

**Agenda for a meeting of the West Yorkshire Pension Fund Joint Advisory Group to be held on Thursday, 26 January 2023 at 1.30 pm in Council Chamber - City Hall, Bradford**

**Members of the Committee**

<p><b><u>Bradford Members</u></b> Councillors: Salam Thornton Winnard</p>	<p><b><u>Calderdale Members</u></b> Councillors: Hutchinson Lynn Pillai</p>
<p><b><u>Kirklees Members</u></b> Councillors: Crook Firth Ramsay</p>	<p><b><u>Leeds Members</u></b> Councillors: Scopes Shemilt vacancy</p>
<p><b><u>Wakefield Members</u></b> Councillors: Mitchell Nicholls Swift</p>	<p><b><u>Trades Union Members</u></b> Tristan Chard (GMB) Andrew Goring (Unison) Liz Bailey (Unison)</p>
<p><b><u>Scheme Members</u></b> Vacancy</p>	

**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:**

Asif Ibrahim  
Director of Legal and Governance  
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**To:**

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## 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 must consider their interests, and act according to the following:*

<b>Type of Interest</b>	<b>You must:</b>
<i>Disclosable Pecuniary Interests</i>	<i>Disclose the interest; not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.</i>
<i>Other Registrable Interests (Directly Related)</i> <b>OR</b> <i>Non-Registrable Interests (Directly Related)</i>	<i>Disclose the interest; speak on the item <u>or</u> if the public are also allowed to speak <u>but</u> otherwise not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.</i>
<i>Other Registrable Interests (Affects)</i> <b>OR</b> <i>Non-Registrable Interests (Affects)</i>	<i>Disclose the interest; remain in the meeting and vote <u>unless</u> the matter affects the financial interest or well-being (a) to a greater extent than it affects the financial interests of a majority of the inhabitants of the affected ward, and (b) a reasonable member of the public, knowing all the facts would believe that would affect your view of the wider public interest; in which case speak on the item <u>only if</u> the public are also allowed to speak <u>but</u> otherwise not do not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.</i>

- (2) *Disclosable pecuniary interests relate to the Member concerned or their spouse/partner.*



(3) *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.*

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

## **2. MINUTES**

**Recommended –**

**That the minutes of the meeting held on 28 July 2022 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. FINANCE REPORT**

1 - 210

The report of the Director, West Yorkshire Pension Fund (**Document “K”**) will be submitted to the Joint Advisory Group and presents the latest financial update for 2022/23, budget proposal for 2023/24 and update on the 2021/22 annual report and accounts (WYPF accounts).

**Recommended –**

**A. That JAG note the content of the annual report and account and suggest any improvements.**

- B. That the projected outturn of £6,264k against budget of £6,254k for 2022/23, projected overspend of £9k be noted.
- C. That the proposed budget of £7,302k for 2023/24 be approved.
- D. That the WYPF total cost per member of £34.06 for 2021/22 and this is the lowest LGPS cost per member. Both Cipfa and CEM benchmark for 2021/22 confirmed that WYPF delivers high level of pension services at below average cost, be noted.

(Ola Ajala – 01274 434534)

## 5. 2022 ACTUARIAL VALUATION

211 -  
216

The Report of the Managing Director, WYPF (**Document “L”**) will be submitted to the Joint Advisory Group as The triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) is being prepared based on the position at 31 March 2022, and will determine the level of employers’ contributions for the period 1 April 2023 to 31 March 2026.

**Recommended –**

**That the report be noted.**

(Caroline Blackburn – 07790 353179)

## 6. EXCLUSION OF THE PUBLIC

Members are asked to consider if the **Not for Publication** Appendix to **Document “M”** relating to the consultation on updates to West Yorkshire Pension Fund Funding Strategy Statement (FSS) should be considered in the absence of the public and, if so, to approve the following recommendation: -

**Recommended –**

**That the public be excluded from the meeting during consideration of the Not for Publication Appendix to Document “M” relating to the consultation on updates to West Yorkshire Pension Fund Funding Strategy Statement (FSS) 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.**

- 7. CONSULTATION ON UPDATES TO WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT (FSS)** 217 - 286

The report of the Managing Director, West Yorkshire Pension Fund (**Document “M”**) informs Members that the Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

The updates to the Funding Strategy Statement that were consulted on are outlined in the report and a copy of the draft Funding Strategy Statement with the changes tracked to aid reference is attached as Appendix A.

(Caroline Blackburn – 07790353179)

- 8. PENSIONS ADMINISTRATION** 287 - 320

The Report of the Director, WYPF (**Document “N”**) will be submitted to the Joint Advisory Group and provides Members with an update on West Yorkshire Pension Fund’s (WYPF) pensions administration activities for the period 1 July 2022 to 31 December 2022.

**Recommended –**

**That the report be noted.**

(Yunus Gajra – 01274 432343)

- 9. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2023** 321 - 348

The Report of the Managing Director, WYPF (**Document “O”**) will be submitted to the Joint Advisory Group 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.

**Recommended –**

**That the Pension Administration Strategy and the Communications Policy 2023 be approved.**

(Yunus Gajra – 01274 432343)

- 10. REGISTER OF BREACHES OF LAW** 349 -

The Report of the Managing Director of WYPF, (**Document “P”**) will be submitted to the Joint Advisory Group in accordance with the Public Service Pensions Act 2013.

**Recommended –**

**That the Local Pension Board note the entries and action taken on the Register of Breaches.**

(Caroline Blackburn – 07790 3531709)

**11. CEM - PENSIONS ADMINISTRATION BENCHMARKING SURVEY (PABS) 359 - 488**

The Report of the Managing Director, WYPF (**Document “Q”**) will be submitted to the Joint Advisory Group to advise Members of the comparison of WYPF’s pension administration costs and member service with a peer group of other schemes, from both public and private sector, for the year to 31 March 2022.

**Recommended –**

**That the report be noted.**

(Yunus Gajra – 01274 432343)

**12. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE 489 - 498**

The Report of the Managing Director, WYPF (**Document “R”**) will be submitted to the Joint Advisory Group and provides Members with an update on changes to the Local Government Pension Scheme (LGPS) 2014 and information on associated matters.

**Recommended –**

**That the report be noted.**

(Tracy Weaver – 01274 433571)

**13. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE - ANNUAL AVC REVIEW 499 - 512**

The Report of the Managing Director of the WYPF, (**Document “S”**) will be submitted to provide Members with details of Aon’s AVC Team review of the performance of Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration annually.

**Recommended –**

**That Scottish Widows are instructed to replace WYPF's bespoke LifeStyle strategy with its Adventurous Pension Approach Strategy Targeting Lump Sum.**

(Tracy Weaver – 01274 433571)

**14. WYPF GOVERNANCE REVIEW**

513 -  
518

The Report of the Managing Director of WYPF, (**Document “T”**) will be submitted to the Joint Advisory Group and sets out at a high level, a proposed process for undertaking a WYPF governance review and initial feedback is sought from Joint Advisory Group members.

**Recommended –**

**That the report be noted and the Joint Advisory Group provide any comments on the outline of the proposed governance review.**

(Euan Miller – 01274 434517)

**15. BUSINESS PLAN 2022 - 2027**

519 -  
574

The Report of the Managing Director, WYPF (**Document “U”**) will be submitted to the Joint Advisory Group to inform members regarding the five-year business plan which highlights objectives for the Fund and documents the priorities and improvement to be implemented to help achieve those objectives.

**Recommended –**

**That the Joint Advisory Group approves the business plan.**

(Yunus Gajra – 01274 432343)

**16. TRAINING**

575 -  
598

The Report of the Managing Director, WYPF (**Document “V”**) will be submitted to the Joint Advisory Group as there is a growing need for LGPS funds to demonstrate that Members have an adequate level of knowledge to carry out their roles effectively. The Report contains details on the available training and conferences to assist members to meet the requirement.

**Recommended –**

- 1. That Members of the JAG undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.**
- 2. That JAG members are also encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.**

(Yunus Gajra – 01274 432343)

THIS AGENDA AND ACCOMPANYING DOCUMENTS HAVE BEEN PRODUCED, WHEREVER POSSIBLE, ON RECYCLED PAPER



## Report of the Director, West Yorkshire Pension Fund, to the meeting of Joint Advisory Group to be held on 26 January 2023.

K

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**Subject: West Yorkshire Pension Fund (WYPF) Finance Report.**

### **Summary statement:**

This report presents the latest financial update for 2022/23, budget proposal for 2023/24 and update on the 2021/22 annual report and accounts (WYPF accounts). The Local Government Pension Scheme Regulations 2013 (LGPS Reg 2013), Regulation 57 specifies that:

1. Using best practice an annual report must be prepared each year ending 31 March.
2. The audited annual report must be published by 1st December following the yearend.

The WYPF accounts forms part of the City of Bradford Metropolitan District Council account, the WYPF accounts has been audited by the Council Auditor "Mazars LLP" and waiting to be signed by Mazars as part of the City of Bradford accounts bundle. The LGPS Regulations 2013 Regulation 56 stipulates that WYPF must supply audited accounts to all its employers. To comply we publish the audited annual report and accounts on our website. Please note that all local authorities 2021/22 final accounts audit opinions have been delayed due to a new Statutory Instrument No1232 on Council accounts that that came into force on 25/12/22.

The 2022/23 total cost per member forecast is £43.16, the latest LGPS 2021/22 published government statistics for WYPF is £34.06. This placed WYPF in 1<sup>st</sup> position, with the lowest cost. The second placed LGPS fund Nottinghamshire cost per member is £68.19. Our target cost per member for 2022/23 is £45 and for 2023/24 £51, this will maintain our performance.

Budget proposals in this report are based on a detailed analysis of costs and planned services that addresses a number of regulatory and service pressures such as McCloud, pension dashboard, digital services and governance across WYPF. The continued expansion of WYPF pension shared service showed increased income to £3,073k in 2022/23 (actual £2,543k in 2021/22), increasing again to £3,222k in 2023/24. The financial resources in this report will support a growing pension shared service with over 496,530 pension admin members, 900 employers and 27 pension administration services across the UK.

The net asset value of the Fund as at 31 March 2022 is £17.98 billion, increase of £1.65 billion (10.12%) compared to 31 March 2021 figure of £16.33 billion, with funding level of 106% 2019.

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Euan Miller  
Managing Director WYPF  
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Financial Controller WYPF  
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**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 report and accounts. The 2021/22 financial outturn, financial and service performance and the draft 2021/22 annual report and accounts (WYPF accounts) are presented to the Joint Advisory Group to note. The same report was presented to Bradford Council Governance and Audit Committee later in October 2022.
- 1.2 This report provides a summary of West Yorkshire Pension Fund's financial position, and key financial activities during the year ended 31 March 2022. The accounts have been prepared in accordance with:
- CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2021/22
  - 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

The annual report and accounts complies with all relevant regulations and best practice.

### **External Auditor work 2021/22**

- 1.3 The Council's auditor Mazars presented their approach to the final audit for WYPF on 28 July 2022. Mazars completed their final account audit work in October 2022, however all local authorities' account audit opinions were delayed to due to new legislative provisions that were implemented for local authority infrastructure assets. The Statutory Instrument 2022 No 1232 dealing with this issue was made on 25 November 2022, laid before Parliament on 30 November 2022 and came into force on Christmas Day 25 December 2022.
- 1.4 We are in discussion with Mazars' officers as to when Bradford Council accounts bundle, including WYPF accounts will be signed.
- 1.5 The latest WYPF Draft Report and Accounts as at 31 March 2022 is attached as Appendix 1 to this report. The current version will remain as a draft account until it is signed. We will update JAG in July 2023. Due to late receipt of a number of private asset valuations the value of asset has increased and as a result investment performance also improved.

## 2 BACKGROUND

### **Net value of assets**

- 2.1 The net asset value of the Fund as at 31 March 2022 is £17,979.47m, a net increase of £1,652.27m (10.12%) compared to 31 March 2021. The table below gives net assets values for the last ten years including 2021/22.



<u>Year to 31 March</u>	<u>Net Asset</u> <u>£m</u>	<u>Increase (Decrease)</u> <u>£m</u>	<u>Increase (Decrease)</u> <u>%</u>
2022	17,979.47	1,652.27	10.12%
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	-65.70	-0.48%
2017	13,632.33	2,421.35	21.60%
2016	11,210.98	-108.22	-0.96%
2015	11,319.20	950.40	9.17%
2014	10,368.80	428.50	4.31%
2013	9,940.30	1,155.89	13.16%

### Change in net assets during the year

- 2.2 The increase in net assets of £1,652.27m between 31 March 2021 and 31 March 2022 is mainly due to positive financial markets movements post the Covid-19 pandemic financial impact.

### Return on investment

- 2.3 The total return on investment in 2021/22 is £1,766.54m (2020/21 £3,189.25m). This is made up of £1,348.59m (2020/21 £2,833.73m) gains in market value and net investment income of £425.22m (2020/21 £361.16m) from dividends, interest, and stock lending commission, less taxes on income £9.14m (2020/21 £7.92m).

### Net cashflow

- 2.4 WYPF continues to have a positive net cashflow, in 2021/22 net cash was £323.27m (2020/21 £297.09m).

(£66,346)	Net additions/(withdrawals) from dealing with members	(£103,825)
£361,159	Investment income	£425,221
£2,278	Stock lending	£1,871
<b>£297,091</b>		<b>£323,269</b>

### Investment performance

- 2.5 In 2021/22 financial assets / investment performance was 10.5%. This is 2.3% above our benchmark. The long term track record is also positive, as shown in the table below, over ten years WYPF has outperformed the benchmark by 0.9% per annum. Investment returns against benchmark are as follows:

<u>31-Mar-22</u>	<u>Annualised Return</u> <u>%</u>	<u>Fund Specific Benchmark</u> <u>%</u>	<u>Over / (Under)</u> <u>%</u>
One Year	10.5	8.2	2.3
Three Years	8.3	6.8	1.5
Five Years	7.1	5.9	1.2
Ten Years	8.7	7.8	0.9

**WYPF pension admin and oversight net expenditure, forecast and budget**

2.6 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 management information and decision making. 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 tables below for 2022/23 and 2023/24.

**WYPF total service cost**

2.7 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 26 January 2023.

WYPF TOTAL SERVICE	2021/22	2022/23	2022/23	2022/23	2022/23	2023/24	2023/24
	OUTTURN	BUDGET	FORECAST	VAR BGT -	COST PER	ORG	ORG
	PD13		PD08 NOV	PD08	MBR PD8	BUDGET	BUDGET
	£000	£000	£000	FAV (ADV) £000		£000	COST PMBR
01 PENSION ADMINISTRATION	4,225	5,250	5,440	-190	£17.17	6,303	£19.36
03 OVERSIGHT	699	1,004	826	178	£2.60	998	£3.06
<b>WYPF PENSION ADMIN &amp; OVERSIGHT</b>	<b>4,924</b>	<b>6,254</b>	<b>6,266</b>	<b>-12</b>	<b>£19.77</b>	<b>7,301</b>	<b>£22.42</b>
<b>02 INVESTMENT MANAGEMENT</b>	<b>5,531</b>	<b>8,496</b>	<b>7,413</b>	<b>1,083</b>	<b>£23.39</b>	<b>9,308</b>	<b>£28.59</b>
<b>TOTAL WYPF NET EXP</b>	<b>10,455</b>	<b>14,750</b>	<b>13,679</b>	<b>1,071</b>	<b>£43.16</b>	<b>16,609</b>	<b>£51.01</b>
		<b>£47.58</b>			<b>-£4.42</b>		<b>+£3.43</b>
<b>WYPF MEMBER NUMBER (SHARED SERVICE 496,530)</b>		<b>310,000</b>			<b>316,930</b>	<b>5.04%</b>	<b>325,630</b>

WYPF PENSION ADMIN & OVERSIGHT	2021/22	2022/23	2022/23	2022/23	2022/23	2023/24	2023/24
	OUTTURN	BUDGET	FORECAST	VAR BGT -	COST	ORG	ORG
	PD13		PD08	PD08	PER	BUDGET	BUDGET
			NOV	FAV	MBR		COST
				(ADV)	PD8		PMBR
	£000	£000	£000	£000		£000	
Accommodation	203	125	179	-54	£0.57	171	0.53
Actuary	189	350	208	142	£0.66	301	0.92
CBMDC Support Services	315	323	382	-59	£1.20	396	1.22
Computer	439	216	688	-472	£2.17	688	2.11
Contingency - Invest to save	0	500	150	350	£0.47	250	0.77
Employees	3,830	4,236	4,566	-330	£14.41	5,281	16.22
Other Running Costs	576	725	723	2	£2.28	749	2.30
Printing & stationery	371	295	388	-93	£1.22	346	1.06
WYPF Support Services	1,582	2,275	2,138	137	£6.74	2,342	7.19
<b>WYPF TOTAL SERVICE EXPENDITURE</b>	<b>7,505</b>	<b>9,045</b>	<b>9,422</b>	<b>-377</b>	<b>£29.73</b>	<b>10,524</b>	<b>32.32</b>
Other Income	-77	0	-85	85	-£0.27	0	0.00
Shared Service Income	-2,504	-2,790	-3,073	283	-£9.69	-3,222	-9.90
<b>WYPF TOTAL SERVICE NET EXPENDITURE</b>	<b>4,924</b>	<b>6,255</b>	<b>6,264</b>	<b>-9</b>	<b>£19.77</b>	<b>7,302</b>	<b>22.42</b>
<b>Cost per member</b>		<b>£20.18</b>			<b>-£0.41</b>		<b>+£2.24</b>
<b>WYPF MEMBER NUMBER (SHARED SERVICE 496,530)</b>		<b>310,000</b>			<b>316,930</b>	<b>5.04%</b>	<b>325,630</b>

2.8 Variances between the budget and outturn for 2022/23 are mainly due to:

- **Accommodation costs:** Increased spend forecast for 2022/23 of £91k is due to increased cost of building repairs, cleaning, electricity and gas.

The budget for 2023/24 is based on current charges of £179k, we expect gas and electric charges to go up again during 2023/24.

- **Actuarial costs:** The reduction in cost forecast for 2022/23 is the result of two invest to save projects:

a.) Monthly unitisation data – traditionally information is shared every three years with the actuary during triennial valuation years. We now send monthly 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 employers pension management performance to be actively managed each month. This means employers leaving or joining, IAS19 reports etc can be dealt with more efficiently and at reduced costs.

b.) We continue to review our cost control processes in Finance and Technical teams ensuring 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.

2023/24 Actuary budget is based on current contract prices and current level of usage.

- **CBMDC Support Services:** A projected charge of £382k is expected for 2022/23.

A budget of £396k is provided for 2023/24. The increase reflects increased number of staff working in pension admin.

- **Computer costs:** 2022/23 £688k forecast, this include a provision of £319k for cost of IT systems being developed to deliver McCloud, Pension Dashboard and a number of pension regulatory changes. The increased cost for 2022/23 will be funded from invest to save provisions and additional £1 per member charge to all shared partners.

2023/24 £688k is based 2022/23 projection and the same level of system development provisions to deliver regulatory changes and system automation.

- **Invest to Save resources:** Provision reduced to £150k.

2023/24 a total provision of £250k is provided - £150k for service reviews and improvements, process and procedure reviews and £100k for general activities.

- **Employee costs:** 2022/23 forecast is £4,566k, we have been successful in filling a number of pension administration posts. However, there are still a number of areas across WYPF, where we are struggling to fill professional posts.

For 2023/24 we have budgeted for full structure, total cost of £5,281k, this is based on current cost of each post.

- **Other running costs:** Service cost forecast for 2022/23 is £704k.

Budget for 2023/24 is £782k.

- **Printing and postage:** Increased cost of £388k for 2022/23 is due to new clients joining our shared service of letters sent to new clients' members; and slow take up of MyPension by our members.

For 2023/24 a reduced budget of £346k is provided to enforce some reduction.

- **WYPF Support Services:** The total charge to pension admin and oversight is based on specific usage factors, the charge for 2022/23 is a forecast of £2,138k.

For 2023/24 a budget of £2,342 is proposed.

- **Other income:** Income of £90k for 2022/23 is our best forecast, we are reviewing this area of service.

Budget for 2023/24 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 costs incurred.

- **Shared service income:** Forecast for 2022/23 is £3,073k against income budget of £2,790k underspend of £283k. We charge our service partners based on actual costs. This ensure we share cost savings across the group, keeping our cost low and bringing in more business.

Budget for 2023/24 is currently set at £3,222k, the increased income is based on projected number of members within the pension admin shared services.

### 2023/24 Pension admin and oversight net budget and expenditure forecast

- 2.9 The budget for 2023/24 was compiled using activity base budgeting, adjusted for cost specific inflation, additional service costs and removing cost of services not needed. This process resulted in a base budget of £7,302k. We are using invest to save strategies to manage a number of budget and service pressures from a resource pool of £250k. This is funded from increase of £432k in shared service income budget of £2,790 in 2022/23 to £3,222k in 2023/24. The £250k resource will be released after further consideration by management of business cases during 2023/24.

### Cost performance 2021/22 WYPF Cost per member

- 2.10 Based on government statistics sf3 result for 2021/22 annual cost of administering West Yorkshire Pension Fund per member is £13.76 (3rd), investment management £18.02 (1st), oversight and governance £2.28 (5th) giving a total management cost per member of £34.06 (1st). These figures placed WYPF 1st in the LGPS league table. The second place fund Nottinghamshire total cost is £68.19.

WYPF COST PER MEMBER	2019/20	2020/21	2021/22	2021/22 COST PER MBR	2022/23 BUDGET	2022/23 COST PER MBR PD8	2023/24 FRCSTYR1 COST PMBR
	ACTUAL	ACTUAL		ACTUAL		FORECAST	
<b>MEMBER NUMBER</b>	<b>SF3</b>	<b>SF3</b>	<b>BDGT</b>	<b>SF3</b>	<b>BDGT</b>		
WYPF PENSION ADMIN	£16.23	£13.46	£13.73	£13.76	£16.82	£17.17	£19.36
WYPF INVEST MANAGEMENT	£22.83	£17.25	£17.97	£18.02	£28.29	£23.39	£28.59
WYPF OVERSIGHT	£2.88	£2.93	£2.27	£2.28	£3.09	£2.60	£3.06
<b>TOTAL COST PER MEMBER</b>	<b>£41.94</b>	<b>£33.64</b>	<b>£33.97</b>	<b>£34.06</b>	<b>£48.20</b>	<b>£43.16</b>	<b>£51.01</b>
INVESTMENT VALUE (000)	£13,180,582	£16,267,534	£17,760,000	£17,760,000	£17,500,000	£17,760,000	£18,000,000
COST OF INVEST MANAGEMENT	£6,697	£5,129	£5,531	£8,496	£6,090	£7,413	£9,308
<b>COST OF INVEST MANAGEMENT IN BASIS POINTS (bps)</b>	<b>5.08</b>	<b>3.15</b>	<b>3.11</b>	<b>4.78</b>	<b>3.48</b>	<b>4.17</b>	<b>5.17</b>

### Investment cost of management in basis points (bps)

2.11 Using basis points (bps) WYPF investment cost is between 3 and 5 bps of current investment asset value range of between £17.5 to £18.0 billion. Based on the Investment Association survey for the 2021 calendar year the average cost of investment management is 27bps, this is 400% 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 2020/21 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 85	2020/21									
	Invest mngm t pr mbr	Ra nk	Pensi on Admi n pr mbr	Ra nk	Gov & Ovsh t pr mbr	Ra nk	Total mngm t cost pr mbr	Ran k	Total mng mt cost pr mbr	Ra nk
West Yorkshire Superannuation Fund	18.02	1	13.76	3	2.28	5	34.06	1	33.63	1
Nottinghamshire	36.36	2	21.63	21	10.20	34	68.19	2	60.87	2
East Riding of Yorkshire UA	41.22	3	19.03	10	8.23	22	68.48	3	80.99	3
Middlesbrough UA	69.60	5	28.45	41	5.29	9	103.34	4	101.6 4	5
Surrey	93.67	7	33.85	54	-	1	127.52	5	116.6 0	7
Bedfordshire	103.10	8	19.25	14	16.95	62	139.30	6	128.6 4	8
Islington	54.90	4	68.52	75	22.32	71	145.74	7	135.2 2	10
Lewisham	87.48	6	44.43	64	16.07	59	147.98	8	109.8 9	6
Somerset	122.42	10	19.61	16	8.39	24	150.41	9	134.5 1	9
West Sussex	124.36	11	14.74	4	12.12	46	151.22	10	471.9 7	72
Lincolnshire	154.02	18	15.01	5	10.11	33	179.14	11	150.9 4	11
Hounslow	227.72	33	42.66	61	6.65	16	277.03	34	211.5 4	29
Tameside	280.64	49	15.28	6	3.09	6	299.00	41	101.6 3	4
Merseyside Pension Fund	289.38	51	22.46	24	14.20	50	326.04	47	284.1 7	44
Barnet	396.29	69	36.01	57	25.99	75	458.29	68	421.8 9	63
<b>England &amp; Wales AVERAGE</b>	<b>282.32</b>		<b>26.68</b>		<b>11.21</b>		<b>320.20</b>	<b>117 %</b>	<b>274.3 4</b>	

2.12 Based on the latest government statistics sf3 figures LGPS average cost went up by 17%, WYPF went up by 1% between 2020/21 and 2021/22. The latest Cipfa and CEM benchmarking report also confirmed WYPF to be a high performing and low cost pension fund when compared to peer organisations within LGPS and the private sector.

### **3 OTHER CONSIDERATIONS**

The financial accounts for the Council will be approved by the Governance and Audit Committee later in the year and an update will be provided at JAG's next meeting in July 2023.

### **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.

### **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 the outcome of key financial controls in operation during the financial year.

### **6 LEGAL APPRAISAL**

The WYPF accounts is normally signed and published by the due date of 1 December, however due to the need for government to provide additional statutory cover for local authorities to change accounting disclosures for infrastructure assets, signing of all LGPS accounts and local authorities accounts was delayed. The necessary statutory instruments came into force on Christmas Day, 25 December 2022. There is no statutory implication for the current delay in signing the account. Both Mazars and Bradford Council are working hard to sign the accounts as soon as possible.

### **7 OTHER IMPLICATIONS**

None

### **8 RECOMMENDATION**

- A. JAG note the content of the annual report and account and suggest any improvements.
- B. Note the projected outturn of £6,264k against budget of £6,254k for 2022/23, projected overspend of £9k.
- C. Approve the proposed budget of £7,302k for 2023/24.
- D. Note the WYPF total cost per member of £34.06 for 2021/22 and this is the lowest LGPS cost per member. Both Cipfa and CEM benchmark for 2021/22 confirmed that WYPF delivers high level of pension services at below average cost.

### **9 APPENDICES**

Appendix 1 – WYPF Draft Report and Accounts 2021/22





West Yorkshire Pension Fund

# REPORT & ACCOUNTS

*Report and Accounts  
for the year ended  
31 March 2022*

21  
22

*West Yorkshire Pension Fund is administered by City  
of Bradford Metropolitan District Council • Pension  
Schemes Registry Number 10041078*

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## SECTION 1: FOREWORD

# FOREWORD

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. As at 31 March 2022 we had 307,797 members and 463 active employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield. In total within our Shared Service administration arrangements we serve 479,574 members and over 950 active employers.

All aspects of our operations have felt the impact of the Covid-19 pandemic, our staff have adopted hybrid working and most are now working two days in the office and three days remotely. In addition to Covid-19, the war in Ukraine, started by Russia has increased investment markets volatility.

Our asset valuation rose by over 10.5% to £17.84 billion at the end of March, leaving WYPF very well-funded. Investment market performance was strong up to February 2022, until the Russian invasion of Ukraine, resulting in 1% loss of value in our investment performance for the last quarter of the financial year.

We continued our asset allocation shift to increase infrastructure, property and credit strategies, and reductions in equities and government bonds, all of which is designed to improve diversification within the portfolio. This is being delivered in the context of our Environmental, Social and Governance policies, which have been considered in detail and further developed by the Investment Advisory Panel during the year.

Our collaborative engagements with companies on a range of issues through the Local Authority Pension Fund Forum (LAPFF) have met with increasing success this year, helped by the increasing number of asset managers taking a positive stance on a range of issues.

Our administration teams whilst working in a hybrid way due to the pandemic have continued to deliver the service to a very high standard throughout the year. Not only has the service been maintained, but they have also successfully taken on the administration of a further four Fire and Rescue Authority pension funds in the year. We continue to deliver exceptional results.



**Councillor Andrew Thornton**

**Chair**

**Joint Advisory Group and Investment Advisory Panel**

# MANAGEMENT STRUCTURE





## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

### Members of the WYPF Joint Advisory Group

<b>Bradford Council</b> Councillor A Thornton <b>Chair</b>	Councillor G Winnard <b>Deputy Chair</b>	Councillor T Salam
<b>Calderdale Council</b> Councillor S Baines MBE Councillor B Metcalfe (Until May 21)	Councillor J Lynn	Councillor Colin Hutchinson (From May 21)
<b>Kirklees Council</b> Councillor E Firth Councillor G Asif (Until May 21)	Councillor H Uppal (From May 21) Councillor R Murgatroyd (Until May 21)	Councillor J Ramsay (From May 21)
<b>Leeds Council</b> Councillor A Scopes Councillor P Harrand (Until May 21)	Councillor J Shemilt (From May 21)	Councillor N Dawson (Until May 21)
<b>Wakefield Council</b> Councillor K Swift (From May 21) Councillor J Speight (Until May 21)	Councillor M Collins (From May 21) Councillor M Graham (Until May 21)	Councillor H Mitchell (From May 21)
<b>Trade union representatives</b> T Chard – GMB	L Bailey – UNISON	A Goring – UNISON
<b>Scheme member representatives</b> M Morris		
<b>Representative from Finance Directors of the councils of West Yorkshire</b> N Broadbent - Head of Finance Calderdale		

### Members of the WYPF Investment Advisory Panel

<b>Bradford Council</b> Councillor A Thornton <b>Chair</b>	Councillor G Winnard	
<b>Calderdale Council</b> Councillor J Lynn	Councillor S Baines MBE	
<b>Kirklees Council</b> Councillor E Firth	Councillor H Uppal (From May 21)	Councillor G Asif (Until May 21)
<b>Leeds Council</b> Councillor A Scopes	Councillor J Shemilt (From May 21)	Councillor P Harrand (Until May 21)
<b>Wakefield Council</b> Councillor M Collins (From May 21) Councillor J Speight (Until May 21)	Councillor H Mitchell (From May 21)	Councillor M Graham (Until May 21)
<b>Trade union representatives</b> L Bailey <b>Deputy Chair</b> – UNISON	T Chard – GMB	A Goring – UNISON
<b>West Yorkshire Pension Fund</b> R Barton - Director		
<b>External advisors</b> M Stevens	M George	P Hebson
<b>Representative from the Finance Directors of the councils of West Yorkshire</b> N Broadbent - Head of Finance, Calderdale Council		
<b>Scheme member representatives</b> C Greaves	P Cole	

## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

### Members of the WYPF Local Pension Board

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<b>Employer representatives</b>		
Councillor S Lal <b>Chair</b> Bradford MDC	Councillor D Jenkins (until May 21) Leeds CC	Councillor K Johnson Wakefield MDC
Councillor L Malkin (From Sept 21) Wakefield MDC	Councillor H Mitchell (Until Jun 21) Wakefield MDC	Councillor L Martin (From May 21) Leeds City Council
R Manning - Northern School of Contemporary Dance (Until Sept 21)	B Petty – University of Bradford (From Dec 21)	
<b>Member representatives</b>		
G Nesbitt – GMB (Until April 22) M Binks – UNISON (Until April 22)	C Sykes – UNISON	M Morris – Unite

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### Appointed service providers and advisers

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<b>Actuarial services</b>	Aon 1 Redcliff Street Bristol BS1 6NP	
<b>AVC providers</b>	Utmost Life and Pensions Walton Street Aylesbury Bucks HP21 7QW	Scottish Widows PO Box 902 15 Dalkeith Road Edinburgh EH16 5BU
	Prudential Lancing BN15 8GB	
<b>Section 151 officer</b>	Chris Chapman - Director of Finance / s151 Officer City of Bradford Metropolitan District Council Britannia House Bradford BD1 1HX	
<b>Auditors</b>	Mazars LLP 5 <sup>th</sup> Floor 3 Wellington Place Leeds LS1 4AP	
<b>Banking Services</b>	HSBC 8 Canada Square Canary Wharf London E14 5HQ	
<b>Custodial Services</b>	Northern Trust One Canada Square Canary Wharf London E14 5AB	
<b>Legal Adviser</b>	Parveen Akhtar - City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY	
<b>Pensions Computer Services</b>	Civica Plc Vanguard House Dewsbury Road Leeds LS11 5DD	

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# LOCAL PENSION BOARD ANNUAL REPORT



## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

# Annual Report of the West Yorkshire Pension Fund Pension Board 2021/2022

## Introduction

I am pleased to present the report of the local pension board for West Yorkshire Pension Fund (WYPF) for the year 2021/22. The WYPF Pension Board was established as a result of the Public Sector Pensions Act 2013, which required all public sector pension schemes to set up a representative local pension board by 1 April 2015. The board operates independently from both the Joint Advisory Group and Investment Advisory Panel. The role of the pension board is to assist the administering authority in securing compliance with all regulations and legislation and to help ensure the effective, efficient governance and administration of the scheme.

