Undecided*	Pensioner	Frozen	Total
LGPS	6,628	7,689	194	7,640	1,411	23,562
Percentage of Membership	28.13%	32.63%	0.82%	32.43%	5.99%	100%

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

1.2 Number of Employers in the Hounslow Pension Fund

Scheduled			As at 31.12.21
Schedule 1		Local Authorities	1
		Academies	25
		Others – active	8
Schedule 2		Town and parish Councils	0
		Others – actives	0
Total Scheduled			**34**
Admitted			
Admission			20
Others		Actives	0
Total Admitted			**22**
Total			**58**

2.0 Member Contact

2.1 Over the quarter July to September we received **1** online customer response.

Over the quarter July to September **66** Hounslow member's sample survey letters were sent out and **10 (15.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
90.6%	92.6%	83.6%	96.3%	96.4%

Appendix B – Customer survey results.

3.0 Internal Disputes Resolution Procedures

3.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the ‘Adjudicator’). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered by the Head of Governance and Business Development at WYPF. Stage 2 decisions are considered by the Director of WYPF.

3.2 The following decisions were made:

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
30/03/2021	Overpayment of pension due to employer changing tier of ill health pension	Appeal turned down as it was determined that employer had not followed correct procedure in initially awarding tier 1 ill health retirement. However the adjudicator recommended a payment of £500 should be made to the member due to the distress and inconvenience caused, as a result of WYPF not informing the member when it suspended her pension payments in January 2020 that there could be a potential overpayment.	13/07/2021
12/04/2021	Continued to receive Annual Benefit Statements but membership had been linked to membership with new Fund.	Appeal upheld as there was no evidence of member making an election to link membership with new Fund. However, as the member’s pension is in payment with the new Fund transfer could not be undone. Adjudicator awarded the member a payment of £500 for the distress and inconvenience caused.	13/07/2021
20/07/2021	Amounts on 2021 Annual Benefit Statement lower than those on	Appeal turned down as adjudicator was satisfied that	07/09/2021

	2019 and 2020 Annual Benefit Statements.	latest statement was correct. However, the adjudicator identified that the error should have been identified earlier by thorough testing, therefore adjudicator awarded member a payment of £250 for the distress and inconvenience caused.	
17/08/2021	Not able to transfer in previous pension rights after ceasing employment.	Appeal turned down as Regulations only allow an active member to transfer in.	04/10/2021
19/08/2021	Award of tier 3 ill health retirement.	Acknowledged on 24/08/2021 and consent form received from member on 31 August 2021 Information requested from LBH on 3 September 2021	
24/08/2021	Should have not been allowed to transfer out.	Appeal turned down as adjudicator was satisfied that previous administrator had carried necessary checks on the documents received regarding member's new scheme and member was entitled to transfer.	07/10/2021
19/08/2021	Award of tier 3 ill health retirement.	Acknowledged on 24/08/2021 and consent form received from member on 31 August 2021 Information requested from LBH on 3 September 2021 and received of 22 November 2021. Holding letter sent 15 December 2021. Considering evidence and in process of preparing decision letter.	
26/11/2021	Not allowing early payment of deferred benefits due to ill health	Consent form received and to request relevant documents from London Borough of Hounslow.	

3.3 Stage 2

Date application received	**Reason for appeal**	**Current position/Outcome**	**Date decision letter sent**
27/08/2021	Incorrect pensions in payment. Also provided additional information on hours worked in both of her posts	Adjudicator referred the case back to WYPF to check hours and CARE pay for each post as it appears may be incorrect and upon receiving a response to recalculate pension benefits.	29/09/2021
10/08/2021	Tax deduction from death grant.	The appeal was turned down as tax was correctly deducted from death grant due to it been paid more than 2 years after member died	7/12/2021

3.4 TPAS/Pensions Ombudsman cases

Date application received	Details of complaint	Current position/outcome	Date complete
22/07/2021	Final benefits paid lower than previous estimate provided by Capita	Response sent 12/08/2021, acknowledging that member had been provided with an incorrect estimate, which was due to incorrect final pay been provided., however, we could only pay the correct pension benefits	
10/09/2021	Incorrect Deferred Benefit Statement provided in 2019, which member states had relied on to make a decision to stop working.	Response sent 01/10/2021, agreeing to allegation that the Deferred Benefit Statement provided in 2019 was incorrect. However, noting the Deferred Benefit Statement said member should obtain a retirement quote if wanted claim benefits, and would have expected to have queried the large increase in pension benefits	

4.0 Web Registrations

The number of members registered for online member web are:

Active	1873
Deferred	1235
Pensioner	688

Appendices

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

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Barnet Pension Fund

1.0 Scheme Information

1.1 Membership numbers in the Barnet Pension Fund are:

Numbers	Active	Deferred	Undecided	Pensioner	Frozen
LGPS	9,147	9,364	1,768	8,611	1,022
Percentage of Membership	30.58%	31.32%	5.9%	28.80%	3.4%

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

1.2 Number of Employers in the Barnet Pension Fund

Scheduled			**As at 31.12.21**
Schedule 1		Local Authorities	1
		Academies	36
		Others – active	2
Schedule 2		Town and parish Councils	0
		Others – actives	0
Total Scheduled			**39**
Admitted			
Admission			19
Others		Actives	0
Total Admitted			**19**
Total			**58**

2.0 Member Contact

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

Over the quarter July to September **91** Barnet member's sample survey letters were sent out and **16 (17.6%)** returned:

Overall Customer Satisfaction Score:

January to March 2021	April to June 2021	July to September 2021
91.9%	87.2%	87.3%

Appendix A – Customer surveys

3.0 Internal Disputes Resolution Procedures

3.1 Stage 1 appeals against the fund

One appeal currently outstanding.

Date of appeal	Reason for appeal	Current position /Outcome	Date decision letter sent
14/09/2021	Incorrect ABS.		Working on
30/09/2021	Appeal against transfer out being allowed to proceed.		Working on

3.2 Stage 2 appeals

Two appeals are currently outstanding.

Date application received	Reason for appeal	Current position/outcome	Date decision letter sent
14/09/2021	Missing statements/calculations of benefits	Referred to LBB as appointed person for Stage 2 appeals – 21/09/2021.	

3.2 Ombudsman

No appeals

4.0 Web Registrations

The number of members registered for online member web are:

Active	7757	33.48%
Deferred	5774	22.76%
Pensioner	5205	20.40%

Appendices

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

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Fire Services Shared Service

1.0 Scheme Information

1.1 Membership numbers in the Fire Schemes are as follows:

Fire Authority	Actives	Deferred	Pensioner	Undecided	Frozen Refund
West Yorkshire	979	303	2,423	2	4
South Yorkshire	593	147	1323	0	0
North Yorkshire	619	400	614	0	0
Humberside	700	279	1,066	0	0
Lincolnshire	578	632	364	0	0
Royal Berkshire	407	219	508	2	0
Bucks and Milton Keynes	354	352	487	1	5
Devon and Somerset	1,571	1039	1,433	3	0
Dorset and Wiltshire	957	647	934	0	0
Tyne and Wear	538	119	1,422	0	0
Northumberland	247	213	378	0	0
Norfolk	655	299	562	0	0
Staffordshire	574	645	789	0	0
Hereford and Worcester	573	348	527	0	0
Durham and Darlington	449	229	616	1	0
East Sussex Fire	554	368	654	4	0
Derbyshire Fire	601	365	713	13	0
Leicestershire Fire	512	320	627	13	0
Nottinghamshire Fire	612	392	844	7	0
Northamptonshire Fire	374	285	364	12	16
Cambridgeshire Fire	441	440	443	3	10

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

2.0 Member Contact

Over the quarter July to September we received **1** online customer responses.

Over the quarter July to September **121** Fire member's sample survey letters were sent out and **15 (12.4%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
77.5%	91.2%	93%	91.8%	87.9%

Appendix C – Customer survey results.

3.0 Immediate Detriment Framework

3.1 The Local Government Association (LGA) and the FBU have agreed a Framework and signed a Memorandum of Understanding, setting out a mechanism for handling Immediate Detriment cases, to assist all parties prior to completion and implementation of the McCloud/Sargeant remedying legislation.

The Government has recently published a policy paper on the Taxation of public service pension remedy. This measure provides for technical updates to pensions tax legislation. The measure will provide a power to make detailed technical changes in secondary legislation to ensure smooth implementation of the remedy to the unlawful age discrimination found in public service pension schemes (the ‘McCloud’ case) after the 2015 public service pension reform.