Local pension boards have no executive powers. The board can scrutinise compliance with regulations and call WYPF officers or the WYPF Joint Advisory Group and Investment Advisory Panel to account, but we are not a decision-making body. The aim of the board is to focus our discussions on providing scrutiny of WYPF's decision-making process and provide input from the perspective of scheme members and employers.

## Governance arrangements

The governance arrangements of the fund and relationship with the Scheme Manager (City of Bradford MDC), Local Pension Board, Joint Advisory Group and Investment Advisory Panel are detailed in the fund's Governance Compliance Statement in Appendix F and can also be found on the funds website at: <https://www.wypf.org.uk/publications/policy-home/wypf-index/governance-compliance-statement/>

## Constitution and membership

Local pension boards must contain an equal number of employer and scheme member representatives. WYPF's pension board has been established with four employer and four member representatives.

During 2021 three of the employer representatives left the board - Councillor Jenkins – Leeds City Council, Councillor Mitchell – Wakefield Council and Ruth Manning- Northern School of Contemporary Dance. I would like to thank them for their support during their tenure.

As a result three new members joined the board during the year Councillor Martin – Leeds City Council, Councillor Malkin – Wakefield Council and Ben Petty- University of Bradford.

The membership of the board at the end of 2022 is listed below:

## Employer representatives

- Councillor S Lal (Chair) – City of Bradford MDC
- Councillor L Martin – Leeds CC
- Councillor L Malkin – Wakefield MDC
- Ben Petty University of Bradford

## Member representatives

- A Jones – Unite
- M Binks – Unison
- C Sykes – Unison
- G Nesbitt – GMB

Information about the board members and their contact details, are available on the WYPF website at: <https://www.wypf.org.uk/pension-boards/wypf-index/>



# SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

## Meetings

During the year the board held four meetings:

- 22 June 2021 (due Covid issues the meeting took place on 14 September)
- 14 September 2021
- 14 December 2021 (due Covid issues the meeting took place on 22 March 2022)
- 22 March 2022

Information about the board, including minutes of board meetings, is available on the Bradford Council website via the following link: <https://bradford.moderngov.co.uk/ieListMeetings.aspx?Cid=286&Year=0?Cid=286&Year=0>

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

The agenda of every Board meeting contains information on upcoming industry events and training opportunities. In addition, there is a vast amount of experience available for members in the fund. Members are encouraged to contact the fund if they feel they would benefit from 1 to 1 training on specific areas. Officers also arrange specific in house training events for Investment Panel, Pensions Board and Joint Advisory Group members to attend during the year.

The year 2022 is a valuation year and valuation training was provided to all Pension Board members on 8 February 2022. In addition, all pension board members are encouraged to undertake the Pensions Regulator Toolkit training, which is an online learning programme aimed at trustees of occupational pension schemes. The training includes a series of online learning modules and downloadable resources developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

## The work programme

Services to members and employers continues to be high on the board's agenda. The meetings during the year received the following reports:

- Minutes of the Joint Advisory Group meetings
- Updates to the Pensions Administration Strategy
- Proposed updates to the Funding Strategy Statement
- Register of Breaches of Law
- Local Government Pension Scheme updates
- 2021/22 WYPF Service Budget
- Training conferences and seminars
- Minutes of Investment Advisory Panel
- Report and Accounts
- Audit Plan
- 2021 Annual Benefit Statement Exercise
- Data Improvement Plan
- McCloud Planning
- Risk Register
- Communication Strategy
- Pensions Dashboard
- WYPF Pensions Administration report
- CEM Benchmarking

## SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

### Conclusion

This is the sixth report of the WYPF Pension Board I would like to thank all members of the board, our officers and advisers for their continued support and assistance.



**Councillor S Lal Chair of WYPF Pension Board.**

# PENSIONS ADMINISTRATION REVIEW



### Overview and legal status of West Yorkshire Pension Fund

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

### Administering authority

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

### HMRC registration

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

### Fund activities during the year

#### Covid-19

The impact of the covid-19 pandemic has resulted in a number of changes to the way we have delivered our services to both members and employers in the pension fund.

#### Annual meetings in 2021/22

WYPF held its eighteenth annual meeting for scheme members on 27th October 2021 but due to the Covid-19 pandemic this was held as an online meeting. Pension fund members logged onto a video feed of the meeting.

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. As usual, there were presentations from Rodney Barton, WYPF's director, and from the Fund's external investment advisers. Our employers' annual meeting was also held virtually on 28th October 2021. Topics covered were the pension fund valuation, and updates on the Fund including its investments and administration, and the general economic and financial market climate.

#### Employer training during 2021/22

During the summer of 2020 we launched our employer webcasts under the heading 'Training Tuesdays'. These replaced our popular half-day workshops and allowed us to continue offering employers training throughout the year. The webcasts were also recorded and available on demand on our employer website. The following topics are covered using webcasts and online training tools:

- Understanding Assumed Pensionable Pay
- Pension Statement Blocks and Quarantines
- Completing your March return
- Exception reports
- Final pay - the deep dive
- Managing absences in the LGPS
- March return - steps to success
- Managing your contacts
- Online forms
- Processing Pension Statement
- Term time only or not!
- The ill health process
- Understanding Additional Pension Contributions

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

- Understanding Assumed Pensionable Pay (APP)
- Understanding Cumulative Pensionable Pay (CPP)
- Understanding Employer costs
- Understanding employer discretion
- Understanding final pay
- Understanding pay protection in the LGPs
- Using the employer portal
- Valuation and the importance of your data

In the second half of the year we began working with our second London Borough, Barnet Pension Fund, and over the autumn we held extensive employer training sessions to help the employers with the on-boarding process.

### Member engagement during 2021/22

We've continued to work with our pre-retirement partner Affinity Connect to offer two hour courses to members covering the financial and emotional aspects of retiring. Like our employer training, this has moved online this year with plans to move to a hybrid delivery model once the pandemic has passed. This year was also notable as we restructured our Employer Relations and Communications functions splitting the responsibilities into two dedicated teams in WYPF.

### Pension Increase 2021/22

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI) in September each year. Deferred member benefits are also increased by CPI. For the financial year 2021/22 the CPI of 0.5% for September 2020 was applied on 6 April 2021.

### Pension administration and cost 2021/22

As in previous years, the workload of the pension administration section continued to increase and, member numbers continued to rise, particularly with the addition of new clients. WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensure that we are committed to providing the best possible service to customers, and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds administration costs shows that WYPF's pensions administration cost per member is £13.46. This is the 5th lowest cost amongst 85 LGPS funds and well below the national average of £24.16.

WYPF achieved accreditation for ISO27001 Information Security Management System Certification (ISMS). This accreditation is particularly important to us, highlights our continued commitment to information security and provides assurance to our customers that we have the ability to protect their data and reputation at all times.

### Shared service

Our shared service partnership continues to flourish with the addition of four new Fire and Rescue Service clients. This brings the total number of Fire Authorities we provide administration for to twenty three and three LGPS partnership - Lincolnshire Pension Fund, Hounslow Pension Fund and Barnet Pension Fund.

### Data quality

The Fund is required to report on the data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for common data.

Data Type	%
Forename	100.00
Surname	100.00
Membership status	99.98
Date of birth	100.00
NI number	97.75
Postcode	99.96
Address	96.59

Work continues to be undertaken to improve address data and this work will continue over the next 12 months and beyond since members continue to change address without informing the fund.

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

### Communications

Our Contact Centre has remained closed to visitors and we have continued to provide a full telephone service. Contact through emails and our secure member portal has increased as a result.

One hundred percent of annual pension benefit statements for active and deferred members were produced on time by the deadline of 31 August 2021 giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information.

Regular newsletters continue to be issued to our members to keep them informed of important pensions news.

### MyPension

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

### Pensions Age Awards

WYPF was shortlisted under the following categories:

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

### European Pension Awards

WYPF was shortlisted under the following categories:

- European Pension Fund of the Year
- Pension Fund Communication Award
- Pension scheme Administrator of the Year

### Disaster recovery and risk management monitoring

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

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

## SECTION 4: PENSIONS ADMINISTRATION REVIEW

### **Social media**

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

[https://twitter.com/wypf\\_lgps](https://twitter.com/wypf_lgps)

<www.facebook.com/westyorkshirepensionfund>

### **Privacy policy**

Our privacy policy can be found on our website using the link below:

[www.wypf.org.uk/privacy](http://www.wypf.org.uk/privacy)



# FINANCIAL MANAGEMENT AND PERFORMANCE





## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Financial Performance – analytical review

The following table identifies movements in the fund account based on expenditure between 31 March 2021 and 31 March 2022 and provides reasons for variances. The full financial statements are within section 10 – Statement of accounts of this document.

#### Statutory accounts financial performance variance 2022 versus 2021

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

Dealings with members, employers and others directly involved in the fund	31-Mar-22 £000	31-Mar-21 £000	Variance £000	Notes on significant variances
Contributions receivable	475,463	480,170	-4,707	Increased number of active members, average employer rate has reduced.
Transfers In	32,012	26,934	5,078	Increased number of new members joining WYPF employers and transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	20,171	21,019	-848	No significant change, non statutory pension payment will continue to reduce.
Benefits payable	-591,305	-550,077	-41,228	Increased number of members in receipt of pension benefits.
Non-statutory pensions and pensions increase	-20,171	-21,019	848	No significant change, non statutory pension payment will continue to reduce.
Payments to and on account of leavers	-19,993	-23,373	3,380	Reduction in number of members leaving WYPF employers and transferring their pension savings from WYPF.
Management expenses	-10,455	-10,002	-453	Impact of home working and direct result of Covid-19 pandemic. In addition there has been a small increase in the level of expenditure on investment transactions and costs.

**Table B – fund assets performance**

Returns on investments	31-Mar-22 £000	31-Mar-21 £000	Variance £000	Notes on significant variances
Investment income	425,221	361,159	64,062	Increased dividend payout from companies across the UK and overseas.
Taxes on income	-9,143	-7,919	-1,224	Increased tax deducted at source, direct result of increased dividend payout from companies across the UK and overseas.
Profit and losses on disposal and changes in value of investments	1,348,594	2,833,734	-1,485,141	Positive market value of assets during reporting year.
Stock lending	1,871	2,278	-407	Negative impact of changes in stocklending duration and collateral structures. There is also depressed demand for stocklending due to the market impact of Covid-19 pandemic of 2020/21.
<b>Net return on investments</b>	<b>1,766,543</b>	<b>3,189,252</b>	<b>-1,422,710</b>	Positive market impact on investment asset values.
<b>Net increase/(decrease) in the net assets</b>	<b>1,652,264</b>	<b>3,112,904</b>	<b>-1,460,640</b>	Positive market increases on investment asset values.
<b>Opening net assets of the fund</b>	<b>16,327,202</b>	<b>13,214,298</b>	<b>3,112,904</b>	Positive market increases after the unprecedented loss of asset value due to Covid-19 in 2019/20.
<b>Closing net assets of the fund</b>	<b>17,979,466</b>	<b>16,327,202</b>	<b>1,652,264</b>	10.12% increase in value of fund as at 31 March 2022.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

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

The table below shows a three-year budget estimate 2021/22 to 2024/25 and outturn figures for 2020/21 and 2021/22.

Fund account – estimates and actuals	2024/25 Estimate £000	2023/24 Estimate £000	2022/23 Estimate £000	2021/22 Estimate £000	2021/22 Outturn £000	2020/21 Outturn £000
<b>Dealings with members, employers and others directly involved in the fund</b>						
Contributions receivable	499,700	494,800	489,900	485,000	475,463	480,170
Transfers in	28,100	27,800	27,500	27,200	32,012	26,934
Non-statutory pensions and pensions increases recharged	21,800	21,600	21,400	21,200	20,171	21,019
<b>Total income from members and employers</b>	<b>549,600</b>	<b>544,200</b>	<b>538,800</b>	<b>533,400</b>	<b>527,646</b>	<b>528,123</b>
<b>Benefits payable</b>						
Benefits payable	-668,600	-636,800	-606,500	-577,600	-591,305	-550,077
Non-statutory pensions and pensions increase	-25,600	-24,400	-23,200	-22,100	-20,171	-21,019
Payments to and on account of leavers	-28,400	-27,000	-25,700	-24,500	-19,993	-23,373
<b>Total payments to members</b>	<b>-722,600</b>	<b>-688,200</b>	<b>-655,400</b>	<b>-624,200</b>	<b>-631,469</b>	<b>-594,469</b>
<b>Management expenses</b>						
Management expenses	-14,700	-14,000	-13,300	-12,685	-10,455	-10,002
<b>Returns on investments</b>						
Investment income	439,000	418,100	398,200	379,200	425,221	361,159
Taxes on income	-9,600	-9,100	-8,700	-8,300	-9,143	-7,919
Profit and losses on disposal of and changes in value of investments	578,900	551,300	525,000	500,000	1,348,593	2,833,734
Stock lending	2,700	2,600	2,500	2,400	1,871	2,278
<b>Net return on investments</b>	<b>1,011,000</b>	<b>962,900</b>	<b>917,000</b>	<b>873,300</b>	<b>1,766,542</b>	<b>3,189,252</b>
Net increase in the net assets available for benefits during the year	<b>823,300</b>	<b>804,900</b>	<b>787,100</b>	<b>769,815</b>	<b>1,652,264</b>	<b>3,112,904</b>
Opening net assets of the	<b>18,689,017</b>	<b>17,884,117</b>	<b>17,097,017</b>	<b>16,327,202</b>	<b>16,327,202</b>	<b>13,214,298</b>
<b>Closing net assets of the fund</b>	<b>19,512,317</b>	<b>18,689,017</b>	<b>17,884,117</b>	<b>17,097,017</b>	<b>17,979,466</b>	<b>16,327,202</b>
<b>% Increase in net assets</b>	<b>4.41%</b>	<b>4.50%</b>	<b>4.60%</b>	<b>4.71%</b>	<b>10.12%</b>	<b>23.56%</b>

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

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Management expenses forecast and outturn report

The table below gives the management cost forecast for 2021/22 to 2024/25 and outturn figures for 2020/21 and 2021/22.

	2024/25	2023/24	2022/23	2021/22	2021/22	2021/22	2020/21
	Estimate	Estimate	Estimate	Estimate	outturn	Variance	outturn
	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Accommodation	400	380	360	347	301	46	350
Actuarial costs	430	410	390	370	189	181	337
Computer costs	1,680	1,600	1,520	1,451	1,351	100	1,307
Employee costs	9,930	9,460	9,010	8,580	8,160	420	6,877
Internal recharges from Bradford Council	540	510	490	463	459	4	453
Printing and postage	590	560	530	506	373	133	496
Other running costs	1,220	1,160	1,100	1,045	1,046	-1	927
Investment transaction costs	3,030	2,890	2,750	2,616	1,333	1,283	1,496
<b>Total expenditure</b>	<b>17,820</b>	<b>16,970</b>	<b>16,150</b>	<b>15,378</b>	<b>13,212</b>	<b>2,166</b>	<b>12,243</b>
<b>Income</b>							
Shared service income	-2,920	-2,780	-2,650	-2,528	-2,543	15	-2,017
Other income	-240	-230	-220	-205	-214	9	-224
<b>Total income</b>	<b>-3,160</b>	<b>-3,010</b>	<b>-2,870</b>	<b>-2,733</b>	<b>-2,757</b>	<b>24</b>	<b>-2,241</b>
<b>Total</b>	<b>14,660</b>	<b>13,960</b>	<b>13,280</b>	<b>12,645</b>	<b>10,455</b>	<b>2,190</b>	<b>10,002</b>

Estimates shown above are based on current costs of operational activities and our current and future business plans. Variances between the revised estimate and outturn for 2021/22 are mainly due to:

- **Accommodation costs:** £46k underspend. Reduction in spend direct impact of staff working from home, due to Covid-19.
- **Actuarial costs:** £181k underspend on actuarial services due to improved cost control, improved IAS19 reporting and employer cost recharges carried out in time.
- **Computer costs:** £100k underspend due to investment in computers and systems being less than expected.
- **Employee costs:** £420k underspent against budget due to a number of vacant posts remained difficult to fill in 2021/22.
- **Internal recharges:** £4k underspend. Payment to Bradford Council for services provided to West Yorkshire Pension Fund for ICT, payroll, legal services and other corporate services.
- **Printing and postage:** £133k underspend as a direct result of increased use of digital services.
- **Other running costs:** £1k overspend.
- **Investment transaction costs:** £1,283k underspend. Continuing direct impact of Covid-19 resulting in a reduced number of investment transactions in 2021/22.
- **Total income:** £24k underspend. All charges to our shared service partners are based on actual total cost and number of members at the year-end for each service partner. The total cost increased due to the increased cost of system developments due to regulatory changes.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Participating employers

#### Analysis of employers summarised by type

There were 433 active employers at the end of the financial year. A total of 30 employers ceased their membership of the fund during the year, converted to academy status or joined multi-academy trusts. A total of 463 employers were active employers during the year.

Employers	2021/22	2021/22	2021/22	2020/21
	Active	Ceased	Total	Total
Admitted body	121	23	144	177
Scheduled body	312	7	319	265
<b>Total</b>	<b>433</b>	<b>30</b>	<b>463</b>	<b>442</b>

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

The table below shows the value of pension contributions received both on time and late. West Yorkshire Pension Fund receives contributions from active employers every month averaging £40m per month. Contribution payment from employers is due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

Contribution payment performance	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21	2020/21
	Total	Received	Received	Received	Received	Received	Received
	£000	on time £000	on time %	late £000	late %	late £000	late %
Employer contributions	340,809	340,678	99.96	131	0.04	2,913	0.80
Employee contributions	134,654	134,605	99.96	49	0.04	1,152	0.90
<b>Total</b>	<b>475,463</b>	<b>475,283</b>	<b>99.96</b>	<b>180</b>	<b>0.04</b>	<b>4,065</b>	<b>1.70</b>

#### Data governance and monthly returns

Since April 2014 all employers who participate in the fund have been required to submit a detailed monthly return to WYPF for staff who are active members in the fund. The information collected each month includes members' data and contribution payments made to the fund. The data is used to update members' records on the pension administration system and as a means of reconciling contribution income received monthly.

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

Monthly returns performance data	2021/22	%	2020/21	%	2019/20	%	2018/19
Number of returns expected in the year from all employers	11,400	100.0	9,822	100.0	5,640	100.0	6,015
Number of returns received by 19 April	11,100	97.4	9,798	99.8	5,497	97.5	6,015
Number of returns not received by 31 May	300	2.6	24	0.2	8	0.1	0
Returns processed within 10 working days	9,992	87.6	9,193	93.6	5,375	95.3	5,465
Number of records on return	1,680,170	100.0	1,553,903	100.0	1,211,489	100.0	1,205,499
Number of new member records set up using monthly return	29,375	0.0	21,005	0.0	20,493	0.0	20,493
Number of leaver notifications processed using monthly returns	15,105	0.0	9,865	0.0	11,492	0.0	11,492

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Employers who made contributions to the fund during 2021/22

Participating employers		
Bradford M.D.C	Blessed Christopher Wharton Academy Trust	Chief Constable For West Yorkshire
Calderdale M.B.C	Blessed Peter Snow Catholic Academy Trust (Calderdale)	Christchurch C E Academy
Kirklees M.C	Blessed Peter Snow Catholic Academy Trust (Kirklees)	Churchill Contract Services (B B G Academy)
Leeds City Council	Bolton Brow Primary Academy	Churchill Contract Services (Bradford College Security)
Wakefield M.D.C	Boothroyd Primary Academy	Churchill Contract Services (Bradford College)
Abbey Multi Academy Trust	Bradford Academy	Churchill Contract Services (Outwood Grange Academies Trust)
Absolutely Catering Limited (Batley Mat)	Bradford College	Churchill Contract Services (Share Mat)
Absolutely Catering Ltd (Bgs)	Bradford Diocesan Academies Trust	Churchill Contract Services Ltd (West Yorkshire Fire & Rescue)
Accomplish Mat	Bradford District Credit Union	Clapgate Primary School
Accord Multi Academy Trust	Bradshaw Primary School	Clayton Parish Council
Ackworth Parish Council	Bramley St Peters C Of E School	Coalfields Regeneration Trust
Active Cleaning Ltd (Crofton Academy)	Brighthouse Academy	Cockburn Multi Academy Trust
Addingham Parish Council	Brighthouse High School	Collaborative Learning Trust
Adel St John The Baptist C E (V A) Primary School	Brighter Futures Academy Trust	Collingham Lady Elizabeth Hastings
Affinity Trust	Brigshaw Learning Partnership	Community Accord
Aireborough Learning Partnership Trust	British Gas Social Housing Ltd	Compass (Leeds Pfi Schools)
Alder Tree Primary Academy (Wrat)	Brodetsky Jewish (V A) Primary School	Compass Contract Services (Laisterdyke)
All Saints C E J & I School	Bronte Academy Trust	Compass Contract Services (Northern Education Trust)
All Saints Richmond Hill Church Of England Primary School	Brooksbank School Sports College	Compass Contract Services (St John Fishers)
Amey Community Ltd Bradford Bsf Phase 2 Fm Services	Bullough Contract Services (Leeds City College)	Compass Contract Services (UK) (Pontefract Academies Trust)
Amey Community Ltd Fm Services	Bulloughs Cleaning Services Limited (Wrat)	Compass Contract Services (UK) Ltd
Amey Infrastructure Services Ltd (Wakefield)	Burley Parish Council	Compass Contract Services (Westborough High School)
Apcoa Parking (Uk) Limited	Burnley Road Academy	Compass Contract Services (Whetley Academy)
Appleton Academy	Buttershaw Business And Enterprise College	Consultant Cleaners Limited (Westborough High School)
Aramark Limited	C And K Careers Ltd	Cookridge Holy Trinity C E Primary School
Aramark Limited (Greenhead College)	Cafcass	Corpus Christi Catholic Primary School
Arcadis (Uk) Ltd	Calder High School	Cottingley Primary Academy
Arts Council England	Calderdale College	Craft Centre & Design Gal. Ltd
Aspens Services Ltd	Calverley C Of E Primary School	Creative Support Limited
Aspens Services Ltd (Appleton Academy)	Cardinal Heenan Catholic High School	Crescent Purchasing Ltd
Aspens Services Ltd (Oasis Academy)	Care Quality Commission	Crigglistone St James Ce Primary Academy
Aspire Community Benefit Society Ltd	Carlton Academy Trust	Crofton Academy
Aspire-Igen Group Ltd	Carr Manor Community School	Crossley Hall Primary School
Atalian Servest (Mast Academy Trust)	Carroll Cleaning Co Ltd (Lapage Primary School)	Crossley Street Primary School
Baildon Town Council	Carroll Cleaning Company (Nessfield Primary School)	Crow Lane Primary And Foundation Stage School
Bankside Primary School	Carroll Cleaning Company Limited (Frizinghall)	Darrington C Of E Primary School
Bardsey Primary Foundation School	Carroll Cleaning Company Limited (Thornbury)	Deighton Gates Primary Foundation School
Barnardos Askham Grange Prison	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Delta Academies Trust
Basketball England	Carroll Cleaning Company Ltd (Holy Trinity Primary)	Denby Dale Parish Council
Batley Grammar School (Batley M.A.T.)	Carroll Cleaning Company Ltd (Peel Park Primary School)	Dixons Academies Charitable Trust Ltd
Batley Multi Academy Trust	Carroll Cleaning Company Ltd (Saltaire Primary)	Dolce Limited (Bishop Konstant C.A.T)
Beckfoot Trust	Carroll Cleaning Company Ltd (Southmere Primary Academy)	East North East Homes Leeds
Beeston Hill St Lukes C E Primary School	Carroll Cleaning Company Ltd (St Johns Wakefield)	Ebor Gardens Primary Academy
Beeston Primary Trust	Carroll Cleaning Company Ltd (Wakefield)	Elements Primary School
Belle Isle Tenant Management Org	Carroll Cleaning Company Ltd (Whetley)	Elevate Multi Academy Trust
Bid Services	Castleford Academy Trust	Elite Cleaning And Environmental Services Ltd
Bingley Grammar School	Caterlink Limited (Ireland Wood Primary School)	Engie Services Ltd
Birstall Primary Academy	Cbre Managed Services Limited	Enhance Academy Trust

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

Participating employers		
Enviroserve (Priestley Academy Trust)	Inspire Partnership Multi Academy Trust	Making Space
Enviroserve (Victoria Primary Academy)	Interaction And Communication Academy Trust	Manston St James Academy
Ethos Academy Trust	Interaction And Communication Academy Trust (High Park)	Mast Academy Trust
Evolve Academy (Ethos Academy Trust)	Interserve (Facilities Management) Ltd (W Y Police Cleaning Contract)	Meanwood C E (Va) Primary School
Exceed Academies Trust	Iqra Academy (Feversham Education Trust)	Mears Ltd (South)
Fairfield School	John Smeaton Academy	Mears Ltd (West)
Falcon Education Academies Trust	Joseph Norton Academy	Mellors Catering Services (Share Mat)
Feversham Education Trust	Keelham Primary School	Mellors Catering Services (Southfield Grange)
Feversham Primary Academy	Keepmoat Property Services Limited	Mellors Catering Services Limited (Exceed Academies Trust)
Fieldhead Junior Infant And Nursery Academy	Keighley Town Council	Mellors Catering Services Limited (Heckmondwike Grammar School)
Fleet Factors Ltd	Khalsa Science Academy	Mellors Catering Services Limited (Pennine Academies Trust)
Foxhill Primary School	Killinghall Primary School	Mellors Catering Services Ltd (Cavendish Primary)
Freeston Academy	King James'S School	Mellors Catering Services Ltd (Wrat)
Future Cleaning Services Limited (Calder High)	Kings Science Academy	Meltham Town Council
Golcar Junior Infants And Nursery School	Kirkburton Parish Council	Menston Parish Council
Great Heights Academy Trust	Kirklees Active Leisure	Micklefield Parish Council
Greenhead Sixth Form College	Kirklees Citizens Advice And Law Centre	Minsthorpe Academy Trust
Groundwork Leeds	Kirklees College	Mirfield Free Grammar School
Groundwork Wakefield	Kirkstall St Stephens C E (Va) Primary School	Mitie Catering Services Limited
Grove House Primary School	Lady Elizabeth Hastings School	Mitie Fm Ltd
Guiselay Infants	Laisterdyke Leadership Academy	Mitie Fm Ltd (P.C.C For West Yorkshire)
Guiselay School	Lane End Primary Trust	Mitie Integrated Services Ltd
Halifax Opportunities Trust (Calderdale)	Learning Accord Multi Academy Trust	Mitie Limited (Leeds Schools Pfi)
Hanson School	Leeds Appropriate Adult Service	Mitie Pfi Limited
Hawksworth C E (Va) Primary School	Leeds Arts University	Moorlands Learning Trust
Hebden Royd Town Council	Leeds Beckett University	Morley Academy
Heckmondwike Gs Academy Trust	Leeds C.A.B.	Mount St Marys Catholic High School
Heckmondwike Primary School	Leeds Centre For Integrated Living	Mountain Healthcare Ltd (W Y Police)
Hemsworth Town Council	Leeds City Academy	Myrtle Park Primary School
Hepworth Gallery Trust	Leeds City College	N.I.C. Services Group Limited (Middleton St Marys Leeds)
Hf Trust Limited	Leeds College Of Building	National Coal Mining Museum For England
Hill Top First School	Leeds College Of Music	Nell Bank Charitable Trust
Hillcrest Academy	Leeds East Primary Partnership Trust	New Collaborative Learning Trust
Hipperholme And Lightcliffe High School Academy	Leeds Grand Theatre & Opera Hse	Ninelands Primary School
Holme Valley Parish Council	Leeds Jewish Free School	Normanton Town Council
Holy Family Catholic (Va) Primary School	Leeds Metropolitan University	Norse Group Limited (Wellspring Academy Trust)
Holy Trinity Primary C Of E Academy	Leeds North West Education Partnership	North Halifax Grammar Academy
Horbury Academy	Leeds Society For The Deaf & Blind	North Halifax Partnership Ltd
Horbury Bridge Ce J And I School	Leeds Trinity University	North Huddersfield Trust School
Horsforth School Academy	Leodis Academies Trust	Northern Ambition Academies Trust
Horsforth Town Council	Liberty Gas Outer West	Northern Education Trust
Horton Housing Association (Bradford)	Liberty Gas West	Northern Sch.Of Contemp Dance
Huddersfield New College	Lidget Green Community Co-Operative Learning Trust	Northern Star Academies Trust
Hugh Gaitskell Primary School Trust	Lightcliffe C. E. J & I School	Northorpe Hall Child And Family Trust
Humankind Charity (Leeds)	Lighthouse School	Notre Dame Sixth Form College
Hunslet St Josephs Catholic (Va) Primary School	Lindley C E Infant Academy	Nps Leeds Limited
Hutchison Catering Ltd (Guiselay School)	Lindley Junior School Academy Trust	Nurture Academies Trust
I S S Facility Services Ltd	Littlemoor Primary	Nurture Academies Trust (Dolce)
I S S Mediclean Ltd	Littletown Junior School	Oasis Academy Lister Park
Ilkley Parish Council	Locala	Old Earth Academy
Impact Education Multi Academy Trust	Locala (Calderdale)	One In A Million Free School
Incommunities	Longroyde Junior School	Open College Network Yorks & Humber (Trading As Certa)
Innovate Services Ltd (Crossflatts)	Luddendenfoot Academy	Ossett Trust

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Participating employers

Otley Town Council	ShIPLEY Town Council	The Mfg Academies Trust
Our Lady Of Good Counsel Catholic Primary School	Shirley Manor Primary Academy	The Police And Crime Commissioner For West Yorkshire
Outwood Academy Freeston	Sitlington Parish Council	Thornhill Junior And Infant School
Outwood Academy Hemsworth	Skills For Care Limited	Thornton Grammar School
Outwood Academy Wakefield City	Sodexo Ltd	Thornton Primary School
Outwood Grange Academy	South Elmsall Town Council	Thorp Arch Lady Elizabeth Hastings C E (Va) Primary School
Outwood Primary Academy Bell Lane	South Hiendley Parish Council	Tns Catering (Spta)
Outwood Primary Academy Kirkhamgate	South Kirkby And Moorthorpe Town Council	Tns Catering Man Ltd (St Botolphs)
Outwood Primary Academy Ledger Lane	South Ossett Infants Academy	Todmorden Town Council
Outwood Primary Academy Lofthouse Gate	South Pennine Academies	Together Housing Association Ltd (Greenvale)
Outwood Primary Academy Newstead Green	Southfield Grange Trust	Together Housing Association Ltd (Pennine)
Outwood Primary Academy Park Hill	Spen Valley High School	Together Learning Trust
Owlcotes Multi Academy Trust	Spie Ltd	Tong High School
Paddock Junior Infant And Nursery School	Springwell Academy Leeds	Tong Leadership Academy
Park Lane Learning Trust	Sse Contracting Ltd	Tranmere Park Primary
Pennine Academies Yorkshire	St Anne'S (Bradford) Community Services	Trinity Academy Halifax
Pinnacle (W Y Police)	St Annes Catholic Primary Academy	Turning Lives Around
Pinnacle Fm Limited (Kirklees)	St Anne'S Community Services	Turning Point
Pinnacle Fm Ltd	St Anthonys Catholic (Va) Primary School	United Response
Polaris M.A.T	St Edwards Catholic (Va) Primary School	University Academy Keighley
Pontefract Academies Trust	St Francis Catholic Primary School	University Of Bradford
Pool Parish Council	St Francis Of Assisi Catholic (Va) Primary School	University Of Huddersfield
Possabilities Cic	St Gregory The Great Catholic Academy Trust	University Technical College Leeds
Priestley Academy Trust	St John'S (Ce) Primary Academy Trust	Vesta Management Group Ltd (Dane Royd J & I School)
Primrose Lane Primary Foundation School	St John'S Approved Premises Limited	Victoria Primary Academy
Progress To Change (Cardigan House)	St John'S Primary Academy Rishworth	W.Y. Fire & Rescue Authority
Progress To Change (Ripon House)	St Josephs Catholic (Va) Primary School Wetherby	Wakefield & District Housing Ltd
Pudsey Grangefield School	St Josephs Rc Primary School (Todmorden) Rcat	Wakefield College
Pudsey Southroyd Primary School Trust	St Matthews C E Primary School	Waterton Academy Trust
Queensway Primary	St Michael & All Angels J & I	Wellspring Academy Trust
Rainbow Primary Leadership Academy	St Nicholas Catholic Primary School	West North West Homes Leeds
Rawdon Parish Council	St Oswalds Church Of England Primary School	West Yorkshire Combined Authority
Red Kite Learning Trust (Harrogate Hr Hub)	St Patricks Catholic (Va) Primary School	West Yorkshire Fra
Red Kite Learning Trust (Leeds East Hr Hub)	St Peters C E Primary School	West. Yorks. Police Civilian
Reevy Hill Primary School	St Philips Catholic Primary School	West. Yorkshire Ita
Renewi Uk Services Limited	St Therasas Catholic Primary School	West. Yorkshire P.T.E.
Rodillian Multi Academy Trust	Star Academies Trust	Westborough High School
Rook'S Nest Academy	Strawberry Fields Primary School	Westwood Primary School Trust
Rothwell St Marys Catholic (Va) Primary School	Suez Recycling And Recovery Uk Limited	Wetherby High School
Roundhay St Johns C E (Va) Primary School	Taylor Shaw (Rklt)	Wetherby Town Council
Royds Academy	Taylor Shaw Limited (Gorse Academies Trust)	Whinmoor St Pauls C E Primary School
Royds Learning Trust	Taylor Shaw Limited (Gorse At Elliott Hudson College)	Whitehill Community Academy
Rufford Park Primary	Taylor Shaw Ltd (Gorse Boston Primary School)	William Henry Smith School
Russell Hall First School	Taylorshaw Ltd (Crossgates Beechwood Whitelaith)	Wilsden Primary School
Ryburn Valley High School	The Anah Project	Wolseley Uk Ltd
Ryhill Parish Council	The Bishop Konstant Catholic Trust	Woodside Academy
Salendine Nook Academy Trust	The Bishop Wheeler Catholic Academy Trust	Worth Valley Primary School
Salterlee Academy Trust	The Co-Operative Academies Trust	Wrat - Leeds East Academy
Scout Road Academy	The Crossley Heath Academy Trust	Wrat - Leeds West Academy
Sea Fish Industry Authority	The Crossley Heath School	Yeadon Westfield Infants
Servest (B B G Academy)	The Family Of Learning Trust	Yeadon Westfield Junior
Share Multi Academy Trust	The Farnley Academy	Yorkshire Purchasing Organisation
Shibden Head Primary Academy	The Gorse Academies Trust	
ShIPLEY College	The Lantern Learning Trust	

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Benefits paid

West Yorkshire Pension Fund pays almost 141,000 pensioners and beneficiaries with a gross pension payroll in excess of £56m each month for West Yorkshire members and pension members of pension funds participating in our shared services. Only West Yorkshire Pension Fund members are charged to the account in this financial statement.

### Shared service provision

In addition to the local government pensions paid each month, West Yorkshire Pension Fund also provides a pensions administration and payroll service for the following organisations.

	Service type	Shared service partners
1	LGPS	Lincolnshire LGPS
2	LGPS	LB Hounslow LGPS
3	LGPS	LB Barnet LGPS
4	FIRE	West Yorkshire Fire
5	FIRE	South Yorkshire Fire
6	FIRE	North Yorkshire Fire
7	FIRE	Humberside Fire
8	FIRE	Lincolnshire Fire
9	FIRE	Royal Berkshire Fire
10	FIRE	Buckinghamshire and Milton Keynes Fire
11	FIRE	Devon and Somerset Fire
12	FIRE	Dorset and Wiltshire Fire
13	FIRE	Tyne and Wear Fire
14	FIRE	Northumberland Fire
15	FIRE	Norfolk Fire
16	FIRE	Staffordshire Fire
17	FIRE	Hereford and Worcester Fire
18	FIRE	East Sussex Fire
19	FIRE	Durham and Darlington Fire
20	FIRE	Leicestershire Fire
21	FIRE	Nottinghamshire Fire
22	FIRE	Derbyshire Fire
23	FIRE	Cambridgeshire Fire
24	FIRE	Northamptonshire Fire



## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

The combined shared service membership for the 2021/22 financial year is shown in the following table.

	Service type	Shared service partners	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2021/22	2020/21
			Active	Pensioners	B'ficiaries	Deferred	Undecided	Frozen	Total	Total
	LGPS	W Yorkshire PF	104,891	92,906	11,804	86,657	1,624	9,915	307,797	298,307
1	LGPS	Lincolnshire LGPS	24,389	23,398	2,521	25,683	580	2,560	79,131	76,770
2	LGPS	LB Hounslow LGPS	6,780	6,971	909	7,744	140	1,381	23,925	23,466
3	LGPS	LB Barnet LGPS	8,782	8,116	1,027	9,721	1,517	1,180	30,343	29,280
4	FIRE	West Yorkshire Fire	997	2,060	345	294	4	4	3,704	3,702
5	FIRE	South Yorkshire Fire	625	1,127	203	144	5	13	2,117	2,066
6	FIRE	North Yorkshire Fire	680	531	93	410	4	12	1,730	1,633
7	FIRE	Humberside Fire Authority	702	927	157	289	13	4	2,092	2,048
8	FIRE	Lincolnshire Fire	590	343	64	651	46	37	1,731	1,631
9	FIRE	Royal Berkshire Fire	427	459	55	212	7	3	1,163	1,129
10	FIRE	Buckinghamshire and Milton Keynes Fire	379	401	77	352	19	6	1,234	1,189
11	FIRE	Devon and Somerset Fire	1,535	1,287	187	1,122	17	18	4,166	4,079
12	FIRE	Dorset and Wiltshire Fire	975	869	116	730	8	7	2,705	2,642
13	FIRE	Tyne and Wear Fire	585	1,233	198	102	12	0	2,130	2,069
14	FIRE	Northumberland Fire	278	325	51	223	7	3	887	830
15	FIRE	Norfolk Fire	648	483	81	307	46	7	1,572	1,533
16	FIRE	Staffordshire Fire	603	691	127	677	9	17	2,124	2,024
17	FIRE	Hereford and Worcester Fire	594	469	73	385	13	4	1,538	1,459
18	FIRE	Durham and Darlington Fire	465	525	99	233	0	0	1,322	1,323
19	FIRE	East Sussex Fire	546	564	107	355	31	5	1,608	1,572
20	FIRE	Derbyshire Fire	657	697	108	366	2	13	1,843	1,825
21	FIRE	Leicestershire Fire	565	627	82	325	2	11	1,612	1,537
22	FIRE	Nottinghamshire Fire	624	809	128	398	0	7	1,966	1,941
23	FIRE	Cambridgeshire Fire	451	438	51	446	1	12	1,399	0
24	FIRE	Northamptonshire Fire	380	384	56	292	6	15	1,133	0
	<b>Total</b>		<b>158,148</b>	<b>146,640</b>	<b>18,719</b>	<b>138,118</b>	<b>4,113</b>	<b>15,234</b>	<b>480,972</b>	<b>464,055</b>

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Pension overpayment

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

	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
	£000	£000	£000	£000	£000	£000
Annual payroll	591,305	550,077	553,082	506,461	485,808	485,808
Overpayments	409	423	331	626	76	315
Overpayments written off	0	0	27	7	7	17
Overpayments recovered	175	270	62	359	161	217

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

Analysis of overpayments	2021/22	2020/21	2019/20	2018/19	2017/18	2016/17
	No. of payments	No. of payments	No. of payments	No. of payments	No. of payments	No. of payments
Pensions paid	1,227,740	1,173,770	1,160,604	1,096,524	1,042,404	1,036,008
Cases overpaid	435	375	295	365	54	479
Cases written off	0	0	36	6	29	18
Cases recovered	317	295	225	270	262	332

### Fraud prevention – National Fraud Initiative

West Yorkshire Pension Fund takes part twice a year in the National Fraud Initiative (NFI). The data that is submitted by the fund includes pensioners, beneficiaries and deferred member information for LGPS and fire services pension members managed by the fund.

A summary of the five-year results of these exercises is shown below.

	Number of records sent	Number of mismatches	Number of mismatches %	Overpay-ments	Overpay-ments %	Possible Frauds	Mismatches carried forward at 31 March
2021/22	288,636	1,685	0.60	15	0.01	0	22
2020/21	286,429	963	0.34	4	0.00	0	1
2019/20	277,293	3,845	1.40	17	0.01	2	10
2018/19	260,387	3,339	1.28	3	0.00	2	2
2017/18	229,994	518	0.23	35	0.02	2	10
2016/17	224,122	1,425	0.64	5	0.00	4	5
2015/16	219,313	868	0.40	61	0.03	3	10

### Internal audits completed during 2021/22

The internal audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of reviews that were carried out during the financial year 2021/22.

#### Life Existence/Certificates

A completed Life Certificate is requested from pension beneficiaries to provide confirmation that they are still alive and therefore still meet entitlement to such benefits. This process is complemented by the use of mortality screening and the use of National Fraud Initiative data in confirming continuing existence. The audit found the standard of control around this process to be good with a small number of recommendations for improvement.

## **SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE**

### **Northern LGPS Collaborative Work – Common Custodian Arrangements**

As part of the formation of the Northern LGPS, a procurement exercise was carried out to appoint a common custodial service provider, which resulted in the appointment of the Northern Trust Bank as common custodian provider to the Northern LGPS. This audit was a high level review of the arrangements which surrounded the use of the Northern Trust Bank as common custodian provider and was undertaken in collaboration with Internal Audit colleagues at Tameside Council (Greater Manchester Pension Fund) and Wirral Council (Merseyside Pension Fund). The arrangements were found to be of a good standard with one recommendation for improvement being made.

### **Accuracy of Contributions Recorded on Member Records – Follow Up**

WYPF changed to a monthly contributions postings process several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member's records. This audit was undertaken as a follow up of the original audit carried out in 2019/20 to assess progress of the remedial action required. Whilst progress had been made, recommendations were made to further assist in this process.

### **Transfers In**

This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of an excellent standard with no recommendations required.

### **Review of the West Yorkshire Pension Fund 2020/21 Accounts**

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

### **Local Government Scheme Contributions**

This audit looked at both the employer and employee contributions remitted by each employer on a monthly basis, and also income received in respect of early retirements and unfunded benefits. The control environment was largely as expected with two suggested actions for improvement provided.

### **Equities**

Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be generally well controlled with two recommendations for improvement being made.

### **New Pensions and Lump Sums – Death Benefits**

This audit examined the calculation of the death benefits following the death of an active/deferred member or pensioner. The control environment for this process was found to be excellent.

### **Purchase of Additional Pension**

Active members of the West Yorkshire Pension Fund are able to choose to increase their future pension benefits by purchasing additional pension to a maximum of £7,316 over a flexible number of years. The standard of control in this process was found to be excellent with no recommendations for improvement required.

### **Stock Lending**

Stock lending of UK and Overseas equities is undertaken by the Northern Trust Bank as part of the custodial arrangements for the West Yorkshire Pension Fund. Controls were examined to ensure that the risks in this process were appropriately managed, these were found to be excellent with no recommendations required.

### **Business Continuity**

Business continuity arrangements were examined to ensure that they are adequate to ensure continuance of critical services such as Pensioners Payroll. The shared services provided to other LGPS' and Fire and Rescue Services places and increased reliance on Business Continuity arrangements. The review found the arrangements to be of a good standard with a number of recommendations made to further enhance the process.

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Mitigation of Pension Scams

The Pensions Regulator issues guidance with regards to the avoidance of Pension Scams, providing information to enable Trustees, Administrators and Scheme Providers to play an important role in educating and protecting members in order to help savers to keep their retirement savings safe from scammers. This review examined how well the guidance had been embedded within the West Yorkshire Pension Fund. The review provided assurance that the systems and processes align well with the guidance issued.

### Treasury management

This audit reviewed the arrangements in place for Treasury Management, to ensure that surplus cash is invested in the most appropriate ways. Controls in this area were found to be excellent.

### UK and Overseas Private Equities

This audit covered investment in UK and Overseas Private Equities, not included in those investments made through NPEP. Control of this asset class was found to be of an excellent standard, therefore no recommendations for improvement were required.

## WYPF quality management

### ISO 9001:2015

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

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

### WYPF quality policy

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

## Quality management system

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

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

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Information Security Management System ISO 27001

WYPF achieved accreditation to ISO27001 Information Security Management Certificate in April 2019.

This accreditation is particularly important to WYPF as it highlights our continued commitment to information security and provides assurance to our members and customers that we have the ability to protect their data and corporate reputation at all times. An ISMS (Information Security Management System) is a systematic approach to managing sensitive personal and company information so that it remains secure. It includes people, processes and IT systems by applying a risk management process.

### Management and customer service key performance indicators

WYPF monitors its performance against several key performance indicators (KPIs). All aspects of our administrative structure, processes and systems are reviewed on a planned cycle. Critical business areas impacting on pensioners and their families takes priority. Listed below are 20 key performance indicators in this area of work:

	Work type	Total cases 2021/22	Target days 2021/22	Target cases met 2021/22	KPI target 2021/22 %	Actual KPI 2021/22 %	Actual KPI 2020/21 %
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	1,984,308	Paid on due days	1,984,308	100	100.00	100.00
2	Change of address	3,266	10	3,128	85	95.77	95.79
3	Change to bank details	1,926	10	1,815	85	94.24	94.52
4	Death grant nomination	4,463	20	3,513	85	78.71	99.77
5	Death grant payments	2,682	10	2,461	85	91.76	93.05
6	Death in retirement	239	20	122	85	81.59	88.84
7	Deferred benefits	2,967	35	2,698	85	90.93	96.66
8	Deferred benefits into payment actual	2,350	5	2,240	90	95.32	88.25
9	Divorce quote	430	20	391	85	90.93	91.36
10	Life certificate received	5	10	4	85	80.00	80.41
11	Monthly posting	4,885	10	4,601	95	94.19	95.58
12	Payroll changes	1,986	10	1,940	85	97.68	98.74
13	Pension estimate	3,076	10	2,555	90	83.06	96.30
14	Refund payment	1,862	10	1,851	95	99.41	98.22
15	Refund quote	3,706	35	3,696	85	99.73	99.39
16	Retirement actual	3,318	3	3,225	90	97.20	92.71
17	Transfer out payment	215	35	187	85	86.98	89.86
18	Transfer-in payment	562	35	531	85	94.48	94.89
19	Transfer-in quote	844	35	838	85	99.29	99.63
20	Transfer-out quote	1,812	20	1,675	85	92.44	76.17

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Cost per member

	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS
	2021/22	2020/21	2020/21	2020/21	2020/21	2020/21
	Financial Statement	Gov't data SF3	Gov't data SF3	Gov't data SF3	Gov't data SF3	Gov't data SF3
Admin cost per member	£13.73	5th	£13.46	£1.08	£158.29	£24.16
Investment cost per member	£17.97	1st	£17.25	£17.25	£1,029.58	£238.43
Oversight and governance	£2.27	4th	£2.93	£0.00	£53.00	£11.74
<b>Total cost per member</b>	<b>£33.97</b>	<b>1st</b>	<b>£33.63</b>			
<b>Lowest / Highest / Average (not a sum of figures in the table above)</b>				<b>£33.63</b>	<b>£1,088.82</b>	<b>£274.34</b>

#### 2021/22 WYPF cost per member

The 2021/22 annual cost of administering the West Yorkshire Pension Fund per member is £13.73, investment management £17.97, and oversight and governance £2.27 giving a total management cost per member of £33.97. These figures compare favourably with the average cost for authorities in the Department for Leveling Up, Housing and Communities (DLUHC) – SF3 data collection results for the previous year shown in the table above.

#### 2020/21 administration cost per member

From the latest data provided by government, WYPF's pension administration cost of £13.46 per member is the 5th lowest amongst LGPS fund in England and Wales for 2020/21. The lowest cost is £1.08 and the highest is £158.29

#### 2020/21 investment management cost per member

WYPF's investment management cost is the lowest cost per member in the latest result at £17.25; the lowest cost is £17.25 and the highest £1,029.58. The reason for this low cost is that WYPF uses directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

#### 2020/21 oversight and governance cost per member

On oversight and governance, WYPF's is the 4th lowest cost at £2.93. The lowest is £0 and the highest is £53.00.

#### 2020/21 total cost per member

WYPF has the lowest total cost per member (administration, investment, and oversight & governance) at £33.63. The national average for the LGPS in 2020/21 is £274.34 and the highest is £1,088.82.

### Staff numbers

	2021/22	2020/21	2019/20	2018/19	2017/18
	FTE	FTE	FTE	FTE	FTE
Investments	28.5	23.9	22.7	22.1	21.6
Service centre staff	57.7	52.4	54.8	59.5	58.1
Payroll	21.4	17.3	16.1	17.6	19
ICT/UPM staff	12.6	14.4	15.4	14.4	13.7
Finance staff	15.8	11.8	12	14.5	16
Business support staff	35.1	27.4	28.4	28.8	27.4
Technical	5.6	5.0	4.9	4.9	3.9
<b>Total</b>	<b>176.8</b>	<b>152.2</b>	<b>154.3</b>	<b>161.8</b>	<b>159.7</b>

## SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

### Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 307,796 as at 31 March 2022. Active members are employed by 463 separate organisations.

	2021/22	% change	2020/21	% change	2019/20	% change	2018/19	% change	2017/18
Active members	104,890	3.77%	101,079	0.80%	100,281	0.20%	100,060	-1.90%	102,017
Pensioners	92,906	3.98%	89,346	4.72%	85,323	7.20%	79,583	5.60%	75,363
Beneficiaries	11,804	2.44%	11,523	1.13%	11,394	-3.40%	11,794	2.50%	11,504
Deferred members	86,657	1.12%	85,696	-1.30%	86,821	-2.70%	89,241	2.10%	87,414
Undecided leavers	1,624	-3.22%	1,678	33.60%	1,256	-29.00%	1,770	-32.50%	2,623
Frozen refunds	9,915	10.35%	8,985	-4.13%	9,372	3.40%	9,066	20.10%	7,550
<b>Total</b>	<b>307,796</b>	<b>3.18%</b>	<b>298,307</b>	<b>1.31%</b>	<b>294,447</b>	<b>1.01%</b>	<b>291,514</b>	<b>1.76%</b>	<b>286,471</b>

### Admissions to the fund

Employees joining the fund were as follows.

	2021/22	2020/21	2019/20	2018/19	2017/18
Employees joining with no previous service	21,007	20,306	21,153	21,283	21,692
Employees with transfers from other local government funds	20	23	42	31	25
other pension schemes	248	249	415	245	329
<b>Total</b>	<b>21,275</b>	<b>20,578</b>	<b>21,610</b>	<b>21,559</b>	<b>22,046</b>

### Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2021/22	2020/21	2019/20	2018/19	2017/18
Members awarded immediate retirement benefits	3,298	3,151	2,801	2,754	2,865
Benefits awarded on death in service	106	117	94	106	88
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,465	5,602	7,560	9,875	9,192
<b>Total</b>	<b>9,869</b>	<b>8,870</b>	<b>10,455</b>	<b>12,735</b>	<b>12,145</b>



# INVESTMENT REPORT





## SECTION 6: INVESTMENT REPORT

### Investment Advisory Panel – operational review

There is rarely, if ever, a dull moment in investments and 2021-22 was no exception. The implications of Brexit started to manifest themselves as the country started to reopen followed the renewed Covid-19 related lockdowns and restrictions. The hospitality industry in particular faced a perfect storm as supply chain issues added to staff shortages and social distancing rules. Even the renewable energy sector had issues, as although pricing and demand had recovered from 2020, the wind didn't blow and the sun didn't shine! The financial year ended with focus on the events unfolding in Ukraine and the implications of that.

#### Increased strategic asset allocation for alternative assets

During the course of the year of the Fund continued to perform well (this is written before the final year end performance position is known). The Investment Advisory Panel (IAP) worked with officers and advisors to approve a transition plan to fulfil the recommendations contained within the Strategic Asset Allocation review in a cost-effective manner. It is acknowledged that implementation will need to be spread over a number of years, as the additional investments into Alternatives need to be selected prudently with appropriate due diligence. This will be predominately with our partners in Northern Pool through GLIL and NPEP. These investments will be funded from a gradual reduction in the allocation to Equities, predominantly from the UK. Although referred to below on a wider Fund basis, recruitment of additional personnel to the Alternatives team is vital to enable the increased workload to be achieved.

#### Equity protection strategy

Rather than incur the out of market risks that an interim transition into cash or near cash investments would bring, consideration is being given to an equity protection strategy, that would protect the earmarked funds from significant decline in value in the event of market falls, while maintaining the ability to participate in rising markets.

#### Improved ESG focus and engagement

In support of the Fund's continuing work to improve standards in the Environmental, Social and Governance (ESG) area, it is pleasing to report the appointment of a Sustainable Investment Engagement Manager, who has hit the ground running, with reports on the Fund's Responsible Investment Policy, the Stewardship Code Statement 2021 and input into the updated Investment Strategy Statement at the October IAP meeting. This was followed by the Fund's first Task Force on Climate related Financial Disclosures (TCFD) report at the January meeting. The new Financial Reporting Council (FRC) Stewardship Code Statement was submitted in November, regrettably we received news in March that this had been rejected. Detailed feedback was received, and a revised application has been prepared for submission. In many ways the feedback emphasises how rigorous the standards have become and serves as a timely reminder that this is about everyone involved with the Fund needing to play their part, it is not just about the efforts of a single individual. The FRC are looking for clearly definable outcomes at every level of the investment process, and being an internally managed Fund brings considerable responsibilities to provide that. The work of the Sustainable Investment manager should support and enable the investment managers to include greater emphasis on ESG and climate related issues in their investment processes in the future. Supporting this, a good communications policy will enable internal and external stakeholders to see the work that the Fund is undertaking is market leading in terms of best practices.

#### Governance

Turning now to Fund Governance, in this report last year it was flagged that a review of the effectiveness, roles and responsibilities of the IAP, the JAG and the LPB should be undertaken, with the objective to ensure that the work that they do properly complement each other, while retaining their requisite independence. In simple terms this will check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role (as defined by Regulations). It is disappointing to report that to date this has not happened. This is something which the Administering Authority must now promptly address. On a brighter note it is pleasing that investment reporting to the IAP has improved, but there is room for further improvement in terms of more emphasis on forward looking strategy and content that provides good quality information for the IAP to fulfil their strategic oversight role.

#### Investment risk register

Following useful engagement with the IAP, an investment risk register has now been created. It is very much work in progress and needs to be developed and refined on a continuing basis. Drawing on the experience of fellow LGPS Funds would help to enhance this further. Identifying potential and actual risks is important, but developing suitable mitigation processes that are practical and effective in implementation is what turns the risk register from a theoretical document into a valuable business tool.

## **SECTION 6: INVESTMENT REPORT**

The risk exercise has identified recruitment and retention, particularly for investment professionals, as a major risk for this internally managed fund. The organisational-wide job and pay structure of a Local Authority does not lend itself to the recruitment and retention of such specialist roles in the face of direct competition with private sector employers for comparable jobs. Again the Administering Authority needs to work with the fund to promptly and comprehensively address this as a matter of urgency.

### **Training**

In this report last year members were reminded about the long list of external bodies that have oversight responsibilities for the Fund. Training at all levels for those involved in the management of the Fund remains high on the list of priorities, with clearly defined policies now in place for this to be provided and monitored. At some other Funds formal accredited training is required for all members and those who deputise on the relevant bodies (in our case IAP, JAG and the LPB). With the ever-increasing scrutiny of LGPS Funds, this should now be considered for WYPF. While being one of the few LGPS Funds with an internal investment management function is a desirable attribute, members need to understand how this works in practice and to be able to effectively challenge the team on performance and strategic issues. Good training adds value to the function of meetings, as members will understand the key issues that they need to focus on that are relevant to the Fund, enabling well informed decisions to be taken.

### **2021/22 Summary**

In conclusion; the Fund is in good shape as a result of the work undertaken by the members and officers of the Fund, but there remain a number of issues outside its direct control in need of urgent remedy.

# INVESTMENT MANAGEMENT AND STRATEGY



## SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

### Investment management and strategy

Within the Northern LGPS Pool arrangements the fund's investment portfolio continues to be managed in-house on a day-to-day basis, supported by the fund's external advisers. Investment strategy and asset allocation are agreed at quarterly meetings of the Investment Advisory Panel. There are nineteen professional investment managers and ten administration settlement staff in the in-house investment team.

The latest government LGPS data released in late 2021 for 2020/21 financial year shows the fund's investment management costs were £17.25 (£22.83 in 2019/20) per scheme member. Our total cost per member is the lowest for all local authority pension funds, and compares exceptionally well with the average LGPS cost for 2020/21 of £238.43 (£278.76 in 2019/20).

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

We have recovered the losses caused by the Covid-19 pandemic in 2020/21. The Russian invasion of Ukraine is a major concern across all sectors, however WYPF had a very limited exposure of assets to Russia of 0.1% and we continue to keep a watchful eye on events, which have had a negative impact on all markets.

### Investment performance

In 2021/22 our investments made a positive return of 10.5%. Our medium- to long-term performance is as follows - three years 8.3% (72nd percentile), five years 7.1% (71st percentile), ten years 8.7% (61st percentile) and thirty years 9.0% (20th percentile), exceeding our benchmark.

The fund is focused on long term investment performance and strategy. The fund has a very different asset strategy to that of the average LGPS fund. The key difference is our relatively high commitment to equities and the commensurate underweighting of other assets. During recent years this would have had a positive impact on the fund's performance relative to its peers because equities returns were considerably ahead of bonds.

### Voting policy

Wherever practical the fund votes on resolutions put to the annual and extraordinary general meetings of all companies in which it has a shareholding. The basis of the voting policy is set out in the Investment Strategy Statement. Full details of the voting policy are also available on the fund website, as are details of the fund's voting activities at companies' annual general and extraordinary general meetings. The fund has appointed Pensions & Investment Research Consultants Ltd (PIRC) to manage voting rights, ensuring full engagement on governance and voting on all resolutions.

### Custody of financial assets and stock lending

The Northern LGPS Pool appointed custodian is Northern Trust. Northern Trust provides custodial services to the fund and is responsible for safe keeping, settlement of transactions, income collection, overseas tax reclaims, stock lending, general custodial services and other administrative actions in relation to all the fund's listed fixed-interest and equity shareholdings, with the exception of private equity and properties. All the three funds in the Northern LGPS Pool - Greater Manchester Pension Fund, Merseyside Pension Fund and West Yorkshire Pension Fund, are now serviced by Northern Trust.

## SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

### Investment strategy March 2022

Asset class	Bookcost	Market Value	Weighting	Fund specific benchmark	Control range
	£ Million	£ Million	%	%	%
<b>Total equities</b>	<b>5,419</b>	<b>11,467</b>	<b>64.45</b>	<b>66.0</b>	<b>58.5-73.5</b>
UK equities	2,686	4,927	27.70	27.5	22.5-32.5
Overseas equities	2,733	6,540	36.75	38.5	31.0-46.0
North America	712	2,418	13.59	13.9	8.9-18.9
Europe (Ex UK)	742	1,857	10.44	10.0	5.0-15.0
Japan	389	761	4.28	4.5	2.0-7.0
Asia Pacific (Ex Japan)	322	577	3.24	4.0	1.5-6.5
Emerging markets	568	927	5.20	6.1	3.6-8.6
<b>Total bonds</b>	<b>2,081</b>	<b>2,214</b>	<b>12.45</b>	<b>13.0</b>	<b>10.5-15.5</b>
UK govt. bonds	529	498	2.80	3.0	0.5-5.5
UK govt. index linked	466	646	3.63	3.5	1.0-6.0
UK corporate bonds	498	484	2.72	3.5	2.5-4.5
Global govt. bonds	322	336	1.89	1.5	0.5-2.5
Global corporate bonds	266	250	1.41	1.5	0.5-2.5
<b>Total alternatives</b>	<b>1,822</b>	<b>2,817</b>	<b>15.83</b>	<b>14.5</b>	<b>12.0-17.0</b>
Hedge funds	52	124	0.70	1.0	0.0-2.0
Private equity funds	300	966	5.43	5.0	3.5-6.5
Northern LGPS privavate equity pool	200	278	1.56	1.0	0.0-2.0
Private equity infrastructure	398	495	2.78	2.5	1.0-4.0
GLIL infrastructure (Nothern LGPS)	411	489	2.75	2.5	1.0-4.0
Listed alternatives	461	465	2.61	2.5	1.0-4.0
<b>Property</b>	<b>496</b>	<b>711</b>	<b>4.00</b>	<b>4.5</b>	<b>3.0-6.0</b>
<b>Cash</b>	<b>792</b>	<b>581</b>	<b>3.27</b>	<b>2.0</b>	<b>0.5-3.5</b>
<b>Total WYPF financial assets</b>	<b>10,610</b>	<b>17,790</b>	<b>100</b>	<b>100</b>	



# INVESTMENT MARKETS



## SECTION 8: INVESTMENT MARKETS

### UK economy and equity market

In the past year the UK has continued to suffer from the Covid pandemic, coupled with the ongoing effects of Brexit. UK government support for businesses affected by the pandemic continued for much of the year, with the furlough scheme in place until 20 September 2021. 1.3million businesses and 11.6million jobs were supported by the UK Government during the pandemic, and the emergence of the Omicron variant of Covid towards the end of 2021 resulted in a temporary tightening of restrictions and further lockdowns in some areas of the country, notably London.