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

Legislative changes are required to ensure that the remedy will be provided under the Public Service Pensions and Judicial Offices Bill can work retrospectively. This measure will provide a power in the Finance Bill 2021-22 to make detailed technical changes in secondary legislation. For example, provision will be made regarding:

- providing an exemption to a tax charge on the compensation an individual may receive if, following the remedy, they are owed money
- allowing an individual to protect their pension rights from lifetime allowance charges calculated on the higher of the two pension choices available to them
- additional annual allowance to be available so that an individual will not pay more annual allowance charge than they would have done if they had accrued their chosen benefits in the relevant tax years
- where a scheme has paid lifetime allowance or annual allowance charges on behalf of the individual, but that accrual is now under a different scheme, for the payment to be deemed to have been paid by the latter scheme, and
- ensuring that payments of pensions and lump sums that would have been authorised payments had they been made at the relevant time, are treated as meeting the conditions to be authorised

3.2 On 29 November 2021, the Home Office withdrew its informal and non-statutory guidance on processing certain kinds of immediate detriment case ahead of legislation, with immediate effect. The decision to withdraw the guidance was indicated as being based on HM Treasury's best assessment on the advisability of processing immediate detriment cases.

3.3 The percentage number of Annual Benefit Statements to active member's and Deferred Benefit Statements to deferred members issued by 31 August across all schemes was100%.

4.0 Web Registrations

The number of members registered for online member web are:

Active	7,988	61.9%
Deferred	548	6.82%
Pensioner	1,301	7.60%

Appendices

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

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Customer Survey Results - Lincolnshire Members
(1st July to 30th September 2021)

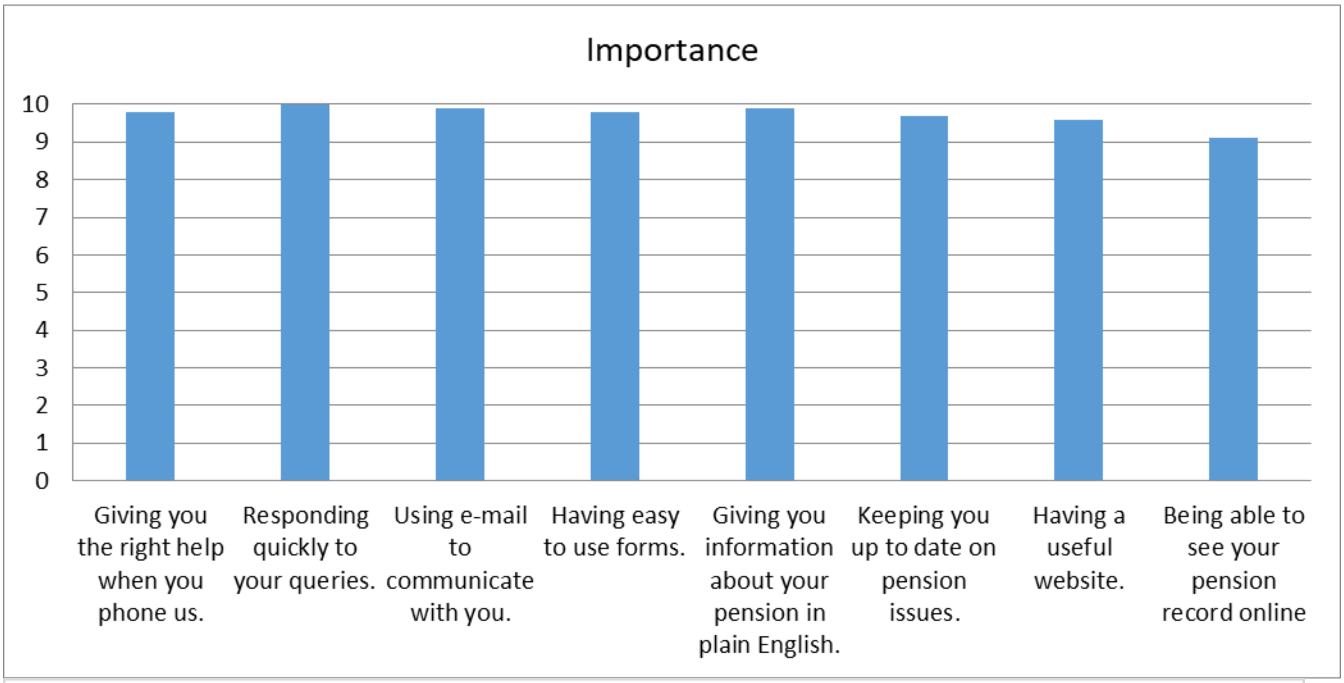
Over the quarter July to September we received **2** online customer responses.