The UK coronavirus vaccination programme was implemented rapidly, with a high take-up of vaccines and boosters in adults, and the vaccination of younger adults and teenagers being rolled out from autumn 2021. Although infection rates remained high, particularly in early 2022, the incidence of serious illness and hospitalisation fell.

As restrictions began to ease, economic recovery was rapid, with GDP growing 7.4% in calendar year 2021, ending the year just 0.1% below where it stood pre-pandemic. This was the largest annual increase in GDP since the Second World War according to Bank of England estimates. The rate of growth began to slow in early 2022.

#### UK GDP

Monthly index, January 2007 to March 2022, UK

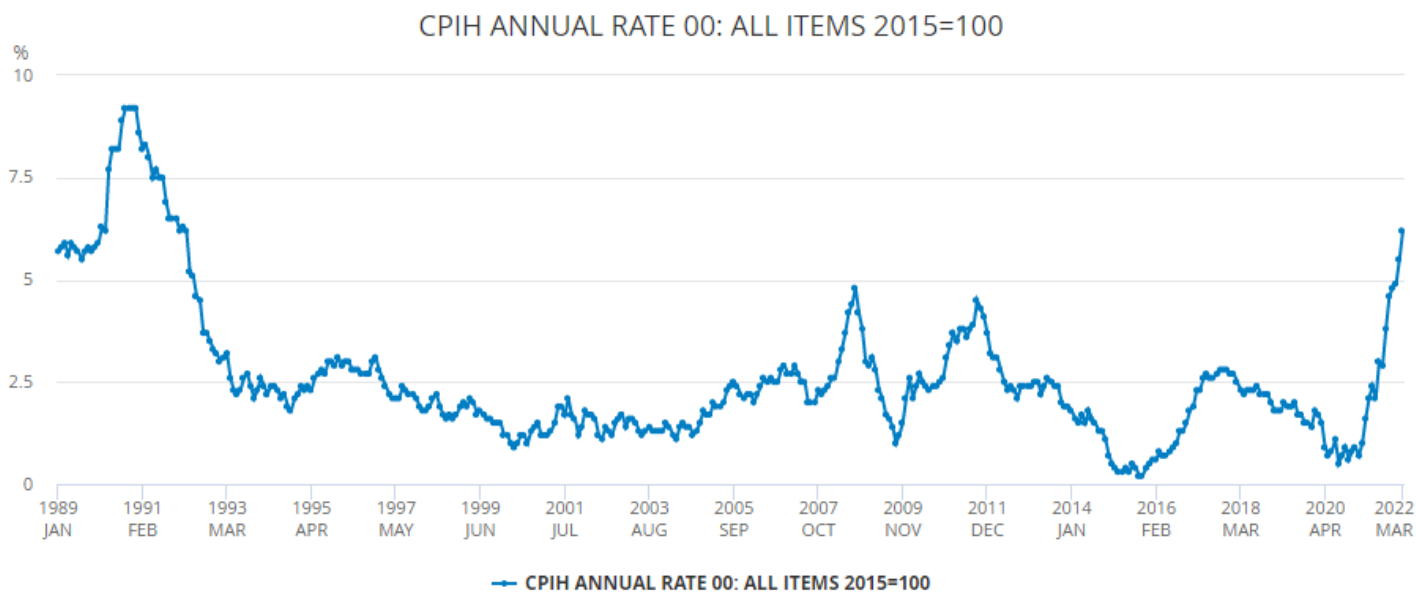


Source: Office for National Statistics - GDP monthly estimate

The economic recovery brought with it a rapid rise in the rate of inflation, forcing the Bank of England to raise interest rates after a prolonged period of historic lows, in an attempt to control the rate of inflation and keep it within target range. The rise in energy and food prices in early 2022 pushed inflation higher. The Bank of England had expected a temporary period of 'transitory' high inflation as the economy recovered from the pandemic, but did not anticipate the surge in energy and food commodity prices, and higher inflation is now likely to continue for longer than originally forecast.

## SECTION 8: INVESTMENT MARKETS

### UK INFLATION RISING RAPIDLY



Source:

Source: Office of National Statistics

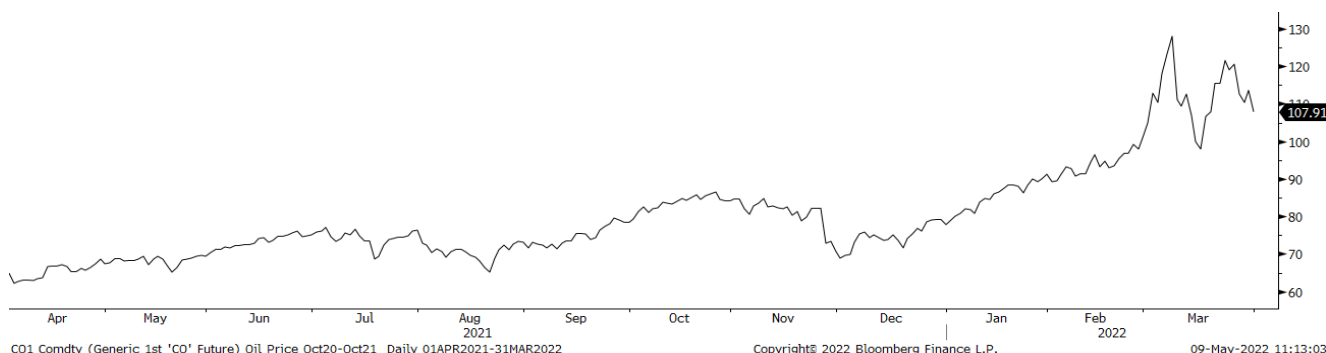
The easing of restrictions and economic recovery resulted in a fall in the rate of unemployment to very low levels. There were 1.3 million job vacancies between December and January, a new record high. However, real wage growth has been outpaced by the rate of inflation. The cost of living is rising far faster than wages, and many households are facing financial hardship in the coming months and years due to changes in the energy price cap, changes to National Insurance, and higher fuel and food costs. Supermarkets are endeavouring to keep prices as low as possible for families, particularly for staple grocery items such as pasta, rice and tea.

Supply chains are still affected by Covid and Brexit. Delays in distribution caused by problems at the ports and a shortage of delivery drivers affect manufacturers and retailers alike. The retail and hospitality industries are struggling to recruit and retain staff, as shoppers return to the high street and begin to spend more on leisure activities such as dining out and foreign holidays. A global shortage of semiconductor chips and metals has hit new car production severely, with new car registrations at a 24 year low in March. The price of used cars rose as the supply of new cars fell. Electric and hybrid vehicle sales are particularly strong.

### Russian Invasion of Ukraine

The Russian invasion of Ukraine on 24th February 2022 was met with widespread global condemnation. The devastating consequences for Ukrainian people having to flee their homes and livelihoods into neighbouring countries is a crisis which has not been seen in mainland Europe since World War II. Governments around the world introduced sanctions against Russia, with many Russian oligarchs having their assets frozen, and international companies ceasing operations in Russia. Governments are actively seeking alternatives to Russian oil and gas, something previously relied upon by many countries in Europe and around the world. The invasion caused a sharp rise in energy prices and increased volatility in the last weeks of the financial year. The Brent Oil price hit a high of \$127 in early March. The rise in energy prices and uncertainty of supply is likely to speed up the switch to renewable alternatives, as countries look for longer term energy security.

### BRENT OIL PRICE





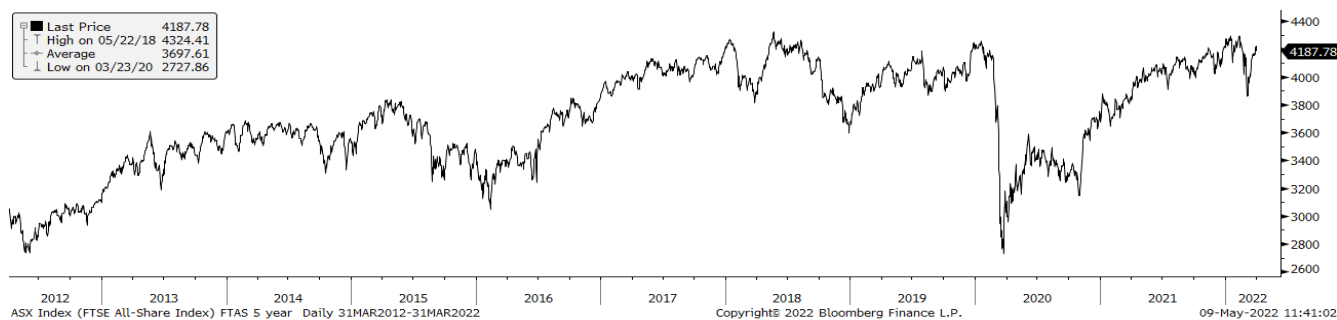
## SECTION 8: INVESTMENT MARKETS

Oil and gas are not the only commodities directly affected by Russia’s aggression. Ukraine is the world’s largest producer of sunflower oil, and one of the largest producers of corn. Russia and Ukraine are also major producers of wheat. The reduced supply of these essential food commodities will push global food prices higher, and could have devastating consequences for poorer countries.

### UK equity market resilience

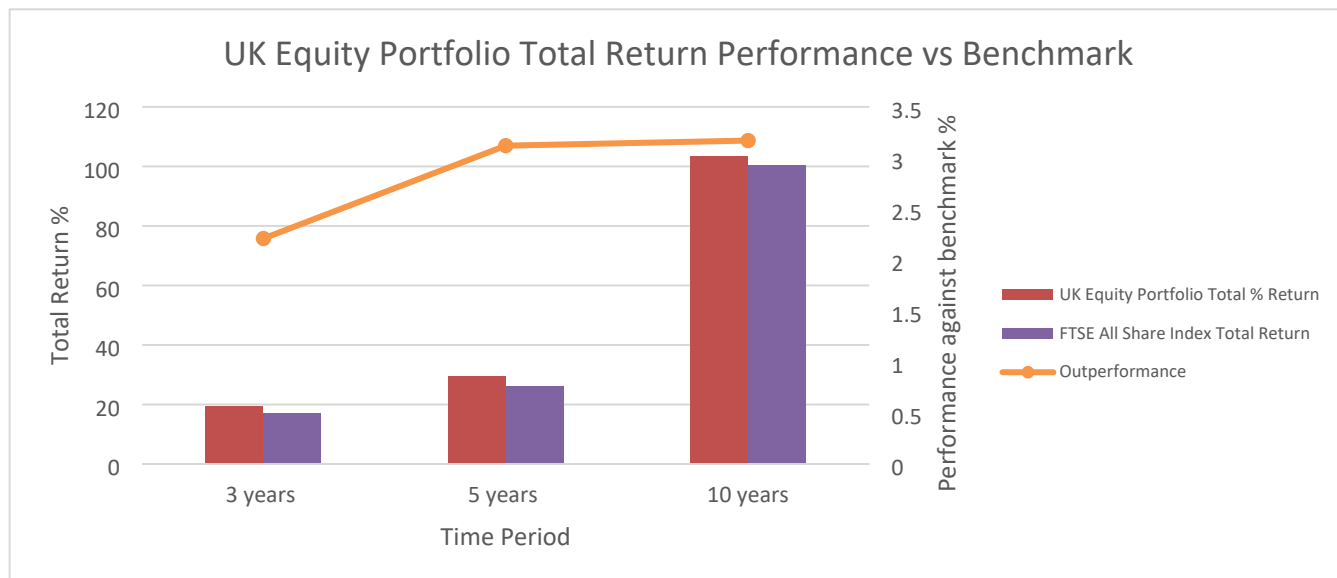
The UK equity market has proved relatively resilient despite recent events. The FTSE All Share index fell along with global equity markets in February following news of the Ukraine invasion, but bounced back relatively quickly. The UK Index has a high proportion of resources companies compared with most other stockmarkets; the resources companies increased in value as energy and metal prices surged.

#### FTSE All Share Index over 10 years



### WYPF UK equity portfolio performance

The short term performance of the UK equity portfolio was affected as the team reduced the overall allocation to the UK during the year. Longer term, the in house team of investment managers continue to outperform the benchmark index by a considerable margin.



The long term nature of the Fund means that managers can use a range of investment styles including growth, income and value. This smooths returns over a longer time horizon, and avoids the potential pitfalls of following investment fashions.

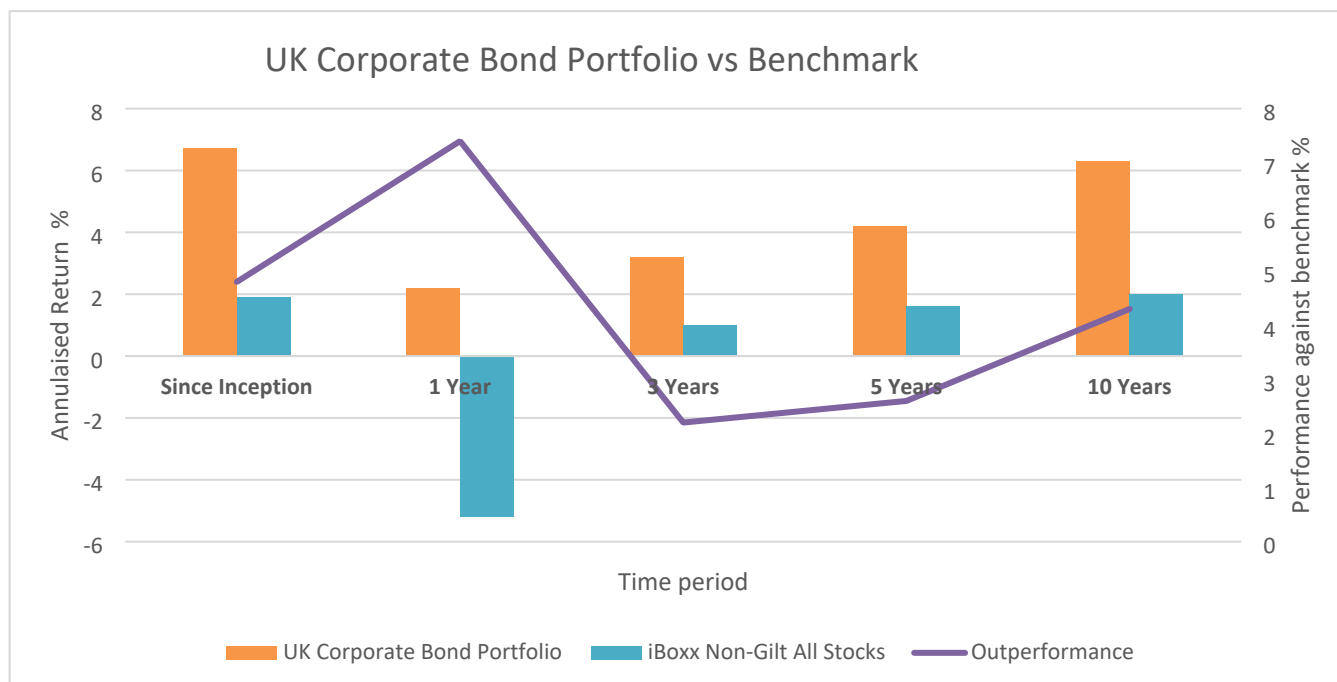
Dividend income, which fell by almost 50% during the pandemic, has recovered to pre-pandemic levels. UK dividends are an important source of income for the Fund, worth around £170m in 2021.

### UK corporate bonds

The UK corporate bond portfolio was valued at £490m at the end of March 2022, representing 2.8% of the total fund. The portfolio remains well diversified in high yielding corporate bonds across counterparties, seniority ranking and investment grades.

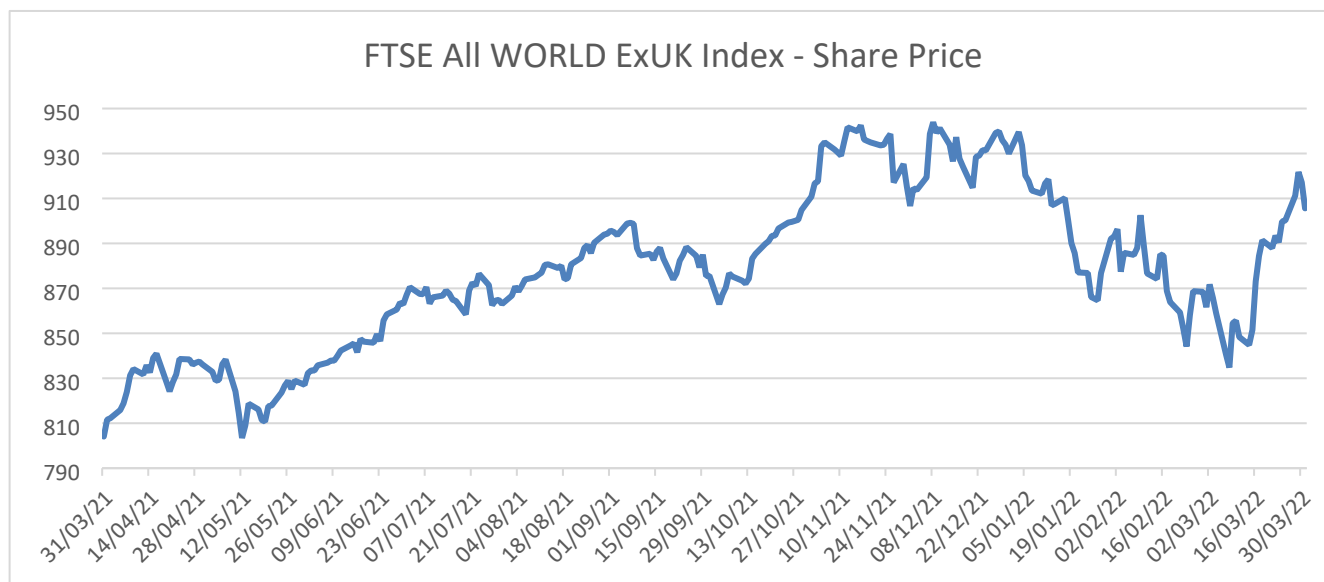
## SECTION 8: INVESTMENT MARKETS

The corporate bond portfolio continues to outperform consistently compared to the benchmark for all periods since inception. The most recent period has been a particularly difficult one for bonds generally, with the benchmark falling 5.2% over the year. However the UK corporate bond portfolio showed a positive return of 2.2%, a particularly strong outperformance. A number of bonds were redeemed early (before maturity date) during the year, and there have been no defaults on maturity or coupon payments.



## International investment markets

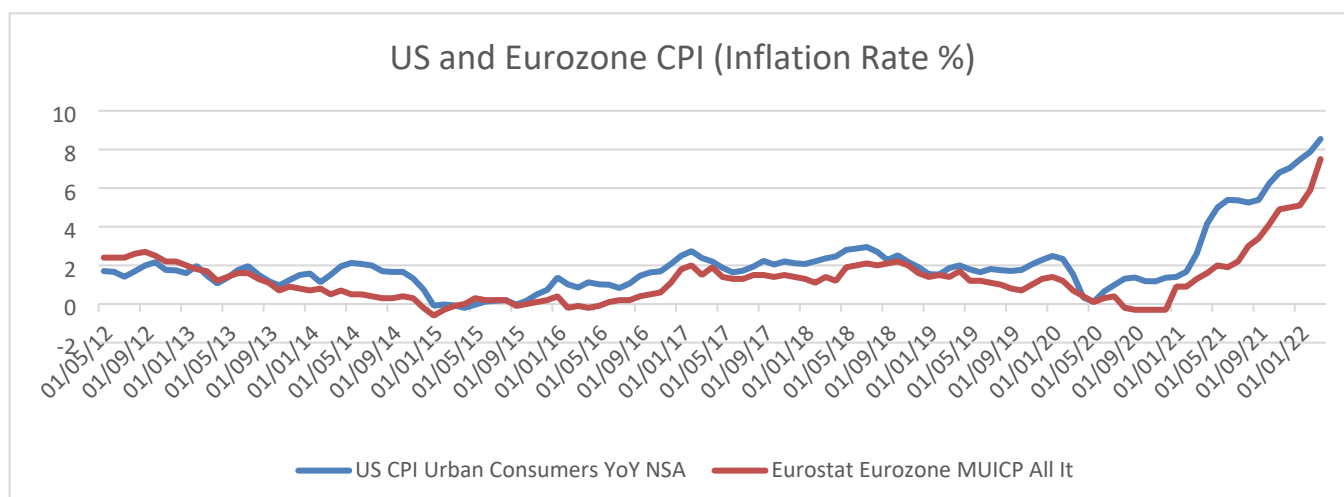
Global equity markets made a positive return of 12.6% over the financial year, despite suffering a major decline in the final quarter.



Source Bloomberg LLP.

This financial year has been a story of two parts. Initially markets were optimistic about the prospects for a strong economic recovery as countries reopened following the previous year's restrictive lockdowns introduced to curb the spread of COVID-19. However, as the year progressed COVID-19 reappeared prompting further lockdowns and restrictions, especially in China. These restrictions perpetuated the shortage of goods that constrained the economic growth everyone expected. Worse still, supply shortages caused prices to rise sharply and inflation reached over 8% in the US, well above its 2% average for the previous decade. A picture echoed across many developed economies. Labour markets were also tight with many workers retiring or becoming economically inactive, pushing wages higher and adding to existing inflationary pressures.

## SECTION 8: INVESTMENT MARKETS



Source Bloomberg LLP

Initially the US Federal Open Market Committee (FOMC – or the FED), believed that inflation was transitory and could be controlled. Eventually they quietly admitted inflation was not transitory and began raising interest rates and to move toward tightening their monetary policies to curb inflation. Such measures however, whilst aimed at controlling inflation, also serve to dampen economic growth and reduce profits which caused equity markets to weaken significantly.

The Russian invasion of Ukraine in February 2022 inevitably unsettled markets and further strengthened the grip of inflation across the globe as energy prices increased, (Russia being a major exporter of oil and gas). Whilst this caused weakness in Europe where Germany, in particular, is dependent upon Russian energy, other regions that export commodities, benefitted from these price rises and markets rallied after the invasion began.

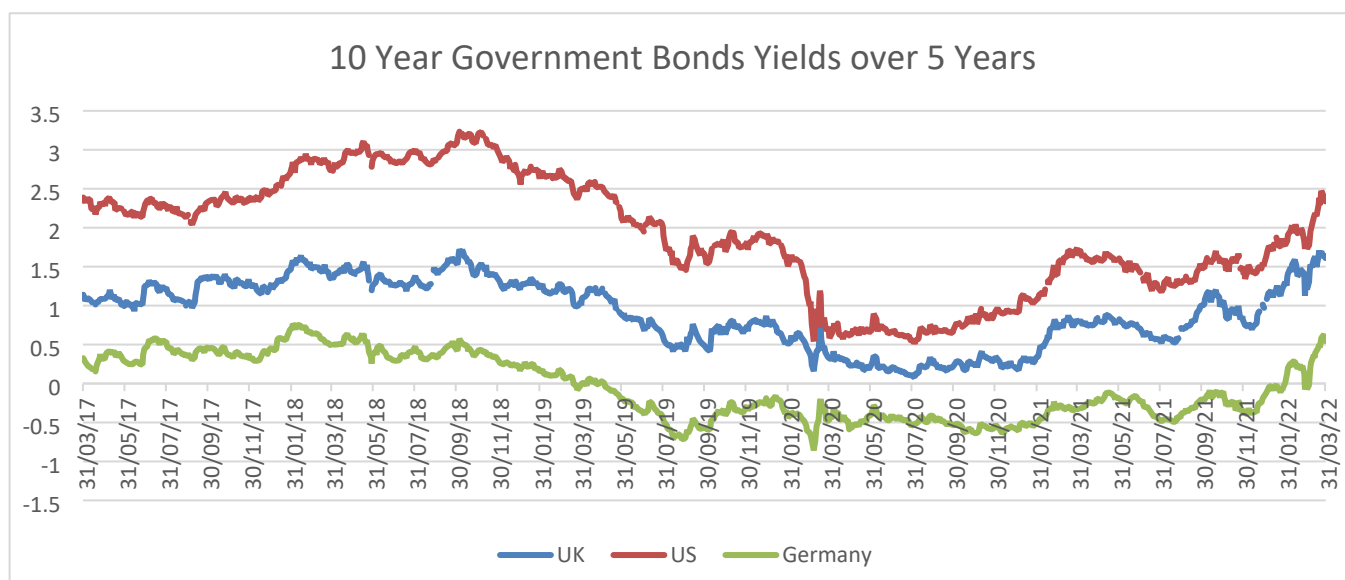
The overseas equity portfolio enjoyed a positive total return of 8.1% for the year, outperforming its benchmark by 1.3%. The benchmark return was 6.7% which is lower than the world index of 12.6% due to its smaller weighting to North America that performed strongly over the year. Whilst equity valuations in the US remain high at 24 times its price to earnings ratio, elsewhere stocks are trading at a more reasonable rating of 14.2 times. This suggests opportunities for positive future returns are more likely outside the USA where valuations are currently stretched.

### Bond Markets

As with equity markets, the bond markets were driven by the policy decisions of central banks in their attempts to stimulate their economies and restore growth following the lockdowns of the COVID-19 pandemic, against the need to dampen inflation. The US Fed and the UK Bank of England chose to focus on dampening inflation and consequently pursued hawkish policies, such as raising interest rates, whilst other banks, such as the Bank of Japan and the European Central Bank, continued to maintain easy monetary policies to prioritize market stimulation.

The challenge posed by rising inflation and higher interest rates is that it reduces the relative value of fixed income payments and therefore negatively impacts bond prices. As the year progressed and the inflation story unfolded, bond prices fell and yields rose making this financial year a difficult one for bond markets with negative returns being the norm. The FTSE Actuaries UK Government All Stocks Gilts Index lost -5.1% over the year. UK Index Linked Bonds made a positive return of 4.7%. Against these benchmarks the portfolio outperformed returning -4.7% and 5.9% respectively.

## SECTION 8: INVESTMENT MARKETS



### Alternative investments

#### Private markets

As at 31 March 2022, the private market equity and infrastructure portfolio accounted for 12.0% (£2,127m) of the West Yorkshire Pension Fund. In addition, at year end, undrawn commitments amounted to a further £1,177m. This included £240m committed to NPEP (see below for explanation) which had not yet been deployed to underlying private equity investments. During the year, the overall private market portfolio experienced capital calls of £441.3m and distributions of £415.5m, resulting in a net investment of £25.8m.

#### Private Equity

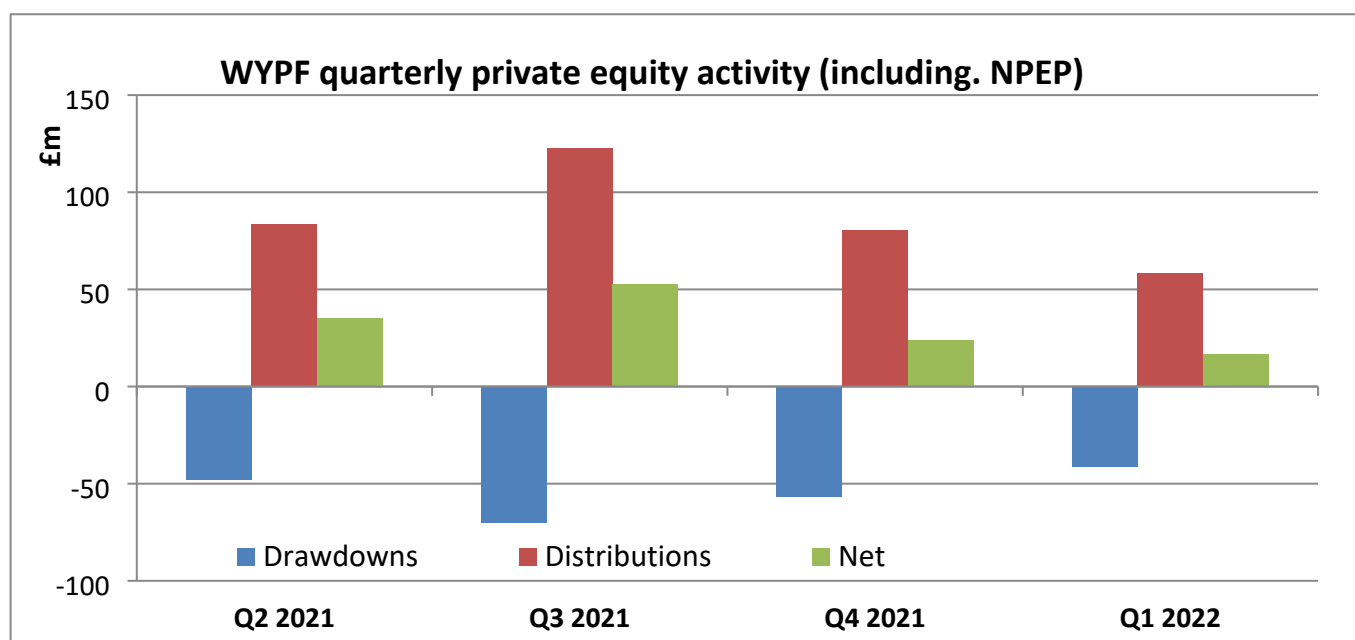
The market rebound seen in the second half of the 2020/21 financial year continued into the first half of 2021/22. For the financial year to 31 March 2022, the number of private equity deals globally increased by approximately 28% on the prior year. The total deal value increased by approximately 51% (Preqin) and average deal sizes increased approximately 18%. The WYPF private equity portfolio experienced a less pronounced increase in buyout activity with an increase in drawdowns of 17%, compared with 51% for the market overall. (Drawdowns are typically dictated by the amount committed in each vintage year. They are also dependent upon the manager's speed of deployment and use of a credit line.) This 17% increase in activity was driven by WYPF's commitment to NPEP, which saw activity increase by 27% on the prior year. Excluding commitments made via NPEP, drawdowns increased by only 8%, which reflects reduced commitments made to this part of the portfolio since 2018, when NPEP launched.

Managers continued to navigate global market uncertainty and invest defensively, whilst executing a high level of bolt-on acquisitions for their investee platform companies in order to drive growth.

The value of global private equity backed exits for 2021/22 was 2% lower than the previous year. It was, however, a year of two halves: 1H exits increased 108%, continuing the buoyancy of the prior six months; 2H exits declined 53%. WYPF's experience was directionally similar, but different in magnitude: 1H +286%, 2H -6%. Overall, the WYPF portfolio saw distributions that were 72% higher than the previous year. Increased exit activity and a higher level of distributions normally lead to a robust fundraising market. However, post-pandemic market optimism began to wane due to macro and geopolitical uncertainty. The number of global private equity funds reaching their final close continued to slow in Q1 2022.

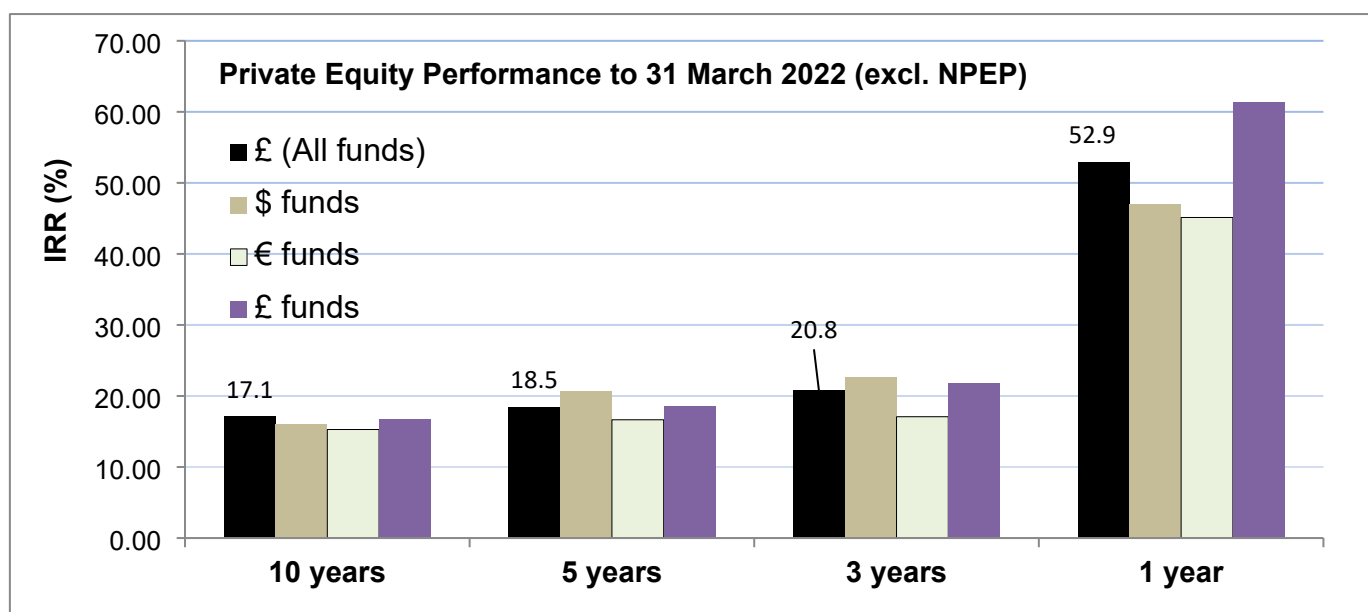
As reported previously, the Northern Private Equity Pool (NPEP) makes commitments to underlying private equity funds on behalf of its founding partners: West Yorkshire Pension Fund, Merseyside Pension Fund and Greater Manchester Pension Fund (NLGPS). NPEP is a joint-venture limited partnership akin to a typical private equity structure. During the year, NPEP received a further £360m in commitments from its founding members, including £160m from WYPF. In total, WYPF has now committed £755m to NPEP. Further annual commitments are expected from all founding members. WYPF's undrawn NPEP commitment amounted to £541m at year end.

## SECTION 8: INVESTMENT MARKETS



For the year to 31 March 2022, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £128.6m overall, compared to £16.4m in the prior year. Meanwhile, the portfolio increased in value by £286m from £903m to £1,189m. As a proportion of the WYPF, the weighting of the private equity portfolio increased from 5.6% at the start of the financial year to 6.7%. This was primarily due to the strong performance delivered by the Fund's private equity managers.

Local currency performance for funds denominated in each currency, and also performance on translation into Sterling, is shown below. The private equity performance shown below excludes funds held within NPEP. The majority of this portfolio is USD denominated (64%), whilst Euro and Sterling denominated funds represent 19% and 18% respectively.



WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. For the 12 months to 31 March 2022, the portfolio returned 52.9%. Sterling returns were impacted by a stronger USD (6.4%) and a weaker Euro (-1.2%). Overall, this gave an overall positive currency effect of 3.9%. For the 10-year period to 31 March 2022, the Private Equity portfolio in Sterling has delivered annualised returns of 17.1%.

WYPF's private equity investments held through NPEP delivered returns of 33.3% in Sterling for the year to 31 March 2022, and 29.4% since inception.

## SECTION 8: INVESTMENT MARKETS

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

Private equity fund	WYPF Commitment (£m)
Alpine Investors Fund VIII	23
BlackRock Growth Equity Fund	30
Key Capital Partners IX	2
Northern Private Equity Pool (NPEP)	160
<b>Total</b>	<b>215</b>

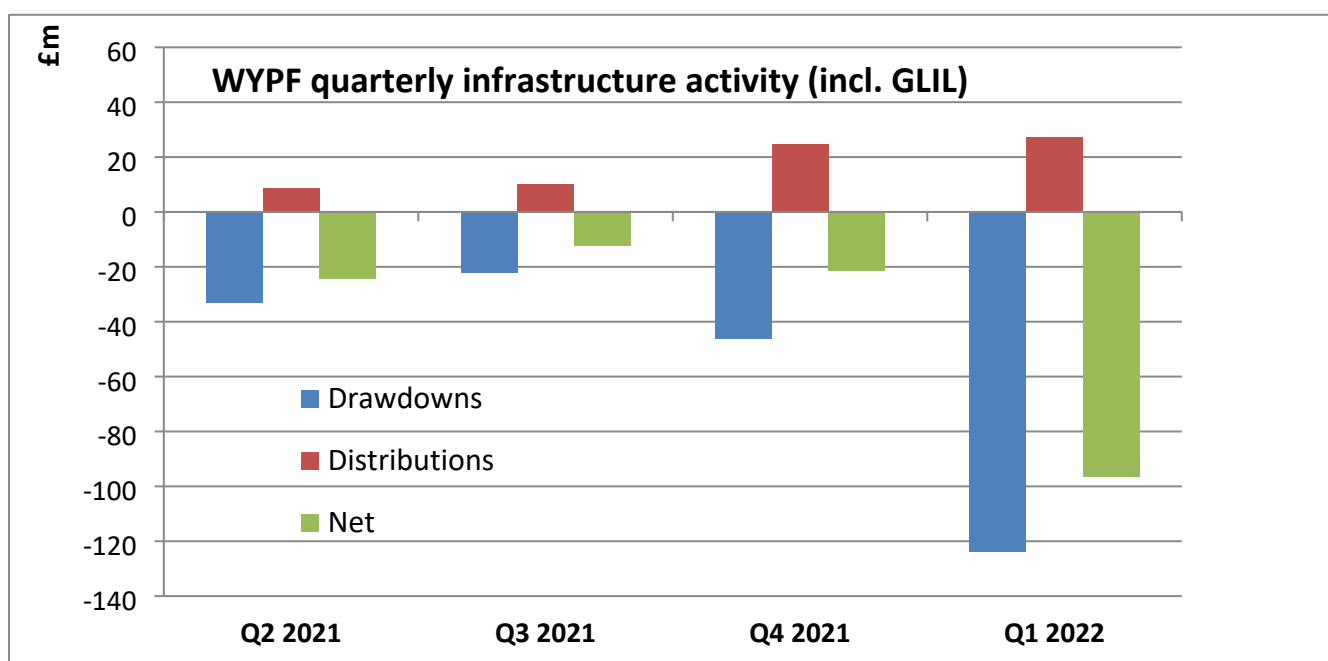
During the year, approval was given for the NPEP investment vehicle to make eight primary fund commitments with seven different managers, one of which is a new manager relationships for WYPF. As at 31 March 2022, un-drawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £551.8m.

The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 6% exposure to private equity over the medium term.

### Infrastructure

During the financial year to 31 March 2022, the number of reported infrastructure deals globally increased by just 3% on the prior year. However, the total deal value increased by 57% (Preqin). This resulted in the average deal size increasing by 53%, and 20% more than two years ago. The WYPF infrastructure portfolio (excluding GLIL) mirrored this experience with a two-fold increase in drawdown levels. Distributions, however, also increased (+22%), resulting in a net investment of £32.3m, compared to a £2.3m net divestment in 2020/21.

In addition to the above, net investment was bolstered by a further £122m due to WYPF's commitment to GLIL. GLIL is a cost-effective, limited liability partnership focussed on investing in direct UK infrastructure. WYPF has committed £525m to GLIL. As at 31 March 2022, WYPF's unfunded amount committed to GLIL was £91.9m.



Including monies drawn down for GLIL, net investment was £154.5m, 137% higher than the prior year (£65.3m). Capital called from GLIL was predominantly for equity stakes in a UK smart meter asset provider and an Irish onshore wind farm, along with a further equity stake in an existing portfolio company.

As a proportion of WYPF, the weighting of the infrastructure portfolio increased to 5.3% (£940m), from 4.4% (£703m) the previous year.

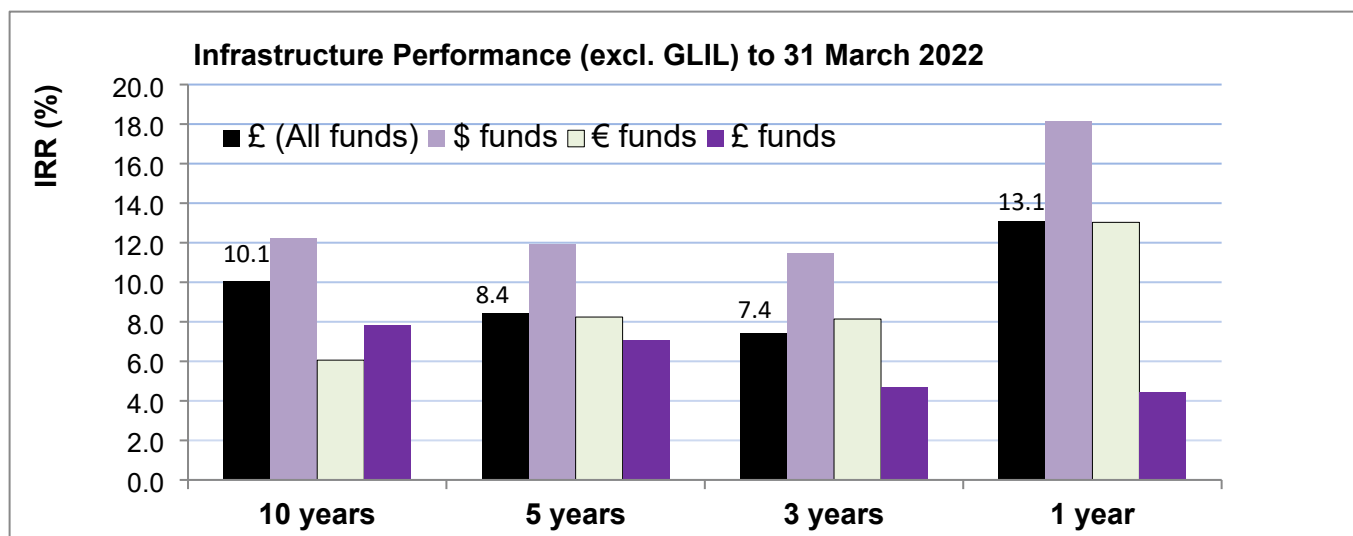
Local currency performance for funds denominated in each currency, and also performance on translation into Sterling, is shown below. The infrastructure performance shown below excludes GLIL. In valuation terms, Sterling, USD, and Euro-denominated funds constitute 39%, 43%, and 18% of the infrastructure portfolio, respectively.

## SECTION 8: INVESTMENT MARKETS

For the 12 months to 31 March 2022, the portfolio returned 13.1%. Sterling returns were positively impacted by USD strength (5.9%) and negatively impacted by Euro weakness (-0.9%). Overall, this gave a positive currency effect of 2.4%.

For the 10-year period to 31 March 2022, the Infrastructure portfolio in Sterling has delivered annualised returns of 10.1%.

WYPF's infrastructure portfolio remains well-diversified across industry sectors, geographies, vintage years, financing stages and



managers.

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

Infrastructure fund	WYPF Commitment (£m)
Aberdeen Standard Core Infrastructure Fund III	30
FitzWalter Capital Partners I	30
Macquarie European Infrastructure Fund VII	51
Partners Group Direct Infrastructure 2020	17
Tiger Infrastructure Fund III	30
<b>Total</b>	<b>158</b>

At 31 March 2022, un-drawn commitments (incl. GLIL) amounted to £385.2m.

The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversifying between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus is on assets with inflation linked, long duration income streams that are less sensitive to the economic cycle. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 7% allocation to infrastructure.

### Private Credit

In the latter half of the financial year, WYPF's Investment Advisory Panel approved a 2% allocation to private credit. Investments will be diversified across credit type, geography, manager and vintage year.

### Hedge Funds

WYPF's hedge fund exposure is mainly via a bespoke fund similar to a managed account-type structure. This USD-denominated fund comprises seven underlying multi-strategy funds and two macro funds. This fund returned 12.5% (USD), versus 1.0% for the HFRX Global Hedge Fund Index (USD) for the year to 31 March 2022. Since inception (1 May 2012), this fund has delivered annualised local returns of 7.8%, 10.0% when translated into Sterling.

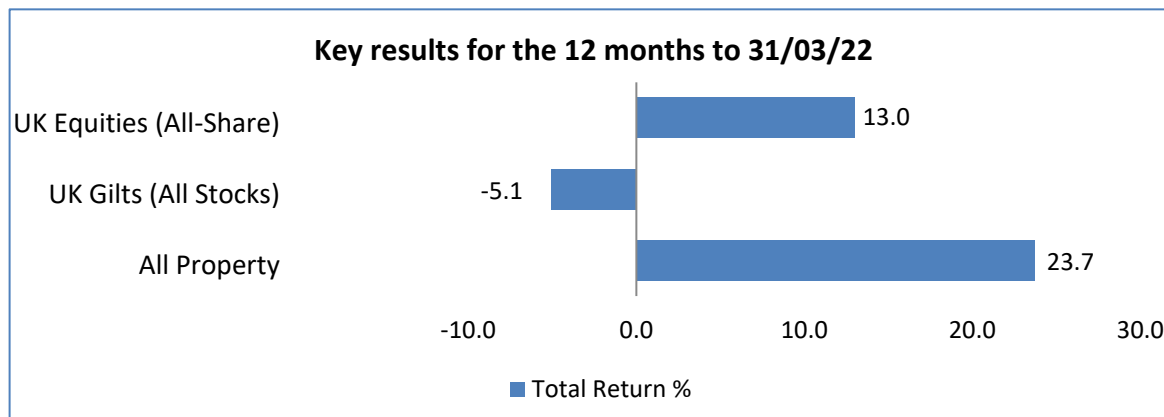
WYPF continues to focus on efficient diversification whilst achieving mid-high single digit returns and limiting downside risk.

## SECTION 8: INVESTMENT MARKETS

### Property

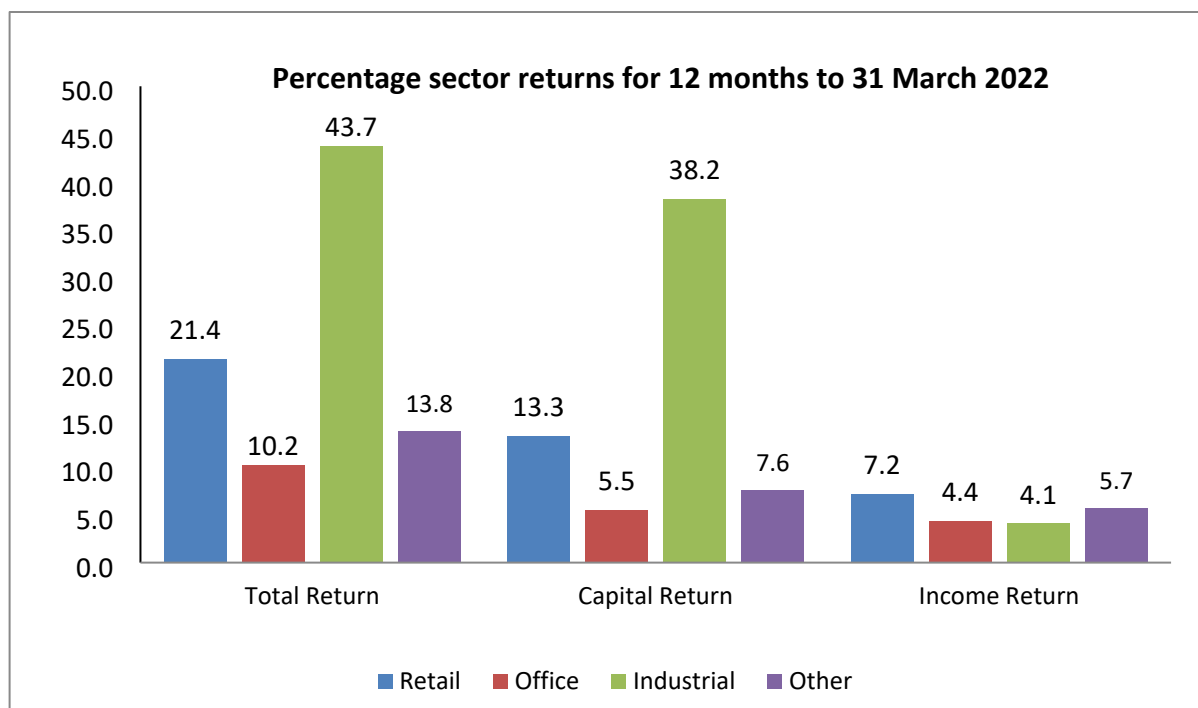
For the year to 31 March 2022, total returns for the UK direct MSCI All Property benchmark amounted to 23.7%. This compares to the WYPF agreed benchmark of the All Property Funds Index, which returned 20.9%.

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



Source: Bloomberg and MSCI UK Quarterly Property Index

Returns by property sector are given below.



Source: CBRE Monthly (12m total return for CBRE All Property was 23.5%)

During the course of the year, UK commercial property transaction volumes rebounded strongly. Nearly all the main sectors saw month on month capital value increases. The exception to this was the Office sector which saw capital values plateau for the first three months of the financial year, before gaining momentum and finishing the year 5.5% higher.

Capital values in the Retail sector were driven mainly by Retail Warehouses (26.0%) and to a lesser extent Standard Shops (5.1%). Shopping Centre capital values, on the other hand, fell 4.6% during the year. According to the latest ONS data, consumer spending has normalised, providing some support for retail rents. Fashion-related consumer spending, which lagged household-related spending at the beginning of the pandemic, has now recovered to pre-pandemic levels.



## SECTION 8: INVESTMENT MARKETS

For the financial year to March 2022, the City of London investment market saw transaction volumes rebound strongly from the prior year before. Q1'22 transaction volumes were five times greater than those recorded in Q1'21 (Savills). Leasing activity across the Central London office market also improved on the prior year; albeit remains lower than the 10-year average (Savills). Occupiers' preference for high quality space dominates the take-up figures in the City. The Office sector delivered a total return of 10.2% for the twelve months to 31 March 2022. Regional Offices (8.8%) were the laggards, whereas the City (9.2%) and West End Offices (12.0%) were the strongest performers.

UK industrial investment volumes in 2021 were more than double the 10-year average (CBRE/Property Data). The Industrial sector continued to experience strong occupational and investment demand. Occupationally, the sector has seen increased demand for online sales during the pandemic, with rents increasing by approximately 11% (CBRE). This heightened investor demand increased valuations and pushed investment yields to new lows. This was again the highest performing sector, with a total return of 43.7%. Within this, South East Industrials returned 47.5% and outperformed Rest of UK Industrials at 36.7%.

'Other' property includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. After suffering valuation falls of 10% last year, capital values rebounded 7.6% to give a total return after income of 13.8% for the year to 31 March 2022.

Although transactional volumes for UK commercial property recovered to normal levels, this was biased towards Industrial and Other sectors. Also, transactions completed during the year were biased towards prime assets. Transactions on lower quality assets struggled to complete due to divergent pricing expectations between buyers and sellers.

WYPF is overweight in Shopping Centres, Retail Warehouses and Rest of UK Offices compared to its benchmark, and underweight in Standard Retail, Industrials, City and West End Offices, and Other property.

### Direct property

Towards the latter part of the year, steps were taken by WYPF to initiate procurement of an external direct property manager to help grow its direct portfolio in a cost-effective manner. The aim of making direct investments is to lessen ongoing fees and enhance control, enabling long-term investment throughout market cycles. This is being undertaken through the NLGPS Pool.

### Overall activity

WYPF made property purchases of £24.9m and sales of £34.5m, giving a net divestment of £9.6m over the 12 months to 31 March 2022. The majority of capital was invested in affordable housing and a further equity stake in a regionally dominant shopping centre already held by WYPF. The rationale for the latter investment was two-fold: to protect our existing exposure to the Centre, and to take advantage of attractive pricing, given vendor circumstances.

Sale proceeds mainly resulted from the liquidation of two UK open-ended funds. The property portfolio returned 16.6% for the twelve months to March, underperforming its benchmark of 20.9%. The majority of underperformance is attributable to over-exposure to UK regional offices, the aforementioned shopping centre and European property fund exposure.

At 31 March 2022, un-drawn commitments for property amounted to £56.3m.

# AUDITOR'S REPORT

## SECTION 9: AUDITOR'S REPORT

# Independent auditor's report to the members of City of Bradford Metropolitan Council

## Report on the audit of the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2022 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

### Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2022 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22.

### Respective responsibilities of the Director of Finance and IT and the auditor

As explained more fully in the Statement of the Director of Finance and IT's Responsibilities, the Director of Finance and IT is responsible for the preparation of the Pension Fund's financial statements in accordance with applicable United Kingdom law.

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

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

### Use of this auditor's statement

This report is made solely to the members of City of Bradford Metropolitan District Council, as a body and as administering authority for the West Yorkshire Pension Fund, in accordance with Part 5 paragraph 20(5) of the Local Audit and Accountability Act 2014. Our work has been undertaken so that we might state to the members of City of Bradford Metropolitan District Council those matters we are required to state to them and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than City of Bradford Metropolitan District Council and City of Bradford Metropolitan District Council's members as a body, for our audit work, for this statement, or for the opinions we have formed.

[Signature]

**Cameron Waddell**

**Key Audit Partner**

**For and on behalf of Mazars LLP**

5th Floor

3 Wellington Place

Leeds

LS1 4AP

[Insert date]

# STATEMENT OF ACCOUNTS



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## SECTION 10: STATEMENT OF ACCOUNTS

### Statement of accounts

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

The Director of Finance is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the fund at 31 March 2022 and its income and expenditure for the year ended 31 March 2022.

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

### Fund account for the year ended 31 March 2022

	Note	2022 £000	2021 £000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions receivable	6	475,463	480,170
Transfers in	7	32,012	26,934
Non-statutory pensions and pensions increases recharged	8	20,171	21,019
		<b>527,646</b>	<b>528,123</b>
Benefits payable	9	-591,305	-550,077
Non-statutory pensions and pensions increase	8	-20,171	-21,019
Payments to and on account of leavers	10	-19,993	-23,373
		<b>-631,469</b>	<b>-594,469</b>
Net additions/(withdrawals) from dealing with members		-103,823	-66,346
Management expenses	13	-10,455	-10,002
<b>Net additions / (withdrawals) including management expenses</b>		<b>-114,278</b>	<b>-76,348</b>
<b>Returns on investments</b>			
Investment Income	15	425,221	361,159
Taxes on income	15a	-9,143	-7,919
Profit and losses on disposal and changes in value of investments	17a	1,348,594	2,833,734
Stock lending	17c	1,871	2,278
<b>Net return on investments</b>		<b>1,766,543</b>	<b>3,189,252</b>
<b>Net Increase/(decrease) in the net assets available for benefits during the year</b>		<b>1,652,264</b>	<b>3,112,904</b>
<b>Fund opening net assets</b>		<b>16,327,202</b>	<b>13,214,298</b>
<b>Fund closing net assets</b>		<b>17,979,466</b>	<b>16,327,202</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### Net Assets Statement at 31 March 2022

	Note	2022 £000	2021 £000
<b>Investment assets</b>			
Bonds	17	1,402,820	1,315,811
Equities (including convertible shares)	17	10,867,442	9,998,808
Index-linked securities	17	755,940	735,119
Pooled investment vehicles	17	4,251,295	3,702,738
Direct Property	17	7,350	7,300
Cash deposits	17	556,926	422,003
Cash in bank	17	6,230	41,592
Other investment balances	17	61,580	58,153
<b>Investment liabilities</b>			
Other investment balances	17	-43	-13,990
<b>Total net investments</b>		<b>17,909,540</b>	<b>16,267,534</b>
<b>Current assets</b>			
Debtors	20	95,663	81,033
<b>Current liabilities</b>			
Creditors	21	-25,737	-21,365
<b>Net current assets and liabilities</b>		<b>69,926</b>	<b>59,668</b>
<b>Net assets of the scheme available to fund benefits</b>		<b>17,979,466</b>	<b>16,327,202</b>

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2022. This financial statement shows the net value of assets owned by the fund, the actuarial calculation of the present value of promised retirement benefits is provided in Note 12.

Signed

**Chris Chapman**

Director of Finance & IT  
City of Bradford Metropolitan District Council DD MMMM 2022

# SECTION 10: STATEMENT OF ACCOUNTS

## Notes to the accounts

### Note 1. Operations and Membership

The West Yorkshire Pension Fund (WYPF) provides for the payment of defined pension benefits to members or their dependants, employees or former employees of participating employers. WYPF publishes its own detailed report and accounts document, which is available on the WYPF website address <https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/>

#### Administering Authority

City of Bradford Metropolitan District Council is the administering authority for the Fund, and as such has statutory responsibility for the management and administration of the Fund. The Fund's entire investment portfolio is managed within the Northern LGPS on a day to day basis in-house supported by the Fund's external advisers.

#### Legal Status

WYPF is a statutory scheme and the benefits are paid out under the provisions of the Local Government Pension Scheme Regulations (2013). It has been classified as a registered public service pension scheme under Chapter 2 of Part 4 of the Finance Act 2004.

The scheme is governed by the Superannuation Act 1972 and the Public Service Pensions Act 2013.

The fund is administered in accordance with the following secondary legislation:

- The Local Government Pension Scheme Regulations 2013 (as amended)
- The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014 (as amended)
- The Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016

#### Management

The West Yorkshire Pension Fund Joint Advisory Group is responsible for advising on the administration of the Fund. The group is made up of three elected members from each of the five West Yorkshire Metropolitan District Councils (MDCs), three Trade Union representatives and two Scheme members. The Investment Advisory Panel is responsible for advising on the investment of the Fund and comprises two elected members from each of the five West Yorkshire Metropolitan District Councils, three trade union representatives, two external investment advisors, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Financial Officer from the West Yorkshire District Councils on a two-year rotational basis.

#### Participating employers

There were 463 participating employers during the year, 30 left in the year, leaving 433 at 31st March 2022 (409 employers as at 31st March 2021) whose employees were entitled to be contributors to the Fund.

#### Membership

Total membership as at 31st March 2022 is 307,797 (31st March 2021 is 298,307).

At 31 March 2021	Profile of membership	At 31 March 2022
101,079	Active members	104,891
100,869	Pensioner members	104,710
96,359	Members with preserved pensions	98,196
<b>298,307</b>	<b>Total members</b>	<b>307,797</b>

#### Benefits payable

On 1st April 2014, LGPS pensions became a career average scheme, whereby members accrue benefits based on their pensionable pay in that year at an accrual rate of 1/49th. Accrued pension is increased annually in line with the Consumer Prices Index. Prior to April 2014 pension benefits under the LGPS were based on final pensionable pay and length of pensionable service as summarised below:

## SECTION 10: STATEMENT OF ACCOUNTS

	Service pre 1 April 2008	Service post 31 March 2008
Pension	Each year worked is worth 1/80 x final pensionable salary	Each year worked is worth 1/60 x final pensionable salary
Lump sum	Automatic lump sum of 3 x pension. In addition, part of the annual pension can be exchanged for a one off tax free cash payment. A Lump sum of £12 is paid for each £1 of pension given up.	No automatic lump sum. Part of the annual pension can be exchanged for a one off tax free cash payment. A lump sum of £12 is paid for each £1 of pension given up.

### Note 2. Actuary's Report

#### West Yorkshire Pension Fund

#### Statement of the Actuary for the year ended 31 March 2022

##### Introduction

The Scheme Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the fund) is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the fund was completed as at 31 March 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

##### Actuarial Position

- The valuation as at 31 March 2019 showed that the funding level of the fund had increased since the previous valuation with the market value of the fund's assets as at 31 March 2019 (of £14,363.0M) covering 106% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the fund, for future increases in pensionable pay.
- The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
  - 18.0% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

**Plus**

  - an allowance of 0.9% of pay for McCloud and cost management – see paragraph 9 below,

**Less**

  - 2.3% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).
- In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£m)
2020	16.3	3.4
2021	16.5	2.4
2022	16.6	1.9

- The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution increases and individual employers' recovery periods as agreed



## SECTION 10: STATEMENT OF ACCOUNTS

with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' circumstances.

5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service

Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	3.30% p.a.

Discount rate for periods after leaving service

Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	1.60% p.a.

Rate of pay increases

3.35% p.a.

Rate of increase to pension accounts

2.10% p.a.

Rate of increases in pensions in payment  
(in excess of Guaranteed Minimum Pension)

2.10% p.a.

- \* *The Scheduled and Subsumption body and intermediate funding targets discount rates, as appropriate, were also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.*

*In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the fund) was 1.3% p.a.*

The assets were valued at market value.

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

6. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S2N mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic Horizons™ longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Core Projections Model (CMI2018), with a Sk of 7.5, Adjustment Parameter of 0.00 and a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.8	24.5
Current active members aged 45 at the valuation date	22.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Administering Authority, in conjunction with the Actuary, monitors the funding position on a regular basis.

8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other

## SECTION 10: STATEMENT OF ACCOUNTS

than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

▪ **Increases to Guaranteed Minimum Pensions (GMPs):**

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. On 23 March 2021, the Government published a response to its consultation on the longer term solution to indexation and equalisation for GMPs and set out its proposal to extend the interim solution further to those reaching SPA after 5 April 2021.

The results of the 2019 valuation do not allow for the impact of this proposed longer term solution. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the fund as a whole.

▪ **Cost Management Process and McCloud judgement:**

Initial results from the Scheme Advisory Board 2016 cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS was issued in July 2020.

On 13 May 2021 Government confirmed the key elements of the expected changes to the LGPS to implement the McCloud judgement in a Written Ministerial Statement, although final Regulations are not expected to be come into force until 2023. After incorporating the potential costs of the McCloud remedy, the 2016 SAB cost management process has concluded, with no benefit improvements or member contribution changes being recommended under that process. However some uncertainty remains as the inclusion of McCloud costs in the cost management process is the subject of a Judicial Review.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs of the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the final details of the LGPS changes arising from the McCloud judgement and (if applicable) the 2016 cost management process have been confirmed.

▪ **Goodwin**

An Employment Tribunal ruling relating to the Teachers' Pension Scheme concluded that provisions for survivor's benefits of a female member in an opposite sex marriage are less favourable than for a female in a same sex marriage or civil partnership, and that treatment amounts to direct discrimination on grounds of sexual orientation. The chief secretary to the Treasury announced in a written ministerial statement on 20 July 2020 that he believed that changes would be required to other public service pension schemes with similar arrangements, although these changes are yet to be reflected in LGPS regulations. We expect the average additional liability to be less than 0.1%, however the impact will vary by employer depending on their membership profile.

10. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the fund. It provides a summary of the results of the actuarial valuation which was carried out as at 31 March 2019. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

## SECTION 10: STATEMENT OF ACCOUNTS

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

11. The report on the actuarial valuation as at 31 March 2019 is available on the fund's website at the following address:

<https://www.wypf.org.uk/media/2850/wypf-2019-valuation-report.pdf>

Aon Solutions UK Limited

**June 2022**

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 3. Accounting policies

#### Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2020/21 financial year and its financial position at year-end as at 31 March 2022. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

The financial statements summarise the transactions of the fund and report on the net assets available to pay pension benefits. They do not take account of obligations to pay pensions and benefits which fall due after the end of the financial year. The valuation of the present value of future benefits payable is provided by our actuary in Note 12.

#### Contributions

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

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

Where employers have to pay the indirect costs of early retirement, these costs are accounted for in the period in which the liability arises. Any amount due but unpaid are classed as current asset debtors.