Over the quarter July to September **132** Lincolnshire member's sample survey letters were sent out and **16 (12.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
94.9%	82.1%	86.8%	81.7%	96.9%

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



Sample of positive comments:

Member Number	Comments
XXXXX	Very informative and helpful. My birth and marriage certificate lost in post, person who dealt with in Bradford was so helpful and understanding and would like to say big thank you, think his name was XX.
XXXXX	Did exactly what I asked you to do, on hold for a while but all sorted in one call.
XXXXX	Helpful and information. All the ladies who I spoke to on phone was helpful. I felt valued.
XXXXX	Very efficient, helpful & friendly team. : Very pleased with all the prompt email responses, friendly service, and helpful staff.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Customer Survey Results - Hounslow Members (1st July to 30th September 2021)

DocQ AppxB

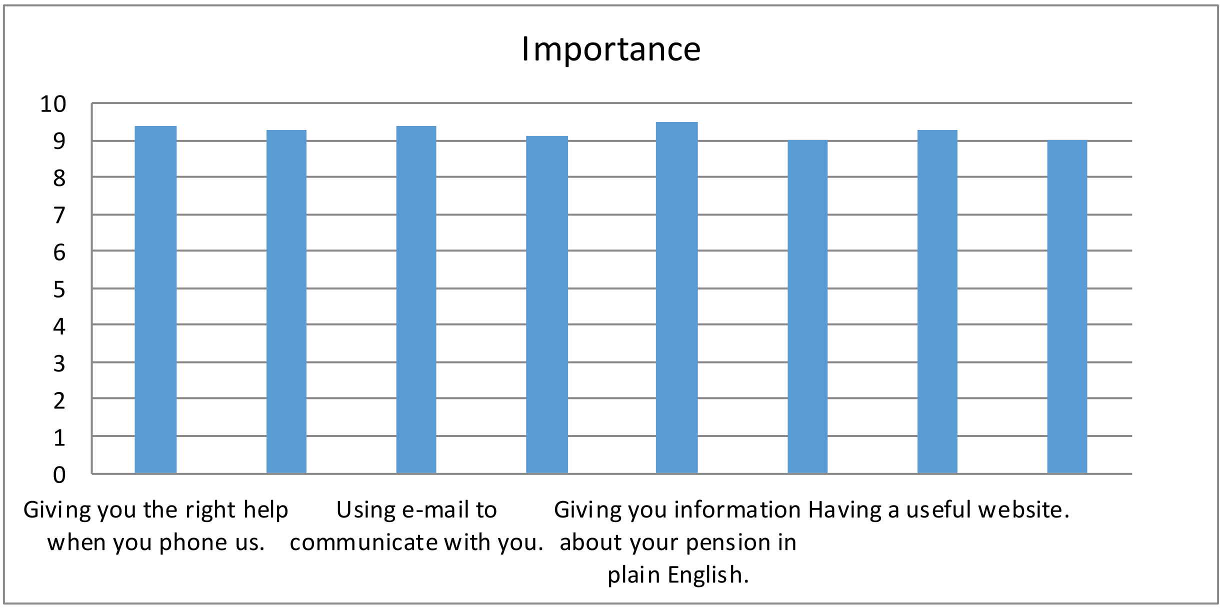
Over the quarter July to September we received **1** online customer response.