#### Transfers in and out of the fund

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

#### Benefits payable

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

#### Management expenses

All management expenses are accounted for on an accruals basis. The Code does not require any breakdown of pension fund management expenses. However, in the interests of greater transparency, the Fund discloses its pension fund management expenses in accordance with CIPFA's preparing the annual report - Guidance for Local Government Pension Scheme (2019).

#### Administrative expenses

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

#### Oversight and Governance costs

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

#### Investment management expenses

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

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Actuarial present value of promised retirement benefits

The actuarial present value of promised retirement benefits is assessed every three years per LGPS regulations and updated annually in the intervening years by the appointed actuary in accordance with the requirements of IAS19 and relevant actuarial standards. As permitted under IAS26, WYPF has opted to disclose the actuarial present value of promised retirement benefits as a note to the net assets statement (Note 12).

### Cash and cash equivalents

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

### Financial liabilities

The fund recognises financial liabilities at amortised cost. A financial liability is recognised in the net assets statement on the date the fund becomes party to the liability.

### Investment income

#### Interest income

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

#### Property related income

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

#### Dividend income

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

#### Distribution from pooled funds

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

### Movement in the net market value of investments

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

### Taxation

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

### Financial assets

Financial assets are included in the net assets statement based on fair value or amortised cost. A financial asset is recognised in the net asset statement on the date the Fund becomes party to the contractual acquisition of the asset. From the date of recognition any gains or losses arising from changes in the fair value of assets held at fair value are recognised in the fund account. The values of investments as shown in the net assets statement have been determined at fair value in accordance with the requirements of the Code and IFRS13 (see Note 18). For the purpose of disclosing levels of fair value hierarchy, the Fund has adopted the classification guidelines recommended in Practical Guidance on Investment Disclosures (PRAG/Investment Association, 2016).

## SECTION 10: STATEMENT OF ACCOUNTS

### Additional voluntary contributions (AVCs)

West Yorkshire Pension Fund provides an additional voluntary contribution (AVC) scheme for its members, the assets of which are invested separately from those of the pension fund. The Fund has appointed Scottish Widows, Prudential and Utmost as its AVC providers. AVCs are paid to the AVC provider by employers and are specifically for providing additional benefits for individual contributors. Each AVC contributor receives an annual statement showing the amount held in their account and the movements in the year.

AVCs are not included in the accounts in accordance with section 4(1)(b) of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 but are disclosed as a note only (Note 11).

### Currency translation

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

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

### Acquisition costs of investments

Brokerage commissions, fees, stamp duties and foreign exchange fees paid as part of acquisition costs of investments are charged as revenue cost and included in investment management costs.

### Netting

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

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

### Contingent liabilities and contractual commitments

A contingent liability arises when an event has taken place that gives the Fund a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Fund. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources would be required, or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the Net Assets Statement but disclosed in Note 24 of the accounts.

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

## SECTION 10: STATEMENT OF ACCOUNTS

### Investment transactions

Investment transactions occurring up to 31 March 2022 but not settled until later are accrued in the accounts.

### Note 4. Critical judgements in applying accounting policies

In applying the accounting policies set out in Note 3 above, WYPF has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

### Assumptions made about the future and other major sources of estimation uncertainty

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

#### Fair value of financial instruments

In accordance with the Code and IFRS13, the Fund categorises financial instruments carried on the net asset statement at fair value using a three-level hierarchy as disclosed in Note 18. Financial instruments categorised as level 1 are valued using quoted market prices and therefore there is minimal judgement applied in determining fair value. However, the fair value of financial instruments categorised as level 2 and, in particular, level 3 is determined using valuation techniques including discounted cashflow analysis and valuation models. These require management judgement and contain significant estimation uncertainty. Reliance is placed on our third parties to perform these valuations and further due diligence is performed by the Fund to maintain confidence in the data provided.

#### Retirement benefit obligations

Under IFRS the fund is required to disclose the actuarial present value of promised retirement benefits. This is disclosed as a note in Note 12 and does not comprise part of the financial statements. Significant judgement and estimates are used in formulating this information, all of which are disclosed in Note 12.

#### Russian War on Ukraine

As a result of the prevailing Russian war on Ukraine the market value of assets with Russian exposure are valued at nil.

### Note 5. Events after the balance sheet date

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

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

There have been no adjusting events since 31 March 2022 and up to the date when these accounts were authorised, that require any adjustments to these accounts.

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 6. Contributions receivable

	2021/22 £000	2020/21 £000
<b>By category</b>		
Employers	340,809	353,385
Members	134,654	126,785
<b>Total</b>	<b>475,463</b>	<b>480,170</b>
<b>By type of employer</b>		
Administering authority	56,589	52,806
Scheduled bodies	382,105	389,501
Admitted bodies	36,769	37,863
<b>Total</b>	<b>475,463</b>	<b>480,170</b>
<b>By type of contribution</b>		
Employees normal contributions	127,362	122,673
Employees additional contributions	7,292	4,112
Employers normal contributions	338,521	313,057
Employers deficit contributions	2,288	40,328
<b>Total</b>	<b>475,463</b>	<b>480,170</b>

#### Employer contribution rates and deficit contributions

Employer contributions receivable in 2021-22 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2019) the Actuary calculates an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

#### Employee contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. The rates for 2021/22 based on pay in the financial year are provided below.

2021/22 Pay	Contribution rate
Up to £14,600	5.50%
£14,601 to £22,900	5.80%
£22,901 to £37,200	6.50%
£37,201 to £41,100	6.80%
£47,101 to £65,900	8.50%
£65,901 to £93,400	9.90%
£93,401 to £110,000	10.50%
£110,001 to £165,000	11.40%
£165,001 or more	12.50%



## SECTION 10: STATEMENT OF ACCOUNTS

### Note 7. Transfers in from other pension funds

	2021/22 £000	2020/21 £000
Individual transfers in from other schemes	32,012	25,288
Bulk transfers in from other schemes	0	1,646
<b>Total Transfers In</b>	<b>32,012</b>	<b>26,934</b>

### Note 8. Non-statutory pensions increase and recharges

	2021/22 £000	2020/21 £000
Pensions	20,171	21,019
<b>Total</b>	<b>20,171</b>	<b>21,019</b>

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

### Note 9. Benefits payable

	2021/22 £000	2020/21 £000
<b>Pensions</b>		
Funded pensions – retired employees	-426,763	-406,808
Funded pensions – dependants	-33,499	-33,611
<b>Total pensions</b>	<b>-460,262</b>	<b>-440,419</b>
<b>Lump sums</b>		
Funded lump sums on retirement	-117,537	-95,919
Funded lump sums on death	-13,506	-13,739
<b>Total lump sums</b>	<b>-131,043</b>	<b>-109,658</b>
<b>Total benefits paid in year</b>	<b>-591,305</b>	<b>-550,077</b>

	2021/22 £000	2020/21 £000
<b>Benefits payable by type of employer member body</b>		
<b>Pensions</b>		
Administering authority	-84,132	-81,348
Scheduled bodies	-446,975	-415,221
Admitted bodies	-60,198	-53,508
<b>Total pensions</b>	<b>-591,305</b>	<b>-550,077</b>

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

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### Note 10. Payments to and on account of leavers

	2021/22 £000	2020/21 £000
Refund of contributions	-1,488	-1,266
Individual transfers	-18,505	-22,107
<b>Total</b>	<b>-19,993</b>	<b>-23,373</b>

### Note 11. AVC Scheme – Utmost, Scottish Widows and Prudential

The fund provides an AVC Scheme for its contributors, the assets of which are invested separately from the main fund. The scheme providers are Utmost, Scottish Widows and Prudential, whereby additional benefits are secured on a money purchase basis for those contributors electing to pay additional voluntary contributions.

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

	2021/22 £000	2020/21 £000 (Restated)
Value of funds at 1 April	40,616	32,865
Contributions received	8,813	7,134
Transfers and withdrawals values	30	145
Interest and bonuses/change in market value of assets	-6,995	4,998
Sale of investments to settle benefits due to members	-7,930	-4,526
<b>Value of funds at 31 March</b>	<b>34,534</b>	<b>40,616</b>

AVC Provider	Members still paying contributions 2021/22 Count	Members 2020/21 Count	2021/22 £000	2020/21 £000
Utmost	191	214	1,980	2,090
Prudential	2,510	2,174	30,896	26,764
Scottish Widows	422	503	1,658	11,762
<b>Total</b>	<b>3,123</b>	<b>2,891</b>	<b>34,534</b>	<b>40,616</b>

Prudential were unable to provide details of contributions made by scheme members or the total value of the fund's invested by Prudential on behalf of members of the West Yorkshire Pension Fund at 31 March 2021. These details have now been received and the total restated.

### Note 12. Actuarial present value of promised retirement benefits

The fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the fund as a whole. The fund provides defined benefits, which for membership to 31 March 2014, are based on members' final pensionable pay. On the 1 April 2014 the scheme changed from a final salary scheme to a CARE (career average revalued earnings) scheme and pension benefits are based on a member's pay in each scheme year. The required valuation is carried out by the fund actuary Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (actuarial statement on p54).

#### Introduction

IAS 26 requires the 'actuarial present value of the promised retirement benefits' to be disclosed, which is the IAS 26 terminology for what IAS 19 refers to as the 'defined benefit obligation'. The information set out below relates to the actuarial present value of the promised retirement benefits in WYPF which is part of the Local Government Pension Scheme. The LGPS is a funded defined benefit plan with benefits earned up to 31 March 2014 being linked to final salary. Benefits after 31 March 2014 are based on a career average revalued earnings scheme. Details of the benefits covered by these figures are set out in 'The Local Government Pension Scheme Regulations 2013' (as amended) and 'The Local Government Pension Scheme (Transitional Provisions, Savings and Amendment) Regulations 2014' (as amended).

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### Actuarial present value of promised retirement benefits (defined benefit obligation)

Paragraph 6.5.2.8 of CIPFA's code of practice on local authority accounting for 2021/22 sets out that for consistency with employers' IAS 19 actuarial report, that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed in the Pension Fund Account.

The results as at 31 March 2019, together with the results as at 31 March 2016 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	Value as at 31 March 2019 £m	Value as at 31 March 2016 £m
Fair value of net assets	14,363.0	11,211.0
Actuarial present value of the defined benefit obligation (see Notes)	-19,365.8	-14,085.4
<b>Surplus / (deficit) in the fund as measured for IAS 26 purposes</b>	<b>-5,002.8</b>	<b>-2,874.4</b>

### McCloud / Sargeant judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £33.15m. The McCloud/Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 scheme.

The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

### Equalisation and indexation of guaranteed minimum pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of guaranteed minimum pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose state pension age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

### Cost management process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of trade unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

### Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2019. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

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	31 March 2019 (% p.a.)	31 March 2016 (% p.a.)
Discount rate	2.40	3.40
CPI Inflation (pension increases) *	2.20	1.80
Rate of general increase in salaries **	3.45	3.05

\* In excess of guaranteed minimum pension increases in payment for members whose state pension age is on or before 5 April 2016 where appropriate.

\*\* In addition, allowance has been made for the same age related promotional salary scales as used at the actuarial valuation of the fund as at the appropriate date.

### Principal demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the fund based on analysis carried out as part of the 2019 actuarial valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	31 March 2019	31 March 2016
<b>Males</b>		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	21.8	22.0
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	22.4	22.9
<b>Females</b>		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	25.6	26.9

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 valuation. Assumptions for the rates of the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2019 valuation of the fund, which are detailed in the actuary's valuation report.

## Key risks associated with reporting under IAS 26 and sensitivity

### Volatility of results

Results under IAS 26 can change dramatically depending on market conditions. The defined benefit obligation is linked to yields on AA-rated corporate bonds, while a significant proportion of the assets of the Fund are invested in equities and other growth assets. Changing markets in conjunction with discount rate volatility will lead to volatility in the funded status of the pension fund. For example:

A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).

The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.

The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

### Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus/deficit.

## SECTION 10: STATEMENT OF ACCOUNTS

Furthermore, as required by the accounting standard, the assumptions (with the exception of the discount rate) have been set so that they represent a best estimate of future experience for the Fund. In practice future experience within the Fund may not be in line with the assumptions adopted. This means that the liabilities shown in this report only represent one view of the future and the true position could be different from those shown. For example, members could live longer than foreseen or inflation could be higher or lower than allowed for in the calculations.

### Sensitivity of results to key assumptions

In order to understand the magnitude of the possible volatility in the account position and to understand which assumptions are most important in determining the size of the liabilities, it is helpful to understand how sensitive the results are to the key assumptions.

We have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by one year. In each case, only the assumption mentioned is altered. All other assumptions remain the same.

### Sensitivity analysis

#### Discount rate assumption

	+0.1%	-0.1%
	£m	£m
Adjustment to discount rate assumption		
£ change to present value of the defined benefit obligation	-396.0	404.2
% change in present value of defined benefit obligation	-2.0%	2.1%

#### Rate of general increase in salaries

	+0.1%	-0.1%
	£m	£m
Adjustment to salary increase rate assumption		
£ change to present value of the defined benefit obligation	50.1	-49.5
% change in present value of defined benefit obligation	0.3%	-0.3%

#### Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts

	+0.1%	-0.1%
	£m	£m
Adjustment to pension increase rate assumption		
£ change to present value of the defined benefit obligation	354.2	-346.5
% change in present value of defined benefit obligation	1.8%	-1.8%

#### Post retirement mortality assumption

	-1 year	1 year
	£m	£m
Adjustment to members' life expectancy		
£ change to present value of the defined benefit obligation	-745.4	757.9
% change in present value of defined benefit obligation	-3.9%	3.9%

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### Note 13. Management expenses

	2021/22	2020/21
	£000	£000
Administrative costs	-4,225	-4,002
Investment management expenses	-5,531	-5,129
Oversight and governance	-699	-871
<b>Total</b>	<b>-10,455</b>	<b>-10,002</b>

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The investment management expenses above includes a statutory audit fee of £37.4k (2020/21 £37.4k) is included on oversight and governance. The statutory audit fee does not include fees chargeable to the fund for pension assurance work undertaken at the request of employer auditors. Fees payable for this work total £18k (2020/21 £14.9k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

Investment management expenses are further analysed in Note 14.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above. The costs for the 2021/22 reporting period are £120k (2020/21 £75.6k).

### Note 14. Investment expenses

	2021/22	Management	Performance	Transaction
	Total	fees	related fees	costs
	£000	£000	£000	£000
Bonds	350	350	0	0
Equities	3,514	2,715	0	799
Index-linked securities	189	189	0	0
Pooled investment vehicles	1,062	1,062	0	0
Direct property	2	2	0	0
Cash deposits	157	157	0	0
	<b>5,274</b>	<b>4,475</b>	<b>0</b>	<b>799</b>
Custody Fees	257			
<b>Total</b>	<b>5,531</b>			

	2020/21	Management	Performance	Transaction
	Total	fees	related fees	costs
	£000	£000	£000	£000
Bonds	333	333	0	0
Equities	3,315	2,529	0	786
Index-linked securities	186	186	0	0
Pooled investment vehicles	963	936	0	27
Direct property	2	2	0	0
Cash deposits	128	128	0	0
	<b>4,927</b>	<b>4,114</b>	<b>0</b>	<b>813</b>
Custody Fees	202			
<b>Total</b>	<b>5,129</b>			

Investment expenses are included in within management expenses (Note 13). Investment expenses are of particular interest to LGPS funds' stakeholders and as such further breakdown of this cost is provided here. Transaction costs are included to comply with CIPFA guidance. All of the assets that WYPF hold are managed by a team of internal investment managers and as such we do not incur any performance fees.

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### Note 15. Investment income

	2021/22 £000	2020/21 £000
Income from bonds	39,191	39,418
Dividends from equities	311,676	272,289
Income from index-linked securities	3,475	3,532
Income from pooled funds	69,706	44,287
Income from direct property	662	449
Interest on cash deposits	511	1,184
<b>Total</b>	<b>425,221</b>	<b>361,159</b>

### Note 15a. Tax on income

	2021/22 £000	2020/21 £000
Dividends from equities	-9,942	-7,919
Investment tax reclaim	799	0
<b>Total</b>	<b>-9,143</b>	<b>-7,919</b>

### Note 16. Direct property holdings

	2021/22 £000	2020/21 £000
Opening balance	7,300	6,675
<b>Additions</b>		
Net increase/ decrease in market value	50	625
<b>Closing balance</b>	<b>7,350</b>	<b>7,300</b>

### Note 17. Investments

#### Note 17a. Movement in the value of investments

	Opening value at 1 April 2021 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2022 £000
Bonds	1,315,811	321,298	-155,978	-78,311	1,402,820
Equities	9,998,808	325,313	-290,052	833,373	10,867,442
Index linked securities	735,119	7,643	-30,909	44,087	755,940
Pooled funds	3,702,738	459,521	-458,812	547,848	4,251,295
Direct property	7,300	0	0	50	7,350
Cash Deposits	422,003	1,333,181	-1,199,805	1,547	556,926
Cash at bank re investments	41,592	0	-35,362	0	6,230
Other investment debtors	58,153	*3,427	0	0	61,580
Other investment creditors	-13,990	*13,947	0	0	-43
<b>Totals</b>	<b>16,267,534</b>	<b>2,464,330</b>	<b>-2,170,918</b>	<b>1,348,594</b>	<b>17,909,540</b>

\* Balancing figure due to adjustments through purchases and sales.



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	Opening value at 1 April 2020 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2021 £000
Bonds	1,387,187	335,004	-425,563	19,183	1,315,811
Equities	7,675,343	330,603	-260,462	2,253,324	9,998,808
Index linked securities	736,119	53,160	-52,570	-1,590	735,119
Pooled funds	3,071,112	326,236	-259,111	564,501	3,702,738
Direct property	6,675	0	0	625	7,300
Cash Deposits	254,625	1,098,393	-931,008	-7	422,003
Cash at bank re investments	46,842	0	-2,948	-2,302	41,592
Other investment debtors	53,918	0	4,235	0	58,153
Other investment creditors	-51,239	*37,249	0	0	-13,990
<b>Totals</b>	<b>13,180,582</b>	<b>2,180,645</b>	<b>-1,927,427</b>	<b>2,833,734</b>	<b>16,267,534</b>

\* Balancing figure due to adjustments through purchases and sales.

The change in market value of investments during the year includes all increases and decreases in market value of investments held at any time during the year, including profits and losses realised on sales of investments during the year. A further analysis of the asset split between overseas and UK can be found in Note 23.

### Note 17b. Investments analysis by security type

	2021/22 £000	2020/21 £000
<b>Bonds</b>		
Public sector quoted	731,966	782,562
Other quoted	670,854	533,249
	<b>1,402,820</b>	<b>1,315,811</b>
<b>Equities</b>	<b>10,867,442</b>	<b>9,998,808</b>
<b>Index-linked securities</b>	<b>755,940</b>	<b>735,119</b>
<b>Pooled funds</b>		
Hedge funds	124,360	105,585
Property	717,807	606,022
Equity	1,125,960	1,220,217
Private equity	1,250,522	1,047,999
Private equity infrastructure	1,032,646	722,915
	<b>4,251,295</b>	<b>3,702,738</b>
<b>Direct property</b>	<b>7,350</b>	<b>7,300</b>
<b>Cash deposits</b>	<b>556,926</b>	<b>422,003</b>
<b>Cash in bank</b>	<b>6,230</b>	<b>41,592</b>
<b>Other Investment assets</b>	<b>61,580</b>	<b>58,153</b>
<b>Other Investment liabilities</b>	<b>-43</b>	<b>-13,990</b>
<b>Total</b>	<b>17,909,540</b>	<b>16,267,534</b>

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### Note 17c. Stock lending

	2021/22 £000	2020/21 £000
<b>Stock lending</b>		
Income – bonds	185	176
Income – UK equities	235	396
International equities	1,533	1,782
	<b>1,953</b>	<b>2,354</b>
Less – costs	-82	-76
<b>Total</b>	<b>1,871</b>	<b>2,278</b>

As at 31 March 2022, the value of stock on loan to market makers was £851m (31 March 2021 £660m) and this was covered by collateral totalling £916m (31 March 2021 £702m) which includes an appropriate margin. The collateral includes a basket of Equities £315 million (31 March 2021 £163 million), United Kingdom Gilts £77million (31 March 2021 £159 million), US Equities £245 million (31 March 2021 £191 million) and Government Debt £50 million (31 March 2021 £17 million).

### Note 18. Fair value – basis of valuation

The classification of assets within the fair value hierarchy is determined using the criteria set out in IFRS13 Fair Value Measurement. The basis of the valuation of each class of investment asset is set out below. There has been no change in the valuation techniques used during the year. All assets have been valued using fair value techniques which represent the highest and best price available at the reporting date. Transfers between levels are deemed to have occurred when there is a significant change to the level of observable and unobservable inputs used to determine fair value.

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Cash deposits, investment balances and debtors	Level 1	Cash value at yearend	Not required	Not required.
Pooled investments, unit trusts and quoted property funds.	Level 2	Closing bid price where bid and offer prices are published closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV – based pricing set on a forward pricing basis.	Not required
Unquoted bonds	Level 3	Fund managers' capital statements	Evaluated price feeds	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published – closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund between 30 and 90 days after the month end to which they relate. The values reported in the financial statements are therefore based on December 2021 to March 2022, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected

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Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
			assurance over valuations and capital statements provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values and updated capital statements provided in subsequent periods. In the case of delisted assets we use latest available price or price advised by investment managers.	cashflows and by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers – in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ('The Red Book').	Existing lease terms <ul style="list-style-type: none"> <li>– Independent market research</li> <li>– Nature of tenancies</li> <li>– Estimated growth</li> <li>– Assumed vacancy levels</li> <li>– Discount rate</li> </ul>	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cash flows and by any differences between audited and unaudited accounts.

### Note 18a. Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2022.

	Assessed valuation range (+/-)	Value at 31 March 2022 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	17.8%	124.1	146.2	102.0
Property funds	18.6%	717.8	851.3	584.3
Direct property	10.1%	7.4	8.1	6.7
Private equity	34.9%	2,283.2	3,080.0	1,486.4
Other assets	0.5%	16.7	16.8	16.6
<b>Total</b>		<b>3,149.2</b>	<b>4,102.4</b>	<b>2,196.0</b>

	Assessed valuation range (+/-) (restated)	Value at 31 March 2021 £m	Value on increase (restated) £m	Value on decrease (restated) £m
Pooled investments – hedge funds	11.2%	105.3	117.1	93.5
Property funds	1.5%	453.1	459.9	446.3
Direct property	16.6%	7.3	8.5	6.1
Private equity	5.4%	1,770.9	1,866.5	1,675.3
Other assets	1.5%	45.5	46.2	44.8
<b>Total</b>		<b>2,382.1</b>	<b>2,498.2</b>	<b>2,266.0</b>

Sensitivity analysis figures have been restated and now match performance analytics percentages. This will allow comparability year on year.

## SECTION 10: STATEMENT OF ACCOUNTS

### Financial instruments – valuation

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

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

#### Level 1

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

#### Level 2

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

#### Level 3

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

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

### Note 18b. Valuation hierarchy

31 March 2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	13,447	689	3,142	17,278
Financial assets at amortised cost	720	0	0	720
<b>Total financial assets</b>	<b>14,167</b>	<b>689</b>	<b>3,142</b>	<b>17,998</b>
<b>Non financial assets at fair value through profit and loss</b>				
Direct property	0	0	7	7
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-26	0	0	-26
<b>Total financial liabilities</b>	<b>-26</b>	<b>0</b>	<b>7</b>	<b>-19</b>
<b>Total</b>	<b>14,141</b>	<b>689</b>	<b>3,149</b>	<b>17,979</b>

31 March 2021	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	12,510	868	2,375	15,753
Financial assets at amortised cost	603	0	0	603
<b>Total financial assets</b>	<b>13,113</b>	<b>868</b>	<b>2,375</b>	<b>16,356</b>
<b>Non financial assets at fair value through profit and loss</b>				
Direct property	0	0	7	7
<b>Financial liabilities</b>				
Financial liabilities at amortised cost	-35	0	0	-35
<b>Total financial liabilities</b>	<b>-35</b>	<b>0</b>	<b>7</b>	<b>-28</b>
<b>Total</b>	<b>13,078</b>	<b>868</b>	<b>2,382</b>	<b>16,328</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-21 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-22 £000
Pooled investments - hedge funds	105,328	0	0	18,818	124,146
Property funds	453,078	26,886	-34,910	272,753	717,807
Direct property	7,300	0	0	50	7,350
Private equity (inc NLGPS)	1,770,914	426,641	-369,051	454,662	2,283,167
Other assets	45,549	12,038	-389	-40,512	16,686
<b>Total</b>	<b>2,382,170</b>	<b>465,565</b>	<b>-404,350</b>	<b>705,771</b>	<b>3,149,156</b>

Reconciliation of fair value measurements within level 3	Market value 01-Apr-20 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-21 £000
Pooled investments - hedge funds	94,683	0	0	10,645	105,328
Property funds	455,028	17,088	-7,623	-11,415	453,078
Direct property	6,675	0	0	625	7,300
Private equity (inc NLGPS)	1,545,224	303,950	-224,682	146,422	1,770,914
Other assets	55,244	123	-8,190	-1,628	45,549
<b>Total</b>	<b>2,156,854</b>	<b>321,161</b>	<b>-240,495</b>	<b>144,649</b>	<b>2,382,170</b>

### Note 19. Financial instruments – classification

The following table analyses the carrying value of the financial assets and liabilities by category and by net asset statement heading as at 31 March 2022. The table also includes Direct Property (non-financial instrument) for completeness.

31 March 2022	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
<b>Financial assets</b>				
Bonds	1,402,820	0	0	1,402,820
Equities	10,867,442	0	0	10,867,442
Index-linked securities	755,940	0	0	755,940
Pooled investment vehicles	4,251,295	0	0	4,251,295
Cash deposits		556,926	0	556,926
Cash at bank		6,230	0	6,230
Other investment balances	0	61,580	0	61,580
Debtors	0	95,663	0	95,663
<b>Total financial assets</b>	<b>17,277,497</b>	<b>720,399</b>	<b>0</b>	<b>17,997,896</b>
<b>Financial liabilities</b>				
Other investment balances	0	0	-43	-43
Creditors	0	0	-25,737	-25,737
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-25,780</b>	<b>-25,780</b>
<b>Total</b>	<b>17,277,497</b>	<b>720,399</b>	<b>-25,780</b>	<b>17,972,116</b>
<b>Non financial instruments</b>				
Direct property	7,350	0	0	7,350
<b>Total</b>	<b>17,284,847</b>	<b>720,399</b>	<b>-25,780</b>	<b>17,979,466</b>

## SECTION 10: STATEMENT OF ACCOUNTS

31 March 2021	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
<b>Financial assets</b>				
Bonds	1,315,811	0	0	1,315,811
Equities	9,998,808	0	0	9,998,808
Index-linked securities	735,119	0	0	735,119
Pooled investment vehicles	3,702,738	0	0	3,702,738
Cash deposits	0	422,003	0	422,003
Cash at bank	0	41,592	0	41,592
Other investment balances	0	58,153	0	58,153
Debtors	0	81,033	0	81,033
<b>Total financial assets</b>	<b>15,752,476</b>	<b>602,781</b>	<b>0</b>	<b>16,355,257</b>
<b>Financial liabilities</b>				
Other investment balances	0	0	-13,990	-13,990
Creditors	0	0	-21,365	-21,365
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-35,355</b>	<b>-35,355</b>
<b>Total</b>	<b>15,752,476</b>	<b>602,781</b>	<b>-35,355</b>	<b>16,319,902</b>
<b>Non financial instruments</b>				
Direct property	7,300	0	0	7,300
<b>Total</b>	<b>15,759,776</b>	<b>602,781</b>	<b>-35,355</b>	<b>16,327,202</b>

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

### Note 20. Current assets – debtors

	2021/22 £000	2020/21 £000
Contributions due from employers	37,980	29,614
Other debtors	57,683	51,419
<b>Total</b>	<b>95,663</b>	<b>81,033</b>

All debtors are trade debtors with payments due within 12 months.

### Note 21. Current liabilities – creditors

	2021/22 £000	2020/21 £000
Unpaid benefits	-11,278	-9,811
Other current liabilities	-14,459	-11,554
<b>Total</b>	<b>-25,737</b>	<b>-21,365</b>

### Note 22. Related party transactions

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

#### Administering body

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

In 2021/22, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £459k in respect of support services provided (£444k in 2020/21). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

## SECTION 10: STATEMENT OF ACCOUNTS

### Employers

Employers are related parties in so far as they pay contributions to the fund in accordance with the appropriate Local Government Pension Scheme (LGPS) Regulations. A list of employers who have contributed to the fund during the reporting period can be found in Section 5 of this report. Contributions owed by employers in respect of March 2022 payroll are included within the total debtors figures in Note 20.

### Members

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

There have been no material transactions between any member or their families and the pension fund.

### Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director of the West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £140k (2020/21 £143k). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

## Note 23. Nature and extent of risks arising from financial instruments

### Risk and risk management

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

The management of risk is set out in the fund's Investment Strategy Statement, which in turn is driven by the Funding Strategy Statement. The full text of these statements can be found at the end of this document and also at <https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/>

and

<https://www.wypf.org.uk/publications/policy-home/wypf-index/funding-strategy-statement/>

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

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

#### a. Market risk

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

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

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



## SECTION 10: STATEMENT OF ACCOUNTS

The Fund's asset holdings are spread across more than 800 UK companies, and almost 1,000 foreign companies, and a range of unit trusts and managed funds.

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

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

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

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

### b. Price risk

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

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

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

### Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The fund has determined that the following movements in market price risk are reasonably possible for the 2021/22 reporting period.

Asset type	2021/22 Potential market movement +/- (% p.a.)	2020/21 Potential market movement +/- (% p.a.)
UK bonds	1.3	7.0
Overseas bonds	0.3	5.8
UK index-linked	5.9	0.9
Overseas index-linked	5.9	0.9
UK equities	12.2	31.2
Overseas equities	8.1	39.3
Pooled funds UK equities	12.2	31.2
Pooled funds overseas Equities	12.2	39.3
Pooled funds UK properties	18.6	1.7
Pooled funds overseas properties	18.6	1.7
Pooled funds UK hedge fund	17.8	11.2
Pooled funds UK private equities	34.9	5.4
Pooled funds overseas private equities	34.9	5.4
Pooled funds UK private equity infrastructure	12.9	0.8
Pooled funds overseas private equity infrastructure	12.9	0.8
Direct property	10.1	16.6
Cash certificate of deposits	0.5	1.5
Cash bank	0.5	1.5
Other investment assets	0.5	1.5
Other investment liabilities	0.5	1.5

## SECTION 10: STATEMENT OF ACCOUNTS

Asset type	Value as at 31-Mar-22 £000	Value as at 31-Mar-21 £000
UK bonds	911,984	991,700
Overseas bonds	490,836	324,111
UK index-linked	659,908	645,331
Overseas index-linked	96,032	89,788
UK equities	4,902,166	4,453,871
Overseas equities	5,965,276	5,544,937
Pooled funds UK equities	546,390	586,529
Pooled funds overseas Equities	579,570	633,687
Pooled funds UK properties	610,566	529,604
Pooled funds overseas properties	86,722	76,419
Pooled funds UK hedge fund	124,360	105,585
Pooled funds UK private equities	832,312	676,465
Pooled funds overseas private equities	438,729	371,534
Pooled funds UK private equity infrastructure	868,183	639,404
Pooled funds overseas private equity infrastructure	164,463	83,511
Direct property	7,350	7,300
Cash certificate of deposits	556,926	422,003
Cash bank	6,230	41,592
Other investment assets	61,580	58,153
Other investment liabilities	-43	-13,990
<b>Total Investment Assets</b>	<b>17,909,540</b>	<b>16,267,534</b>

This can then be applied to the period end asset mix as follows.