Over the quarter July to September **66** Hounslow member's sample survey letters were sent out and **10 (15.2%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
90.6%	92.6%	83.6%	96.3%	96.4%

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



Sample of positive comments:

Member Number	Comments
XXXXX	100% excellent service
XXXXX	very helpful, clear and easy instructions. excellent, quick and easy.
XXXXXX	Found the whole system very easy and quick response.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Customer Survey Results – Barnet Members DocQ AppxC
(1st July to 30th September 2021)

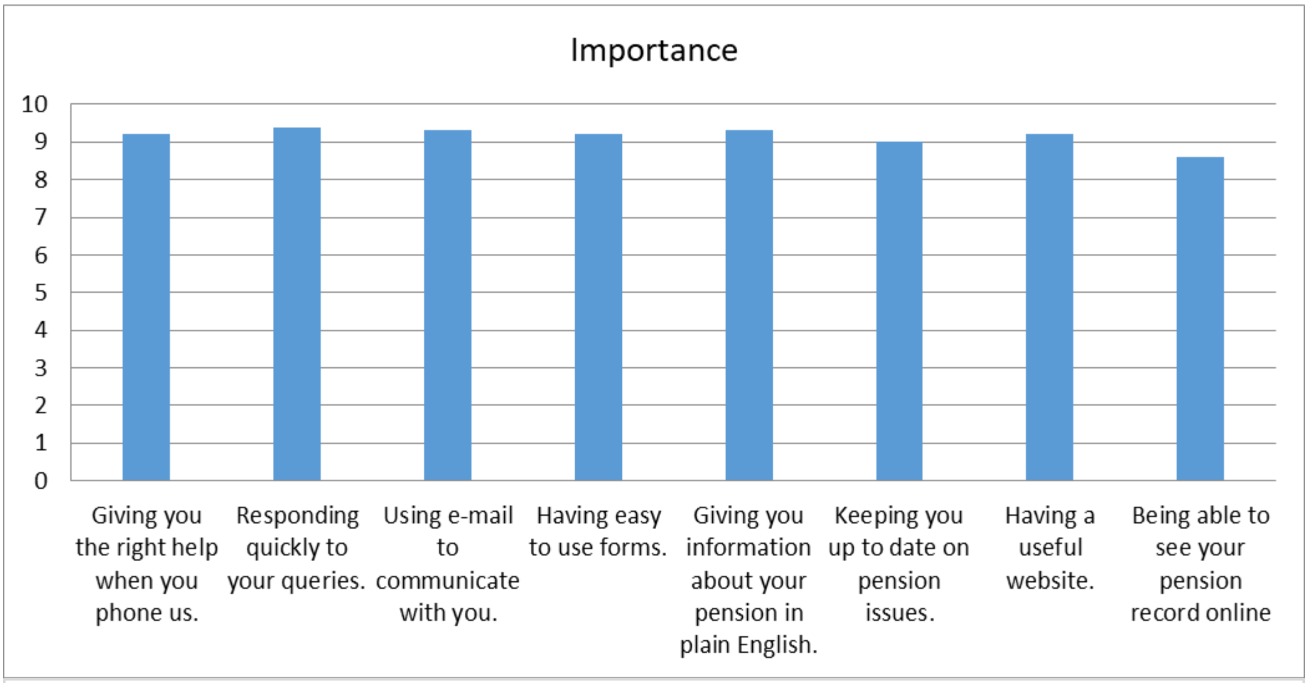
Over the quarter July to September we received **2** online customer responses.

Over the quarter July to September **91** Barnet member's sample survey letters were sent out and **16 (17.6%)** returned:

Overall Customer Satisfaction Score:

January to March 2021	April to June 2021	July to September 2021
91.9%	87.2%	87.3%

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



Sample of positive comments:

Member Name /Number	Comments
XXXXX	Excellent, very professional service. XXXX was very helpful, answer my all questions well done.
XXXXX	Your team was very helpful and efficient. Thank you for your service, I was very happy when dealing with you all.
XXXXX	The service provider was very efficient and professional.
XXXXX	Very easy to use, issues resolved very quickly.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Customer Survey Results - Fire Members
(1st July to 30th September 2021)

DocQ AppxD

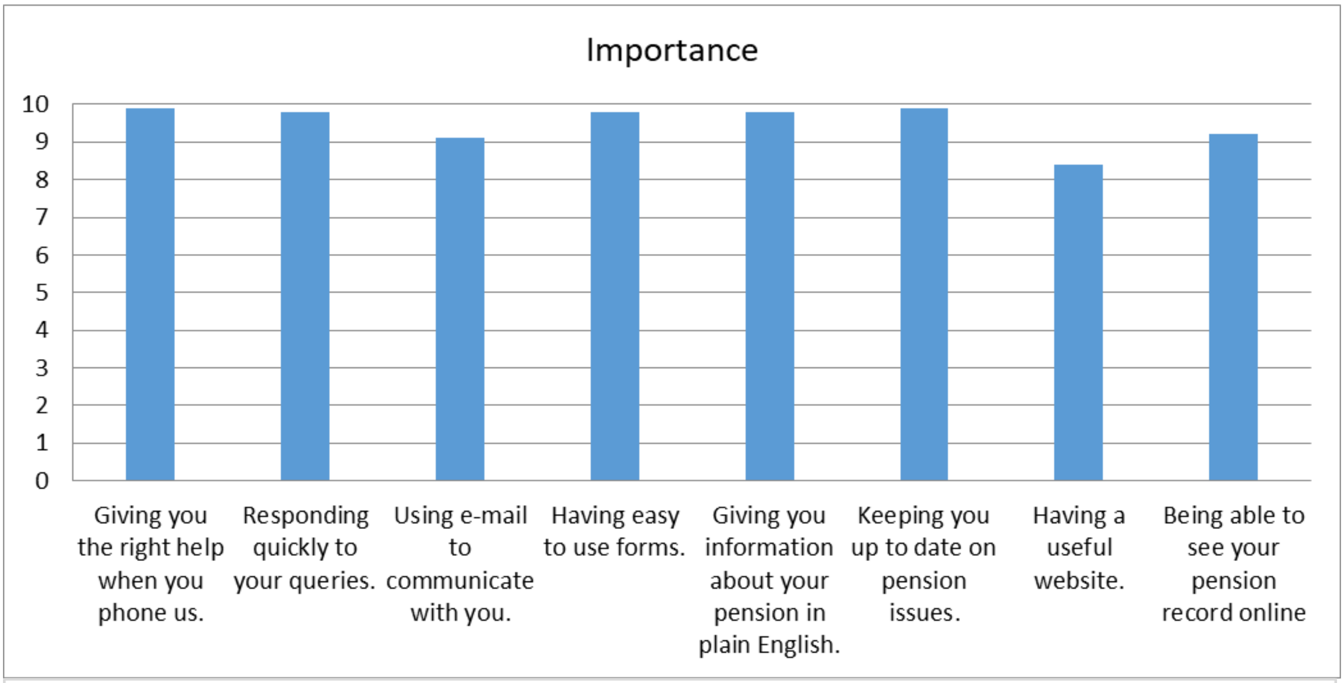
Over the quarter July to September we received **1** online customer responses.

Over the quarter July to September **121** Fire member's sample survey letters were sent out and **15 (12.4%)** returned:

Overall Customer Satisfaction Score;

July to September 2020	October to December 2020	January to March 2021	April to June 2021	July to September 2021
77.5%	91.2%	93%	91.8%	87.9%

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



Sample of positive comments:

Member Name /Number	Comments
XXXXX	WYPF have very good services, I am extremely happy. Initially my first enquiry was not replied to, however I found out that it was particularly busy period for you, once this was over you responded quickly and efficiently.
XXXXX	Excellent service, you responded every query very promptly and provided information. good service, I would have more use of service.
XXXXX	Good response from your staff whenever I have contacted you by phone.
XXXXX	Professional, friendly and easy to use. Excellent service, well done everyone

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Agenda Item 12/

Report of the Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27January 2022

R

Subject: Local Government Pension Scheme Regulations update

Summary statement:

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

Recommendation:

It is recommended that Members note this report.

Rodney Barton
Director

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

Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

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 near future.

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 Committee 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:

- moving to a reformed scheme only design so that the mechanism only considers past and future service in the reformed schemes. Costs related to legacy schemes are excluded
- the cost corridor will be widened from two per cent to three per cent of pensionable pay
- introducing an economic check so that a breach of the mechanism will only be implemented if it still would have occurred had the long-term economic assumptions been considered.

The Government is aiming to implement all three proposals in time for the 2022 valuations. It will work with the DLUHC and LGPS stakeholders to consider:

- the most appropriate way to implement the reformed scheme only design in the LGPS (including how to treat the underpin)
- whether it is desirable for the SAB process to be adapted in line with the principles of the economic check.

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. SAB agreed to spread McCloud costs over a 10 year period (rather than the 4 used by HMT) resulting in an outcome of 19.4% against a target cost of 19.5%.