Asset type	Value as at 31-Mar-22 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	911,984	1.30	923,840	900,128
Overseas bonds	490,836	0.30	492,309	489,363
UK index-linked	659,908	5.90	698,843	620,973
Overseas index-linked	96,032	5.90	101,698	90,366
UK equities	4,902,166	12.20	5,500,230	4,304,102
Overseas equities	5,965,276	8.10	6,448,463	5,482,089
Pooled funds UK equities	546,390	12.20	613,050	479,730
Pooled funds overseas Equities	579,570	12.20	650,278	508,862
Pooled funds UK properties	610,566	18.60	724,131	497,001
Pooled funds overseas properties	86,722	18.60	102,852	70,592
Pooled funds UK hedge fund	124,360	17.80	146,496	102,224
Pooled funds UK private equities	832,312	34.90	1,122,789	541,835
Pooled funds overseas private equities	438,729	34.90	591,845	285,613
Pooled funds UK private equity infrastructure	868,183	12.90	980,179	756,187
Pooled funds overseas private equity infrastructure	164,463	12.90	185,679	143,247
Direct property	7,350	10.10	8,092	6,608
Cash certificate of deposits	556,926	0.50	559,711	554,141
Cash bank	6,230	0.50	6,261	6,199
Other investment assets	61,580	0.50	61,888	61,272
Other investment liabilities	-43	0.50	-43	-43
<b>Total Investment Assets</b>	<b>17,909,540</b>		<b>19,918,591</b>	<b>15,900,489</b>

## SECTION 10: STATEMENT OF ACCOUNTS

Asset type	Value as at 31-Mar-21 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	991,700	7.00	1,061,119	922,281
Overseas bonds	324,111	5.80	342,909	305,313
UK index-linked	645,331	0.90	651,139	639,523
Overseas index-linked	89,788	0.90	90,596	88,980
UK equities	4,453,871	31.20	5,843,479	3,064,263
Overseas equities	5,544,937	39.30	7,724,097	3,365,777
Pooled funds UK equities	586,529	31.20	769,526	403,532
Pooled funds overseas Equities	633,687	39.30	882,726	384,648
Pooled funds UK properties	529,604	1.70	538,607	520,601
Pooled funds overseas properties	76,419	1.70	77,718	75,120
Pooled funds UK hedge fund	105,585	11.20	117,411	93,759
Pooled funds UK private equities	676,465	5.40	712,994	639,936
Pooled funds overseas private equities	371,534	5.40	391,597	351,471
Pooled funds UK private equity infrastructure	639,404	0.80	644,519	634,289
Pooled funds overseas private equity infrastructure	83,511	0.80	84,179	82,843
Direct property	7,300	16.60	8,512	6,088
Cash certificate of deposits	422,003	1.50	428,333	415,673
Cash bank	41,592	1.50	42,216	40,968
Other investment assets	58,153	1.50	59,025	57,281
Other investment liabilities	-13,990	1.50	-14,200	-13,780
<b>Total Investment Assets</b>	<b>16,267,534</b>		<b>20,456,502</b>	<b>12,078,566</b>

### c. Interest rate risk

The Fund invests in financial assets for the primary purpose of obtaining a return on investments. These investments are subject to interest rate risks, which represent the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

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

The Fund's direct exposure to interest rate movements as at 31 March 2022 and 31 March 2021 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2022 £000	31 March 2021 £000
Bonds	1,402,820	1,315,811
Cash deposits	556,926	422,003
Cash at bank	6,230	41,592
<b>Total</b>	<b>1,965,976</b>	<b>1,779,406</b>

### Interest rate risk – sensitivity analysis

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

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

Asset type	Value as at 31 March 2022 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,402,820	1,416,848	1,388,792
Cash deposits	556,926	562,495	551,357
Cash balances	6,230	6,292	6,168
<b>Total</b>	<b>1,965,976</b>	<b>1,985,635</b>	<b>1,946,317</b>

## SECTION 10: STATEMENT OF ACCOUNTS

Asset type	Value as at 31 March 2021 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,315,811	1,328,969	1,302,653
Cash deposits	422,003	426,223	417,783
Cash balances	41,592	42,008	41,176
<b>Total</b>	<b>1,779,406</b>	<b>1,797,200</b>	<b>1,761,612</b>

### d. Currency risk

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

The following table summarises the fund's currency exposure as at 31 March 2022 and 31 March 2021.

Currency exposure – asset type	Value as at 31 March 2022 £000	Value as at 31 March 2021 £000
Overseas bonds	490,836	324,111
Overseas index-linked	96,032	89,788
Overseas equities	5,965,276	5,544,937
Pooled funds overseas Equities	579,570	633,687
Pooled funds overseas properties	86,722	76,419
Pooled funds overseas private equities	438,729	371,534
Pooled funds overseas private equity infrastructure	164,463	83,511
<b>Total overseas assets</b>	<b>7,821,628</b>	<b>7,123,987</b>

### Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2020/21 6.0%). A 6.0% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2022 £000	Value on increase £000	Value on decrease £000
Overseas bonds	490,836	520,286	461,386
Overseas index-linked	96,032	101,794	90,270
Overseas equities	5,965,276	6,323,193	5,607,359
Pooled funds overseas Equities	579,570	614,344	544,796
Pooled funds overseas properties	86,722	91,925	81,519
Pooled funds overseas private equities	438,729	465,053	412,405
Pooled funds overseas private equity infrastructure	164,463	174,331	154,595
<b>Total overseas assets</b>	<b>7,821,628</b>	<b>8,290,926</b>	<b>7,352,330</b>

Asset type	Value as at 31 March 2021 £000	Value on increase £000	Value on decrease £000
Overseas bonds	324,111	343,558	304,664
Overseas index-linked	89,788	95,175	84,401
Overseas equities	5,544,937	5,877,633	5,212,241
Pooled funds overseas Equities	633,687	671,708	595,666
Pooled funds overseas properties	76,419	81,004	71,834
Pooled funds overseas private equities	371,534	393,826	349,242
Pooled funds overseas private equity infrastructure	83,511	88,522	78,500
<b>Total overseas assets</b>	<b>7,123,987</b>	<b>7,551,426</b>	<b>6,696,548</b>

## SECTION 10: STATEMENT OF ACCOUNTS

### e. Credit risk

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

The selection of high quality counterparties, brokers and financial institutions minimises credit risk that may occur through the failure to settle a transaction in a timely manner.

The credit risk connected with stock lending is managed by holding collateral with a greater value than the amount of stock lent out at any one time. In addition, the Fund is fully indemnified by our financial securities custodian on stock lending activities. Stock lending and the associated collateral at the year-end are detailed in Note 17c.

### f. Liquidity risk

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

## Note 24. Contractual commitments

At 31 March 2022 the West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2022 £m	Undrawn commitments £m
<b>Asset class</b>		
Private equity	2,283	1,315
Property funds	718	57
<b>Total</b>	<b>3,001</b>	<b>1,372</b>

At 31 March 2021 the West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2021 £m	Undrawn commitments £m
<b>Asset class</b>		
Private equity	1,771	1,237
Property funds	606	76
<b>Total</b>	<b>2,377</b>	<b>1,313</b>

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

## Note 25. Accounting developments

Accounting standards that have been issued before 1 January 2021 but not yet adopted by the CIPFA code of practice on local authority accounting and consequently are not yet adopted by the fund. These are listed below:

- The introduction of IFRS 16 (Leasing), has been deferred to 2022/23. In line with para 3.3.4.3 of the Code.

The introduction of, and amendments to, the above accounting standards are not expected to have a material impact on this financial statement in the period of initial application.

## SECTION 10: STATEMENT OF ACCOUNTS

### Note 26. Investment Strategy Statement

West Yorkshire Pension Fund has prepared an Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. The fund has also prepared a Funding Strategy Statement (FSS) in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013. Full details of the ISS and the FSS are included in this report and are available on the Fund's website <https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/>

# Appendix A: Resolving Complaints

## Internal dispute resolution procedure

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

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

But this isn't always possible. The scheme provides a formal way for disagreements to be resolved: the internal dispute resolution procedure (IDRP).

The IDRP is a two-stage process.

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

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

## If further help is needed

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

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

## Policing pension schemes

The Pensions Regulator was set up following the 1995 Pensions Act. Its main role is to protect pension scheme members. From 1 April 2015 the Pensions Regulator's remit was extended to cover the administration of public service pension schemes. The Pensions Regulator issued a code of practice on governance and administration of public service pension schemes which provides practical guidance in relation to the exercise of functions under relevant pensions legislation and sets out standards of conduct and practice expected from those who exercise those functions

# Appendix B: Further Information and Contacts

### WYPF senior management team

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Our Aldermanbury House office is open Monday to Friday between 8.45am and 4.30PM.

### Company information

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# Appendix C: Glossary of Terms

## Glossary of terms

### Active member

An employee who is currently paying pension contributions.

### Actuarial valuation

West Yorkshire Pension Fund's actuary carries out an actuarial valuation every three years and recommends the level of contributions for each of the fund's participating employers for the following three years. The valuation will measure the size of the fund against its future liabilities and set contribution rates according to the fund's deficit or surplus.

### Additional voluntary contributions (AVCs)

These are extra payments to increase future benefits. Members can also pay AVCs to provide additional life cover.

All local government pension funds have an in-house AVC scheme that members can invest money in through an AVC provider, often an insurance company or building society.

### Administering authority

The LGPS is run by administering authorities, for example county councils, in accordance with regulations approved by parliament. Each administers their own fund, into which all contributions are paid. Every three years, independent actuaries carry out a valuation of each fund and set the rate at which the participating employers must contribute to fully fund the payment of scheme benefits for that fund's membership.

### Admission body

An admission body is an employer that chooses to participate in the scheme under an admission agreement. These tend to be employers such as charities and contractors.

### Asset allocation

This is putting an investment strategy in place that tries to balance risk against reward by adjusting the percentage of each asset in an investment portfolio according to an investor's risk tolerance, goals and investment time frame.

### Best Value

Best Value was introduced in England and Wales by the Local Government Act 1999. Its provisions came into force in April 2000. The aim was to improve local services in terms of both cost and quality. A Best Value authority must make arrangements to secure continuous improvement in the way in which its functions are exercised, taking into account a combination of economy, efficiency and effectiveness.

### Brent oil price

Brent Crude is a major trading classification of sweet light crude oil that serves as a benchmark price for purchases of oil worldwide. It is quoted in US\$ in price per barrel.

### Career average revalued earnings (CARE) pension scheme

From 1 April 2014, for every year they pay into the LGPS, scheme members get a pension of 1/49th of their pay, which is added to their pension account and revalued every year in line with a government treasury order currently linked to the Consumer Prices Index.

## Appendix C: Glossary of Terms

### Cash equivalent value (CEV)

This is the cash value of a member's pension rights for the purposes of divorce or dissolution of a civil partnership.

### Consumer Price Index (CPI)

This is a method of measuring the changes in the cost of living, similar to the Retail Price Index. From April 2011 the amount pensions are increased annually is based on movement in the Consumer Price Index during the 12 months to the previous September.

### Contracted out

The LGPS is contracted out of the State Second Pension Scheme (S2P). This means that, up to state pension age, members pay reduced National Insurance contributions between the lower and upper earnings limits, unless they opted to pay the married woman's/ widow's reduced rate of National Insurance, and do not earn a pension under S2P.

### Commutation

This is giving up part or all of the pension payable from retirement in exchange for an immediate lump sum.

### Convertible shares

These are shares that include an option for holders to convert into a predetermined number of ordinary shares, usually after a set date.

### Custodian

This is a financial institution that holds customers' securities for safekeeping to minimise the risk of theft or loss. Most custodians also offer account administration, transaction settlements, collection of dividends and interest payments, tax support and foreign exchange.

### Data governance

This refers to the overall management of the availability, usability, integrity, and security of data used in an enterprise. A sound data governance programme includes a governing body, a defined set of procedures, and a plan to execute those procedures.

### Death grant

This is a lump sum paid by the pension fund to the dependants or nominated representatives of a member who dies.

### Deferred pensioner

A former member of the LGPS who has left the scheme, but still has benefits in the scheme and will collect a pension from the LGPS on retirement.

### Deficit payments

Pension schemes have a legal requirement to reduce any deficit – the difference between a scheme's assets and its liabilities – over time, by making additional payments.

### Denomination

This is the face value of a banknote, coin, or postage stamp, as well as bonds and other fixed-income investments. Denomination can also be the base currency in a transaction, or the currency a financial asset is quoted in.

### Designating body

Designating bodies are bodies that can designate employees for access to the scheme. Employees of town and parish councils, voluntary schools, foundation schools, foundation special schools, Transport for London, and the Children and Family Court Advisory and Support Service, among others, can be designated for membership of the scheme.

### Discretion

## Appendix C: Glossary of Terms

The power given by the LGPS to enable a council or administering authority to choose how they will apply the scheme in respect of certain of its provisions. Under the LGPS they must consider certain of these discretionary provisions and pass resolutions to form a policy of how they will apply them. For the remaining discretionary provisions, they are advised to do so. They have a responsibility to act with 'prudence and propriety' in formulating their policies and must keep them under review.

### Direct property

Direct investment in property is buying all or part of a physical property. Property owners can receive rent directly from tenants and realise gains or losses from the sale of the property.

### Eligible councillor

This is a councillor or an elected mayor (other than the Mayor of London) who is eligible for membership of the LGPS in accordance with the scheme of allowances published by an English county council, district council or London borough council or by a Welsh county council or county borough council.

### Employer covenant

This is an employer's legal obligation and financial ability to support their defined benefit pension scheme now and in the future. Assessing the strength of the covenant helps decide the appropriate level of risk when setting investment strategy.

### Equity risk premium

Also referred to as simply equity premium, this is the excess return that investing in the stock market provides over a risk-free rate, such as the return from government treasury bonds. This excess return compensates investors for taking on the relatively higher risk of equity investing.

### Financial instruments

These are tradable assets of any kind. They can be cash, evidence of an ownership interest in an entity, or a contractual right to receive or deliver cash or another financial instrument.

### Fixed income securities

A fixed-income security is an investment that provides a return in the form of fixed periodic payments and the eventual return of principal at maturity. Unlike a variable-income security, where payments change based on some underlying measure such as short-term interest rates, the payments of a fixed-income security are known in advance.

### Fund of funds (FoF)

This is a fund that holds a portfolio of other investment funds.

### Guaranteed minimum pension (GMP)

The LGPS guarantees to pay a pension that is at least as high as a member would have earned had they not been contracted out of the State Earning Related Pension Scheme (SERPS) at any time between 6 April 1978 and 5 April 1997. This is called the guaranteed minimum pension (GMP).

### General partners

These are owners of a partnership with unlimited liability. General partners are often managing partners who are active in the daily operations of a business.

### Index-linked bonds

These are bonds in which payment of income on the principal is related to a specific price index—often the Consumer Price Index. This feature provides protection to investors by shielding them from changes in the underlying index. The bond's cashflows are adjusted to ensure that the holder of the bond receives a known real rate of return.

# Appendix C: Glossary of Terms

## Internal rates of return (IRR)

This is the discount rate often used in capital budgeting that makes the net present value of all cash flows from a particular project equal to zero.

## Local government

The term local government in this report also covers police and fire civilian staff, the Mayor of London and members of the London Assembly, the chairman of the London Transport Users' Committee, employees of a National Probation Service local board or Probation Trust, a registration officer, a coroner, a rent officer, employees of a valuation tribunal, employees of a passenger transport authority, employees of the Environment Agency, non-teaching employees of an academy, an Education Action Forum or a Further or Higher Education Corporation.

## Myners' principles

This is a set of principles based on Paul Myners' 2001 report, Institutional Investment in the United Kingdom.

The Myners' principles for defined benefit schemes cover:

- effective decision-making
- clear objectives
- risk and liabilities
- performance assessment
- responsible ownership
- transparency and reporting.

## Ordinary shares

An ordinary share represents equity ownership in a company and entitles the owner to vote at general meetings of that company and receive dividends on those shares if dividend is payable.

## Pension board

Pension boards make sure each scheme complies with governance and administration requirements. Boards may have additional duties, if scheme or other regulations specify them. They must have an equal number of employer representatives and member representatives, plus other types of members, like independent experts. All pension board members have a duty to act in line with scheme regulations and other governing documents.

## Pension liberation fraud

Members with deferred benefits may be approached by companies offering to release funds early from these benefits.

The Pensions Regulator has advised pension funds to make members aware of the potential warning signs of pension liberation fraud.

## Personal pension

A personal pension plan is usually purchased from a financial services company, such as an insurance company, bank, investment company or building society. Members usually pay into the plan every month and employers can also contribute to the plan.

## Policy statement

This is a statement that councils and administering authorities must produce, setting out the policies they have resolved to follow in exercising certain discretions under the LGPS.

## Pooled funds

These are aggregated funds from multiple individual investors. Investors in pooled fund investments benefit from economies of scale for lower trading costs, diversification and professional money management.

## Appendix C: Glossary of Terms

### Private equity

Private equity is equity capital that is not quoted on a public exchange. Private equity consists of investors and funds that make investments directly into private companies or conduct buyouts of public companies that result in a delisting of public equity. Capital for private equity is raised from retail and institutional investors, and can be used to fund new technologies, expand working capital within an owned company, make acquisitions, or to strengthen a balance sheet.

### Quality management

This makes sure that an organisation, product or service is consistent. It has four main components: quality planning, quality control, quality assurance and quality improvement. West Yorkshire Pension Fund has been assessed and certified as meeting the requirements of ISO9001:2008.

### Quantitative easing

Quantitative easing (QE) is when a central bank creates new money electronically to buy financial assets like government bonds with the aim of directly increasing private sector spending in the economy and returning inflation to target.

### Related party transactions

This is an arrangement between two parties joined by a special relationship before a deal, like a business transaction between a major shareholder and a corporation.

### Retail Prices Index

This is another method of measuring the changes in the cost of living. It reflects the movement of prices covering goods and services over time. Until April 2011, the amount by which pensions were increased annually was based on movement in the Retail Price Index during the 12 months to the previous September. From April 2011 the government changed the amount by which pensions increase from Retail Price Index to Consumer Price Index.

### Rule of 85

Under previous regulations, when a member elected to retire before age 65, the Rule of 85 test was used to find out whether the member retired on full or reduced pension benefits. The agreement of the employer was required for employees who wished to retire before the age of 60. If the sum of the member's age and the number of whole years of their Scheme membership was 85 or more, benefits were paid in full; if the total was less than 85, the benefits were reduced. The employer had the power to waive the reduction on compassionate grounds and to pay the benefits in full. The Rule of 85 was not relevant where a member was made redundant, or was retired on grounds of efficiency or ill health.

The Rule of 85 was abolished on 1 October 2006. However, members contributing to the LGPS prior to this date will have some or all of their pension benefits protected under this rule.

### Scheduled body

Means a body which is either statutorily obliged to join the LGPS or, in the case of parish councils, has a statutory right to do so.

### State Earnings Related Pension Scheme (SERPS)

This is the extra earnings related part of the state pension that employed people could earn up to 5 April 2002. LGPS members were automatically contracted out of SERPS, and most paid lower national insurance contributions as a result. SERPS was replaced by the State Second Pension (S2P) from 6 April 2002.

### Spot rate

This is the price quoted for immediate settlement on a commodity, a security or a currency. It's based on the value of an asset at the moment of the quote, and this in turn is based on how much buyers are willing to pay and how much sellers are willing to accept, which depends on factors such as current market value and expected future market value.

### Stakeholder pension

This is a low-cost private pension; they became available from 6 April 2001. They are meant for people who currently do not have a good range of pension options available to save for their retirement. Contributors use their own money to build up a pension fund.

## Appendix C: Glossary of Terms

### State pension age

This is the earliest age people can receive the state basic pension. State pension age is currently age 65 for men. State pension age for women is currently being increased to be equalised with that for men. The government has announced that it will speed up the pace of state pension age equalisation for women, so that women's state pension age will reach 65 by November 2018.

### State Second Pension (S2P)

The State Second Pension (formerly SERPS) is the additional state pension, payable from state pension age by the Department for Work and Pensions. LGPS members are contracted out of S2P and most pay lower national insurance contributions as a result.

### Statutory compliance

This means following the laws on a given issue.

### Stock lending

This is loaning a stock, derivative, or other security to an investor or firm. It requires the borrower to put up collateral (cash, security or a letter of credit). When stock is loaned, the title and the ownership is transferred to the borrower, and title is returned at the end of the loan period.

### Subsumption

This is when a new company takes over an old company so that the old company becomes one with the new.

### Transfer value

A transfer value is a cash sum representing the value of a member's pension rights.

### Transferred service

Any pension members have transferred into the LGPS from a previous pension arrangement that now counts towards their LGPS membership.

### Treasury management

This is the administration of an organisation's cashflow as well as the creation and governance of policies and procedures that ensure the company manages risk successfully.

### Unitised funds

A unitised fund is a fund structure that allows investors to pool assets while retaining individual net asset values for each participant and keeping track of historical fund records. Each investor in the fund is accounted for separately and has their own unit – their own class of shares of the portfolio's total assets.

### Voting policy

This is how West Yorkshire Pension Fund applies its shareholder voting rights. West Yorkshire Pension Fund will vote as follows.

**For** – when the proposal meets best practice guidelines and is in shareholders' long-term interests.

**Abstain** – when the proposal raises issues which do not meet best practice guidelines but either the concern is not regarded as sufficiently material to warrant opposition or an oppose vote could have a detrimental impact on corporate structures or the issue is being raised formally with the company for the first time.

**Oppose** – when the proposal does not meet best practice guidelines and is not in shareholders' interests over the long term.

The voting policy will be applied to all reportable companies held by the fund.

In supporting any resolution of any type, West Yorkshire Pension Fund will only vote on a resolution if:

- the resolution deals with one substantive issue and is not bundled with other items
- the resolution is fully explained and justified by the proposers, and

## Appendix C: Glossary of Terms

- there is full disclosure of information relevant to the consideration of a resolution and such information is presented in a fair and balanced way.

West Yorkshire Pension Fund's voting policy is available in full at [www.wypf.org.uk](http://www.wypf.org.uk)

# Appendix D: Pension Administration Strategy

## **Contents**

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



# Appendix D: Pension Administration Strategy

## 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 IDRPCs
- 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.

## Appendix D: Pension Administration Strategy

### 3.2. Liaison and communication with employers

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

- A named Pension Fund Representative for regulatory or administration queries, training, advice and guidance
- A named Finance Business Partner to assist with the monthly returns process
- A dedicated contact centre for member queries

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

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30am 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.

## Appendix D: Pension Administration Strategy

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 or better
Change of hours, name, payroll number or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 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 Monthly returns (exception reports)		Notified by the employer via monthly return, the administrator will process the 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.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	100% compliance
Death in service notifications	Web form		Within three days of the date of notification	100% compliance

## Appendix D: Pension Administration Strategy

### 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 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.

## Appendix D: Pension Administration Strategy

### 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.

## Appendix D: Pension Administration Strategy

### 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

## Appendix D: Pension Administration Strategy

### 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.

An adjudicator will be nominated 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. For LPF, the decision maker in these stage one appeals is the Head of Pensions.

### 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%

## Appendix D: Pension Administration Strategy

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 D: Pension Administration Strategy

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

### Main contact registration form



### Main contact registration form

<b>Employer name and location code</b>
<b>Employer address</b>

**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	

<b>Date signatures valid from</b>	<b>Signed (by current authorised signatory)</b>
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# Appendix D: Pension Administration Strategy

## Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
<b>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.</b>	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).
<b>2. Contributions to be paid anytime but latest date by 19<sup>th</sup> of month (weekends and bank holidays on the last working day before 19<sup>th</sup>)</b>	Due by 19 <sup>th</sup> 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%.
<b>3. Monthly return due anytime but latest by 19<sup>th</sup> of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.</b>	Due by 19 <sup>th</sup> 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).
<b>4. Change in member detail</b>	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).
<b>5. Early leavers information</b>	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).
<b>6. Retirement notifications</b>	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).
<b>7. Death in membership</b>	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).
<b>8. AVC deducted from pay to be paid anytime but latest date by 19<sup>th</sup> of the month (weekends and bank holidays on the last working day before 19<sup>th</sup>).</b>	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).
<b>9. Re-issue of invoices</b>	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
<b>10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers</b>	Costs of additional work resulting from employer's failure to notify the	Failure to comply by employer, causing additional work for WYPF will result in

## Appendix D: Pension Administration Strategy

	administrator of change in authorised officers list.	admin charge (at Pensions Officer level I).
<b>11. Security breach on system re data protection</b>	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).
<b>12. Pension sharing order</b>	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.
<b>Miscellaneous items:</b>		
<ul style="list-style-type: none"> <li>• <b>Benefit recalculation</b></li> <li>• <b>Member file search and record prints</b></li> <li>• <b>Supplementary information requests</b></li> </ul>	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
<b>Daily charge</b>	£96	£136	£220
<b>Half day charge</b>	£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

# Appendix E: Funding Strategy Statement

## Funding Strategy Statement (FSS)

### 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 guidance issued by CIPFA for this purpose;
- the supplementary statutory guidance issued by DLUHC: Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements and the Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) (“The Investment Regulations”).

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS and associated policies at Appendix 1 and Appendix 2.

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

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

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

1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. The primary rate of employers' contributions to the Fund should be set so as to “secure its solvency”. The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

# Appendix E: Funding Strategy Statement

## 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

## Appendix E: Funding Strategy Statement

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;

## Appendix E: Funding Strategy Statement

- 4.2.12 manage the valuation process in consultation with the actuary;
- 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer;
- 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference;
- 4.2.15 ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt agreements and spreading exit payments; 4.2.16 ensure the process of applying those policies is clear and transparent to all fund employers

### 4.3 Individual employers 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;



## Appendix E: Funding Strategy Statement

- 4.4.4 provide advice to the Administering Authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;
- 4.4.5 assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, in particular in relation to any review of contributions between triennial valuations under Regulation 64A;
- 4.4.6 provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B; and
- 4.4.7 ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

### 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

#### Risk Based Approach

- 5.1 The Fund adopts a risk based approach to funding strategy. In particular, the discount rates from 1 February 2022 are set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rates:
  - 5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
  - 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
  - 5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).
- 5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rates (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

#### Solvency Target

- 5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.
- 5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.

## Appendix E: Funding Strategy Statement

- 5.5 For all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure, from 1 February 2022 the Solvency Target is set:
- 5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
  - 5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).
- The long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed. The solvency discount rate is therefore of 4% p.a.
- 5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken (ongoing orphan employers). The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.
- 5.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement (DDA) ends.

### Probability of Funding Success

- 5.8 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.
- 5.9 The Probability of Funding Success and Trajectory Period will be set considering whether or not new members will be admitted to the Fund and a risk assessment to enable the Administering Authority to judge an employer's financial security. Scheduled bodies with no guarantee from local or central government and Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, then form the "intermediate" employer category.
- 5.10 With effect from 1 February 2022, the discount rates will be set such that the Fund Actuary estimates that the chance that the Fund would reach or exceed its Solvency Target for each group of employers, over the relevant Trajectory Periods, as set out below:

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	Probability of funding success	Trajectory Period
<b>Secure Scheduled Bodies and admission bodies with a guarantee from such bodies</b>	75%	25 years
<b>Intermediate employers</b>	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	25 years
<b>Already orphaned employers</b>	95%*	15 years*

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

### Funding Target

- 5.11 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or shortfall, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above). The key assumptions used for assessing the Funding Target at the 2019 Valuation are summarised in Actuary's report on the valuation, based on the methodology set out in the Funding Strategy Statement in force at the time.
- 5.12 For deferred employers where a deferred debt agreement is in place, the ongoing funding target will take into account the funding target at the date the deferred debt agreement is expected to end and any other factors considered to be relevant by the Administering Authority on the advice of the Actuary, which may include, without limitation:
- 5.12.1 the agreed period of the deferred debt agreement;
  - 5.12.2 the type/group of the employer;
  - 5.12.3 the business plans of the employer;
  - 5.12.4 an assessment of the financial covenant of the employer;
  - 5.12.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.13 The Fund is deemed to be fully funded when the assets are equal to or greater than 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

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## Recovery Periods

- 5.14 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target within a maximum period of 22 years. Whilst this is longer than the expected average future period of membership of active members, the Administering Authority considers this is reasonable in the context of the LGPS as a statutory scheme and it is a prudent approach when the Fund's assets are greater than the liabilities (sum of the employers' funding targets). The recovery period is also based on the assumption that the Scheme (and the majority of the employers) will continue for the foreseeable future, and that favourable investment performance can play a valuable role in achieving adequate funding over the long term.
- 5.15 If the assets of the scheme relating to an employer are less than the Funding Target at the date of any actuarial valuation, a recovery plan will be put in place, which is expected to require additional contributions from the employer to meet the deficit. Each employer will be informed of its deficit to enable it to make the necessary allowance in their business and financial plans. The Recovery Period in relation to an employer or group of employers is the period over which any adjustment to the level of contributions in respect of a surplus or deficit relative to the Funding Target for that employer or group of employers is payable.
- 5.16 Additional contributions to meet any shortfall will be expressed as a monetary amount, and will increase annually in line with the assumption for pay growth used for the valuation unless a different increase rate is agreed between the employer and Administering Authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits: -
- 5.16.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption commitments or suitable guarantees from such bodies - 22 years
  - 5.16.2 open admission bodies without a subsumption commitment or suitable guarantee and no fixed or known term of participation and scheduled bodies with no local or central government guarantee - 22 years, although the Administering Authority reserves the right to adopt a shorter period if it has concerns about the employer's strength of covenant
  - 5.16.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
  - 5.16.4 other admission bodies (i.e. those closed to new entrants) – average future working life of current active members (or period to contract end date if shorter)
  - 5.16.5 deferred employers – remaining period of the deferred debt agreement
- 5.17 In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:
- 5.17.1 the type/group of the employer
  - 5.17.2 the size of the funding shortfall or surplus;

## Appendix E: Funding Strategy Statement

- 5.17.3 the business plans of the employer;
- 5.17.4 the assessment of the financial covenant of the employer;
- 5.17.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.17.6 the views of the subsuming employer where the funding target adopted is dependent upon another employer subsuming the assets and liabilities post-exit.

### Employer Contributions

- 5.18 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A is set out in Appendix 2 Amending Employer Contributions between Valuations.
- 5.19 Employer contributions required to meet the cost of future accrual of benefits for members after the valuation date (the "primary contribution rate") are assessed based on each employer or group of employers' membership, funding target and appropriate funding methodology.
- 5.20 Consistent with the aim of enabling the primary rate of employers' contributions to be kept as nearly constant as possible, contributions are set by use of the Projected Unit valuation method for most employers. The Projected Unit method is used in the actuarial valuation to determine the cost of benefits accruing to the Fund for employers who continue to admit new members. This means that the future service contribution rate is derived as the cost of benefits accruing to employee members over the year following the valuation date expressed as a percentage of members' pensionable pay over that period. The future service rate will be stable if the profile of the membership (age, gender etc.) is stable.
- 5.21 For employers who no longer admit new members, the Attained Age valuation method is normally used. This means that the contribution rate is derived as the average cost of benefits accruing to members over the period until they die, leave the Fund or retire. This approach should lead to more stable employer contribution rates than adoption of the Projected Unit method for closed employers.
- 5.22 The primary rates may be reduced if the employer or group's notional share of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a shortfall of assets below the funding target. These past service ("secondary") contributions are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, between the various employers (or groups of employers where employers are pooled) in the Fund, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all active employers. In attributing the overall investment performance achieved on the assets of the Fund to each employer a pro-rata principle has been adopted.