Despite the slight shortfall in cost SAB agreed not to recommend any scheme changes, in particular citing the unwelcome impact of having to backdate any changes to April 2019 would have on already hard pressed administration teams. However SAB has set out its determination to revisit third tier ill health and contributions for the lowest paid members with the view to making recommendations in these areas separately to the cost management process.

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 **Publication of SF3 data for 2020 to 2021**

On 27 October 2021, DLUHC published Local government pension scheme statistics (SF3 statistics) for England and Wales: 2020 to 2021. Highlights include:

- total expenditure of £13.4 billion
- total income of £17.2 billion, an increase of 7.5 per cent on 2019/20

- employer contributions increased by 32.46 per cent on 2019/20 to £10.2 billion
- employee contributions of £2.4 billion
- the market value of LGPS funds in England and Wales on 31 March 2021 was £332.7 billion, an increase of 22.14 per cent
- there were 6.1 million scheme members on 31 March 2021, 2.0 million active members, 1.8 million pensioners and 2.2 million deferred members
- there were 82,567 retirements in 2020/21, a decrease of 6.4 per cent compared with 2019/20.

4.6 **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.

5 **Other matters**

5.1 **Pension Schemes Act 2021**

Following completion of passage through Parliament of the Pensions Bill, on 11 February 2021 the Pension Schemes Act 2021 became law. However, the majority of provisions are not currently in force and regulations are needed to bring them into force and to provide detail about how they will work.

On 8 November 2021, the Government published its response to 'Pension scams: empowering trustees and protecting members' consultation. It also laid the regulations, which took effect from 30 November 2021.

These regulations introduce further legal restrictions to the member's statutory right to transfer. The regulations give schemes tools to act where suspicions about the circumstances that have prompted the transfer request are identified. It will no longer be a case that the member can insist on statutory transfer taking place in such circumstances. There are two key new measures, decision making and disclosure.

Other than transfers to public service schemes, master trusts and collective money purchase schemes, schemes must decide if there are any red flags present and whether there are any amber flags present. If there are red flags present a transfer must not be paid. If there are any amber flags present the transfer must be paused until the member can provide evidence that they have received pension scams guidance from MoneyHelper.

On the same day the Pensions Regulator published guidance to help schemes understand their new powers to halt suspicious transfers.

5.2 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.

.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 Second Review of State Pension Age

DWP launced 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.

6. Recommendation

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

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City of
BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022

S

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 imposes a requirement to report a matter to The Pensions Regulator, as soon as is reasonably practicable where that person has reasonable cause to believe that:

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

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

A register of any breaches of law is maintained in accordance with West Yorkshire Pension Fund (WYPF) Breaches Procedure.

Recommendations

It is recommended that the Joint Advisory Group note the entries on the 2021/22 Register of Breaches.

Rodney Barton
Director WYPF

Portfolio:

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

Overview & Scrutiny Area:

1. Background

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

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

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

1.2 This requirement applies to:

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

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

2. Reporting Breaches Procedure

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

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

3. Breaches for 2021/22

3.1 The entries on the Register of Breaches for 2021/22, relate 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).

4. Recommendation

It is recommended that the Joint Advisory Group note the entries on the 2021/22 Register of Breaches.

5. Appendix

- Appendix A– Register of Breaches 2021/22

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Appendix A

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 SAB 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 attempt has failed	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
					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 below for details of**	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. **Continuing Action:** Employers are closely monitored.	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
			employers who failed to make payment by the appropriate date.		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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 27 January 2022.

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Subject:

Pensions Administration Strategy and Communications Policy 2022/23

Summary statement:

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

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

The Pensions Administration Strategy has not required any update. The Communications Policy has been updated to reflect activities planned for 2022-23.

Appendix A – Pensions Administration Strategy
Appendix B – Communications Policy

Recommendations:

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

Rodney Barton
Director

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

Portfolio:

Overview & Scrutiny Area:

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

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

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 Joint Advisory Group to be held on 27 January 2022.

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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

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

Portfolio:

Overview & Scrutiny Area:

N/A

1. Training

1.1 New guidance resulting from the Good Govenance 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 JAG member 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 we 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 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 JAG would like some specific training through one to one meetings with the in-house team, then this can be arranged.

4.2 Valuation training for members and officers with AON
The Fund's Actuary, AON will be providing valuation training. This will be held 8 February 2022 at 2pm. Joining details for this online session will be provided to members.

4.3 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.

4.4 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

4.5 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.