## Appendix E: Funding Strategy Statement

- 5.23 It is not envisaged that any deferred employers will be in surplus relative to the relevant funding target. If there were a surplus on the exit basis then, as required by Regulation 64(7E)(e), the deferred debt agreement would terminate and an exit valuation would be carried out.
- 5.24 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:
- 5.24.1 a maximum Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- 5.24.2 where changes in employer contribution rates are required following completion of the actuarial valuation, the increase or decrease may be implemented in steps as long as the regulatory objectives of solvency and long-term cost efficiency are met.
- 5.25 For intermediate and ongoing orphan employers the Administering Authority may without limitation, take into account the following factors when setting the contributions for such employers:
- 5.25.1 the type/group of the employer;
- 5.25.2 the business plans of the employer;
- 5.25.3 an assessment of the financial covenant of the employer;
- 5.25.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.25.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS
- 5.26 On the exit of an employing authority's participation in the Scheme, the Fund Actuary will be asked to complete an exit valuation. Any deficit in the Fund in respect of the employer will be due to the Fund as a termination contribution unless it is agreed by the Administering Authority and the other parties involved that:
- the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer.
  - the employer and Administering Authority will enter into a DDA,
  - the exit payment can be spread over a reasonable period as permitted by Regulation 64B
- Details of the approach to be adopted for such an assessment on exit, including how any exit credit may be determined and the conditions in which the Administering Authority will consider agreeing to enter into a deferred debt agreement or to permit spreading of any exit payments are set out in the Policy on New Employers and Exit Valuations document at Appendix 1.
- 5.27 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer's contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all active employers.

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- 5.28 Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:
- 5.28.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2020 will be adopted where appropriate and required;
- 5.28.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.
- 5.29 It may not be possible to adopt the two principles outlined in paragraph 5.26 for some or all of the employers identified in paragraphs 5.14.2, 5.14.3 and 5.14.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period and whether the phasing of increases or decreases in contribution rates is feasible. Decisions on these issues will have regard to the Administering Authority's views on the strength of an employer's covenant, to its membership profile, and to its anticipated future period of participation in the Fund.
- 5.30 The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as to ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

### Long-term cost efficiency

- 5.31 The Administering Authority believes that measures taken to maintain stability of employer contributions are not inconsistent with the statutory objective for employer contributions to be set so as to ensure the long-term cost efficiency of the Fund. In particular, retention of a 22-year recovery period for the majority of employers ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

### Smoothing of Contribution rates for admission bodies

- 5.32 The Administering Authority recognises that a balance needs to be struck as regards the financial demands made of admission bodies. On the one hand, the Administering Authority requires all admission bodies to be fully self-funding, such that other employers in the Fund are not subject to expense as a consequence of the participation of those admission bodies. On the other hand, requiring achievement of full funding over a short time horizon may precipitate failure of the body in question, leading to costs for other participating employers.
- 5.33 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding for admission bodies temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.
- 5.34 The implication of this is that, where justified on affordability grounds, contribution rates for admission bodies subject to the ongoing orphan funding target may be relaxed i.e. set at a level lower than full funding would require. However, where contribution requirements have been relaxed, the bodies should be aware that, all things being equal, this will lead to a

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higher contribution requirement in future. It is expected such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the ongoing funding target plus a contribution towards any shortfall. Should an employer exit the Fund during the period when contribution rates have been relaxed, the full value of the employer's liabilities in the Fund will be taken into account in the exit valuation, i.e. the employer will, in effect, be required to make up any additional underfunding by virtue of contributions having been relaxed.

### Notional sub-funds (unitisation)

- 5.35 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.
- 5.36 This subdivision is for funding purposes only. It is purely notional in nature and does not imply any formal subdivision of assets, nor ownership of any particular assets or groups of assets by any individual employer or group.
- 5.37 With effect from 1 April 2016 a unitised approach has been taken to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the last actuarial valuation) as its starting point and allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. The Administering Authority believes this results in a more accurate and transparent allocation of assets to employers and reduces the likelihood of unintended cross-subsidies between employers than other approaches. Further information on the model and how it operates is available on request.

### Former Participating Bodies

- 5.38 Unless a subsumption arrangement is in place, where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which assumes a stronger (more prudent) funding target than that used for calculating contributions. This is known as the exit funding target. This approach reduces the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. In certain circumstances it may be agreed to enter into a DDA rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. Further details of the Administering Authority's policy for exit valuations and deferred debt agreements are set out in Appendix 2.
- 5.39 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the exit funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

## 6. Link to investment policy set out in the Investment Strategy Statement (ISS)

- 6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the ISS.
- 6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.



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- 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

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7.3.4 money market – credit risk and liquidity risk

7.3.5 currency risk

7.3.6 macroeconomic risks

7.4 The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.

7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

### Liability risk

7.6 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks. Some of these risks will affect the amount of benefit payments; others will affect the value of benefit payments, i.e. level of assets deemed to be required to meet those benefit payments (the funding target).

7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experience at each valuation and reports on developments. The demographic assumptions are intended to be best estimate, informed by Fund experience and wider evidence where needed e.g. the mortality assumptions are informed by a postcode analysis carried out by the Fund Actuary's specialist longevity team and the projections model released by the Continuous Mortality Investigations of the Institute and Faculty of Actuaries. If the Administering Authority becomes aware of any material changes in population mortality which may also be reflected in the Fund's experience it will ask the Fund Actuary to report on the effect on the funding position and employer contributions.

7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements in the Fund, and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.

7.9 If significant changes in the value of the liabilities become apparent between valuations, the Administering Authority will notify the affected participating employers of the anticipated impact on costs that will emerge at the next valuation and consider whether to require a review of the bonds that are in place for Admission Bodies. It will also consider the extent to which such changes can or should be allowed for in exit valuations, taking advice from the Fund Actuary.

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

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## Liquidity and Maturity risk

- 7.11 This is the risk of a reduction in cash flows into the Fund, or an increase in cash flows out of the Fund, or both, which can be linked to changes in the membership and, in particular, a shift in the balance from contributing members to members drawing their pensions and employer activity where an employer consolidates its LGPS membership in another fund, leading to a transfer out of the Fund. Changes in the funding position and hence (secondary) employer contributions can also affect the cashflow position since it is not always possible to deliver complete stability of contributions. Changes within the public sector and to the LGPS itself may affect the maturity profile of the LGPS and have potential cash flow implications. For example,
- 7.11.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- 7.11.2 an increased emphasis on outsourcing and other alternative models for service delivery may result in falling active membership (e.g. where new admissions are closed or scheduled employers establish wholly owned companies which do not fully participate in the LGPS),
- 7.11.3 public sector reorganisations may lead to a transfer of responsibility between different public sector bodies, (e.g. to bodies which do not participate in the LGPS or in the Fund),
- 7.11.4 scheme changes and lower member contributions, which may be agreed as part of the Scheme Advisory Board cost management process will lead to lower member contributions which may not be immediately matched by higher employer contributions;
- 7.11.5 an increase in the take up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund.
- 7.12 The Administering Authority seeks to maintain regular contact with employers to mitigate against the risk of unexpected or unforeseen changes in maturity or other changes leading to cashflow or liquidity issues.

## Regulatory and compliance risk

- 7.13 Regulatory risks to the scheme arise from changes to general and LGPS specific regulations, taxation, national changes to pension requirements, or employment law. There are a number of uncertainties associated with the benefit structure at the current time including:
- 7.13.1 The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.
- 7.13.2 The outcome of the cost management process as at 31 March 2020
- 7.13.3 The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.

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- 7.13.4 Redundancy early retirement provisions - with effect from 4 November 2020 a cap on exit payments made by public sector employers came into effect, including the cost of early payment of LGPS pensions for those over age 55. These new Regulations have since been revoked but Government is expected to come forward with new proposals and it is not yet clear what the final provisions will be for the LGPS.
- 7.14 Consultations which have been published but not yet taken forward by Government include changes relating to new Fair Deal arrangements, changes to the valuation cycle (although the Administering Authority understands that the 2022 valuation is going ahead as planned) and changes to the status of HE/FE sector employers.
- 7.15 The Administering Authority will keep abreast of all the changes to the LGPS, both proposed and confirmed and discuss any proposals which may affect funding with the Fund Actuary as required. The Administering Authority will normally respond to consultations on these matters where they have an impact on the Fund, and it would encourage employers, who frequently have a greater interest in proposed changes, to respond independently.

### Employer risk

- 7.16 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. The response to the COVID-19 pandemic may have adverse consequences in relation to employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.
- 7.17 The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS. It has also developed a framework for analysing the risk posed by the larger Tier 3 employers and introduced additional funding targets at the 2019 valuation to reduce the risk of employers failing and exiting the Fund with a material shortfall relative to the exit liabilities. It does not consider it appropriate (or affordable for the employers concerned) to eliminate the risk of an unmet exit deficit and will ask the Fund Actuary to review the funding position and level of risk of the short term and Tier 3 employers between triennial valuations where it believes this is appropriate. In due course it will also ask the Fund Actuary to review the funding position of any deferred employers on a regular basis between triennial valuations, noting that the Regulations specifically provide for a DDA to end when the Actuary assesses that the deferred employer has paid sufficient secondary contributions to cover the exit payment that would have been due if the employer had become an exiting employer on the calculation (review) date.

### Governance risk

- 7.18 Governance risk is essentially one of communication between employer and the Fund, where, for example, an employer fails to inform the Fund of major changes, such as the letting of a contract involving the transfer of significant numbers of staff to another employer, including a wholly owned company which does not participate in the Fund, or only participates for some employees, or an admission body closing the scheme to new entrants.

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- 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.

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## APPENDIX 1: Policy on New Employers, Exit Valuations and Employer Flexibilities

### 1. Background

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

- considerations in respect of the participation of employers, including Admission Bodies on commencement or admission,
- the methodology for assessment of an exit payment of employers from the Fund; and

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

1.2 This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in relation to the calculation of assets and liabilities on admission and exit as well as use of the flexibilities within Regulation 64 and 64B.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

1.3 The Administering Authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund.

1.4 The Administering Authority has an obligation to pursue all liabilities owed so any shortfall from an individual employer does not fall back on other employers.

### 2. New Employers

#### Types of Admission Body

2.1 The following bodies are types of potential admission body -

(a) a body which provides a public service in the United Kingdom which operates otherwise than for the purposes of gain and has sufficient links with a Scheme employer for the body and the Scheme employer to be regarded as having a community of interest (whether because the operations of the body are dependent on the operations of the Scheme employer or otherwise);

(b) a body, to the funds of which a Scheme employer contributes;

(c) a body representative of-

(i) any Scheme employers, or

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- (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)

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- 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 paragraph 1(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



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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

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the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

3.7 In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor, these will normally fall to be met by the Scheme employer in the case of paragraph 1(d) admission bodies or the Fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the shortfall would normally fall on the employers pro-rata to their liabilities in the Fund. Unless the shortfall amount were material, the allocation of the shortfall to all employers in the Fund would be carried out at the next formal actuarial valuation. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

### 4. Funding Target

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

#### 4.2 Subsumed liabilities

Where an admission body ceases its participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will adopt a Funding Target (comprising the relevant Solvency Target, Probability of Funding Success and Trajectory Period) in line with that adopted for the subsuming employer.

#### 4.3 Scheduled Bodies

New academies are currently considered to qualify as indefinite participants in the Fund with full taxpayers backing, as they have a guarantee from the Department for Education. As such the Funding Target adopted is in line with that adopted for Secure Scheduled Bodies. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to the Funding Target for new academies and any admission bodies for which an academy provides a subsumption commitment and also the default approach taken to the notional assets transferred to academies upon conversion.

For any new scheduled bodies joining the Fund, the Administering Authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund

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

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

### 4.4 Orphan liabilities

- 4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, or a Deferred Debt Agreement ends, unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.
- 4.4.2 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. From 1 February 2022, to give effect to this, the Administering Authority will seek funding from the outgoing employer which allows for a more prudent solvency target and gives the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy.
- 4.4.3 Ongoing calculations for deferred employers (i.e. those where a Deferred Debt Agreement has been put in place), and employers subject to the ongoing orphan funding target will be carried out using assumptions which are intended to broadly target the eventual exit position.

### 5. Initial notional asset transfer

- 5.1 When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets may be needed from the original employer to the new employer.
- 5.2 Unless a pass through approach applies, when a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.
- 5.3 Another option for the initial notional asset transfer (where required) is to allow for the funding level of the original employer, and therefore to transfer any past service surplus or deficit in respect of the transferring membership to the new employer. For new admission bodies the Administering Authority will only agree to a deficit transferring to the new admission where a subsumption commitment is in place from a long-term secure scheduled body or other appropriate security is in place. This share of Fund approach would normally apply to new scheduled bodies where members are transferring from another employer in the Fund, such as new academies upon conversion to Academy status.
- 5.4 Unless specific instruction is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority's policy is that an unadjusted share of Fund approach is adopted by the Actuary in notionally re-allocating assets from the Local Education Authority to the academy on conversion in respect of the transferring liabilities subject to a maximum transfer of assets equal to the transferring liabilities. This unadjusted share of the Fund

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approach means there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the 5 main Councils in the Fund which have education responsibilities.

5.5 Where the new employer will participate in a pool of employers, for example where a multi-academy trust has requested that its academies be treated as a single employer, the notional asset transfer would be to the relevant pool of employers.

5.6 In calculating the notional assets to transfer to a new employer the Actuary will consider the liabilities based on the confirmed benefits of the LGPS at the date of joining. Additional notional assets will be transferred:

- as an approximate allowance for the potential liabilities arising from the McCloud judgement remedy, equal to 0.9% of liabilities upon commencement.
- in respect of confirmed changes to GMP indexation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

However, for new employers joining after 31 March 2019 it may be necessary for the asset transfer to be revisited once the current uncertainties relating to the benefit structure of the LGPS from 1 April 2019 (see paragraph 7.13 above) are resolved.

### 6. Employer Contribution Rate

#### 6.1 Initial Rate

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

6.1.2 An interim contribution rate may be set pending a more accurate calculation by the Fund Actuary of the employer contribution rate payable. Currently the interim contribution rate is 20% of pay. The Administering Authority will change these interim contribution rates following each triennial Actuarial Valuation and at any other time at its discretion.

6.1.3 When a new academy joins a multi-academy trust (MAT) where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the MAT until the next triennial Actuarial Valuation at which time the contributions for the MAT will be reviewed. Where the new academy is material relative to the MAT, the contributions for the MAT may be reviewed under Regulation 64A. Where the new academy is not material, the MAT may elect to increase contributions for all employers in the MAT before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

6.1.4 The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)

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- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary and following discussion with the ceding employer as appropriate.

### 6.2 Review of Employer Contribution Rates

6.2.1 The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

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

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

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

6.2.3 The Administering Authority monitors the active membership of closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

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

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

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

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

7.2 Where participation ceases, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

7.3 The assumptions adopted to value the departing employer's liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the cessation valuation will distinguish between

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residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date.

- 7.4 For subsumed liabilities the Administering Authority's policy is that the funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.
- 7.5 In exceptional circumstances the funding target for subsumed liabilities may be varied if deemed appropriate by the Administering Authority, on the advice of the Fund Actuary.
- 7.6 Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation. Any shortfall between the value of the liabilities assessed on the appropriate exit basis and the funding target for the successor body (e.g. if this is being set up fully funding on an orphan admission body funding target) will generally be assumed to be met by the letting authority unless otherwise agreed between the parties, to the satisfaction of the Administering Authority.
- 7.7 For exits, the following refinements will be made to the approach at the 2019 funding valuation:
- approximate allowance will be made for the potential liabilities arising from the McCloud judgement remedy, equal to 0.6% liabilities upon exit, plus 0.7% of assumed salary over the period from 2019 valuation to the date of exit
  - allowance will be made for the confirmed changes to GMP indexation equalisation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.

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

- 7.8 Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.
- 7.9 However, where agreed between the parties the deficit (or any exit credit) may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.
- 7.10 If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity. These will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.
- 7.11 At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

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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

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initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

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

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

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

### 9. Exit Credits

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

- (a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)
- (b) the proportion of the surplus which has arisen because of the value of the employer's contributions
- (c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, anybody listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and



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

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

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

### 10. Multi-academy trusts

10.1 Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities. The Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware to the extent of these liabilities. The Administering Authority may direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial Actuarial Valuation, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.2 Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall on exit, the Administering Authority would seek to recover any unpaid deficit from the remaining employers within the MAT where those employers participate in the Fund. Rather than requiring a lump sum payment, the Administering Authority may instead act on the assumption that the remaining MAT employers have provided a subsumption commitment, which includes subsumption of the unpaid deficit which would then fall to be recovered from ongoing contributions. In that case the Administering Authority will instruct the Fund Actuary to allocate the assets and liabilities of the outgoing academy across the remaining employers in the MAT.

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

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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

11.1 Regulation 64(2A) permits the suspension of an employer's liability to make an exit payment for up to 3 years where the Administering Authority believes that the employer is likely to have one or more active members contributing to the Fund within the period specified in the suspension notice. The Administering Authority considers that it is appropriate to exercise that discretion in relation to Town and Parish Councils where there is a reasonable expectation that a member will join in the near future (e.g. before the next triennial Actuarial Valuation). In that case, the Fund will advise the employer of the exit amount calculated by the Actuary and serve a written suspension notice on the employer. Whilst under such a suspension notice, the employer must continue to pay any deficit payments certified to the Fund as if it were an ongoing employer and the actuary will recalculate any deficit and contributions due at the next Actuarial Valuation. If there are no new members by the time the suspension notice expires the Fund Actuary will carry out an exit valuation as at the date the suspension notice expires.

### 12. Deferred Debt Agreement (DDAs)

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

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

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

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

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

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms

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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 enrolls 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:

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- where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund
- where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer's ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months
- where the level of security available to the Fund has changed in relation to the DDA, as determined by the Administering Authority, taking legal, actuarial or other advice as appropriate.

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

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

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

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

### 13. Responsibilities of employers in the Fund

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

13.2 Employers should have regard to the Administering Authority's administration strategy and their responsibilities as set out in the Funding Strategy Statement at all times.

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- 13.3 All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:
- an admission body closing to new entrants
  - a scheduled body setting up a wholly owned company to employ new staff, regardless of whether or not that company will participate in the Fund
  - merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
  - an application by a 6th form college to become a 16-19 academy, including whether successful or not
  - a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
  - a large scale redundancy exercise which could materially reduce the employer's active membership
  - any intervention by, or voluntary undertaking provided to, the appropriate regulator
- 13.4 Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

### APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations

#### 1. Background

- 1.1 This Document explains the policies and procedures of the West Yorkshire Pension Fund (“the Fund”), administered by City of Bradford Metropolitan District Council (“the Administering Authority”), in relation to any amendment of employer contributions between formal valuations as permitted by Regulation 64A.
- 1.2 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 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.

# Appendix E: Funding Strategy Statement

## 2. 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
- 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.

## 3. 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.

## Appendix E: Funding Strategy Statement

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.

### **4. 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.

### **5. 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

## Appendix E: Funding Strategy Statement

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 F: Governance Compliance Statement

## Governance Compliance Statement

### 1. Introduction

- 1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).
- 1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The council has established three bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the council's financial regulations, the Director – West Yorkshire Pension Fund has day-to-day responsibility for the management of the fund. The Strategic Director – Corporate Services at Bradford Council, as the council's Section 151 Officer, has responsibility for signing the fund's year-end accounts.

### 2. Governance and Audit Committee

- 2.1 The Governance and Audit Committee shall comprise five members. Either the chair or deputy chair of the committee shall not be a member of the executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory group and/or Investment Advisory Panel.

#### Quorum

- 2.2 The quorum of the committee shall be three members.

#### Roles and functions

- 2.3 The functions of the committee affecting West Yorkshire Pension Fund are to:
- 2.3.1 approve the statement of accounts and related documents in accordance with the Accounts and Audit Regulations 2015
  - 2.3.2 receive matters of a financial nature the external audit request be considered by a member body, including any that may concern the council's governance arrangements
  - 2.3.3 consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements
  - 2.3.4 seek assurance that action is being taken on risk related issues determined by auditors and inspectors
  - 2.3.5 review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit
  - 2.3.6 discharge the function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group
  - 2.3.7 review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary, and

## Appendix F: Governance Compliance Statement

2.3.8 consider the reports of external audit and inspection agencies.

The minutes of meetings of the Investment Advisory Panel, Joint Advisory Group and Pension Board are submitted to the Committee.

### 3. WYPF Investment Advisory Panel

3.1 The WYPF Investment Advisory Panel (referred to as 'the panel') comprises 19 representatives. WYPF covers the geographical area of five metropolitan authorities, namely the West Yorkshire district councils of Bradford (administering authority), Calderdale, Kirklees, Leeds and Wakefield. Each of the five West Yorkshire district councils has two councillor representatives on the panel.

3.2 The other nine representatives on the panel comprise of three trade union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – WYPF and a Chief Finance Officer from the West Yorkshire district councils on a two-year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the panel through the ten councillors nominated by the five district councils. The co-opted councillor will be from Bradford Council as administering authority.

3.3 All representatives on the panel have equal voting rights.

3.4 For each municipal year a chair of the panel is nominated by the two Bradford Council councillor representatives on the panel, and a deputy chair is elected from other members on the panel. A Bradford councillor on the panel will also be a member of the Governance and Audit Committee.

3.5 The Panel meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

3.6 The panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.

3.7 In this capacity, the panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the panel should not allow their own personal interests, social, moral or political views to influence their decisions.

3.8 At the meetings of the panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

3.9 Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the fund, schedules of all investments purchased or sold since the previous panel meeting, views from the fund's external investment advisers, and a complete list and up-to-date valuation of the investment portfolio.

3.10 Decisions are taken on how the new money available for the investment is to be allocated to major asset classes on the portfolio. However, the panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

3.11 The external investment advisers on the panel will be able to guide other members of the panel in their investment adjudication.

3.12 In the event of conflict of opinion arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

3.13 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director – WYPF or his/her nominee, and one external investment adviser.

3.14 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the panel if, in its opinion, the decision is not in the best interests of the WYPF.

## Appendix F: Governance Compliance Statement

### 4. WYPF Joint Advisory Group

- 4.1 The WYPF Joint Advisory Group (referred to as 'the group') comprises 20 representatives. There are three councillor representatives from each of the five West Yorkshire district councils, three trade union representatives, and two scheme members. All representatives on the group have equal voting rights.
- 4.2 There is no set pattern for meetings of the group, and the group will meet on such days as they may determine.
- 4.3 For each municipal year a chair is nominated by the Bradford Council representatives and a deputy chair is elected from amongst the other members of the group.
- 4.4 The group has overall responsibility for overseeing and monitoring WYPF's pension administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition, the group will approve the budget estimates for the pension administration and investment management functions of WYPF, and also receive WYPF's annual Report and Accounts.
- 4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent councils.
- 4.6 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the group if, in its opinion, the decision is not in the best interests of WYPF.

### 5. WYPF Pension Board

- 5.1 The WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.
- 5.2 The board's role is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator; and any other such matters as the LGPS regulations may specify.
- 5.3 The WYPF Pension Board comprises eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils, and one employer representative nominated from all the other employers in the fund).
- 5.4 The board meet quarterly on such dates as they determine.
- 5.5 The quorum of the board shall be three (chair plus one employer representative and one member representative).

### 6. Annual meetings

- 6.1 Each year, usually in October, WYPF holds an employer annual meeting and a separate scheme member annual meeting.
- 6.2 At each annual meeting a keynote address is given by a guest speaker on a related pensions topic. The Director – WYPF will provide an update on the activities of the fund during the past year, and the fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

## **Appendix F: Governance Compliance Statement**

### **7. Training/expenses/facility time**

- 7.1 A bespoke training seminar is held each year for members of the Investment Advisory Panel, Joint Advisory Group and pension board. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's Trustees Training Fundamentals event, which is a three-day training course for pension fund trustees.
- 7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work and members can opt to attend any that they feel will be of benefit to them.
- 7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or WYPF Pension Board shall be remunerated for undertaking this role. However, expenses incurred in the attending meetings, training events will be reimbursed. The cost is met by the fund.
- 7.4 The trade unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and WYPF Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board.

### **8. Register of interests**

- 8.1 All voting members of the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board must complete a 'declaration of acceptance of office' form and annually complete a 'conflict of interest' form.

# Appendix G: 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 and help scheme members understand their pension, the benefits and options it provides
- 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
- Provide timely and sufficient information to scheme members, allowing access through the channel of their choice, so members can make informed decisions about their benefits
- 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

## Appendix G: Communications Policy

### 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

## Appendix G: Communications Policy

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			

## Appendix G: Communications Policy

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



## Appendix G: Communications Policy

### 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](mailto: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

## Appendix G: Communications Policy

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
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### Barnet Pension Fund Management

Mark Fox	Pensions Manager
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### Fire and Rescue Service 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

# Appendix H: Investment Strategy Statement

## Investment Strategy Statement

### 1. Introduction

- 1.1. The Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.
- 1.2. City of Bradford Metropolitan District Council became the administering authority of West Yorkshire Pension Fund in 1986. The fund covers the five district councils of West Yorkshire together with numerous other employers.

### 2. Investment decision making process

- 2.1. The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.
- 2.2. The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.
- 2.3. Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

### 3. Variety of investments to be held

- 3.1. The West Yorkshire Pension Fund will hold a diversified portfolio of investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.
- 3.2. A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.
- 3.3. The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.
- 3.4. The Fund will not invest directly in unquoted companies, except where such investment is part of a pooled arrangement or joint venture with one or more pension funds.
- 3.5. Stock lending will be actively pursued up to the 35% limit as originally permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

### 4. Suitability of particular types of investment

- 4.1. The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

## Appendix H: Investment Strategy Statement

- 4.2. Bonds, Alternative Investments, Property and Cash Deposits will make up the balance of the portfolio, generating regular income. The distribution of investments between the asset classes will vary based on perceived economic and market conditions. Bonds, Alternative Investments, Property and Cash Deposits will make up the balance of the portfolio, generating regular income. *In addition, the Fund may also make use of derivatives, either directly or in pooled investments, for the purposes of efficient portfolio management or to hedge specific risks, in order to protect the value of the Fund's assets.* The distribution of investments between the asset classes will vary based on perceived economic and market.
- 4.3. The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2021/22 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Range %
<b>Bonds – total</b>	<b>10–25</b>
UK Fixed-interest gilts	2–5
UK Index-linked gilts	2–5
Corporate bonds	5–10
Global bonds	2–5
<b>Equities – total</b>	<b>50–70</b>
UK equities	20–30
Overseas equities	30–40
<b>Property</b>	<b>3–10</b>
<b>Private equity</b>	<b>4–8</b>
<b>Private infrastructure</b>	<b>4–8</b>
<b>Hedge funds</b>	<b>0–1</b>
<b>Listed alternatives UK</b>	<b>1–3</b>
<b>Cash</b>	<b>0-5</b>

## 5. Risk

- 5.1. To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.
- 5.2. Risk will also be controlled by reviewing on a continuous basis the risk attached to the Fund's asset allocation relative to the fund-specific benchmark, to ensure that any major divergence from the benchmark is acceptable.
- 5.3. The fund recognises the risks and opportunities associated with climate change, and will seek to measure carbon exposure within the equity portfolio and reduce that exposure over time. The fund will continue to increase investment in low carbon technology and renewable energy in order to encourage and facilitate further progression toward a cleaner economy.
- 5.4. Custodian risk is controlled through continuous monitoring and periodic review of the custodial arrangements.
- 5.5. Risk is also monitored in relation to the funding position of the Fund and the investment requirements that flow from it, in conjunction with the Fund's Actuary.
- 5.6. Counter-party and cash management risk is controlled by the in-house investment management team through the setting of appropriate limits for exposure with any individual organisation.

## 6. Expected return on investments

The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

### 7. Collaborative investment and pooling

- 7.1. WYPF has signed a memorandum of understanding with the Greater Manchester and Merseyside Pension Funds to create the Northern LGPS ('the Pool') in order to meet the criteria for pooling investments released by government on 25 November 2015.
- 7.2. The three funds submitted their pooling proposal to government in July 2016 and the Department for Communities and Local Government provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on the website
- 7.3. Following the issue of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016, the plans for the Northern LGPS evolved from the July 2016 proposal.
- 7.4. The vast majority of the benefits of pooling for the funds in the Northern LGPS are in respect of alternative assets, where there is greatest scope to generate further economies of scale, and to combine resources to increase direct investments. Following detailed discussions and consideration of professional advice, it was agreed in March 2017 by each of the participating funds that in order to meet the Reduced Costs and Excellent Value for Money criteria set by Government most effectively, the Northern LGPS should focus resource on making collective investments in alternative assets such as private equity and direct infrastructure. The private equity and direct infrastructure investments would initially be made via joint ventures and partnerships to enable pooled investments to be made and start generating material cost savings from an early stage. Such structures would in all cases be compliant with relevant financial services law.
- 7.5. The Scale and Strong Governance and Decision Making criteria are met by:
  - the joint committee providing monitoring and oversight of the operations of the Northern LGPS, with the Joint Committee constituted so as to separate elected members from any manager selection decisions and;
  - appointing a FCA regulated common custodian for the Pool, which has custody of all the pool's actively managed listed assets (i.e. internally and externally managed equities and bonds) and act as master record-keeper for all pool assets.
- 7.6. Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool was £35.4billion, which is in excess of the £25bn criteria set by Government. Strategic asset allocation will continue to be set by each fund's pension committee (Investment Advisory Panel for WYPF) with the selection of individual investments and investment managers for external mandates carried out by appropriately qualified and experienced officers, operating under the legal framework of specialist investment vehicles where appropriate. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.
- 7.7. All public-market assets and new commitments to private equity and direct infrastructure, as well as legacy investments, will be monitored and overseen by the Northern LGPS Joint Committee, with all assets other than day-to-day cash used for scheme administration purposes being held under the common custody agreement. Day-to-day cash is assumed to be 1% of total assets for each fund
- 7.8. In accordance with the 2015 pooling criteria and guidance, legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.
- 7.9. It is intended that the Northern LGPS will externally procure the following services:
  - External fund management for certain mandates
  - Common custodian for Pool (plus depositaries & fund administrators where required for any pooled funds that are established for non-listed assets)
  - Investment management systems
  - Audit services
  - Performance analytics
  - Responsible Investment advisory services
  - Value for money reviews of structure
  - Other professional advice

## Appendix H: Investment Strategy Statement

- 7.10. The Northern LGPS Joint Committee is created via the approval of an inter-authority agreement between the administering authorities to the participating funds. The role of the Joint Committee is to:
- provide monitoring and oversight of the Northern LGPS to ensure that the pool is effectively implementing the participating authorities' strategic asset allocation decisions;
  - to oversee reporting to the participating authorities' pension committees.
  - act as a forum for the participating authorities to express the views of their pension committees;
  - ensure segregation of duties in investment decision making between elected members and officers.
  - Monitor performance of portfolios
  - Monitor the appointment of investment managers.
- 7.11. Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Joint Committee, which will be discussed at formal meetings. The Joint Committee will not be undertaking any regulated activities.
- 7.12. The Northern LGPS governing documentation grants the Joint Committee and each administering authority certain powers regarding the operation of the Northern LGPS, which can be used to ensure the effective performance of Northern LGPS. WYPF's approach to pooling set out above will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds' strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally. The reviews will take place no less than every 3 years.
- 7.13. A report on the progress of asset transfers will be made to the Scheme Advisory Board annually.

### 8. Transaction costs

- 8.1. The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and overseas share transactions are at competitive rates negotiated by the in-house investment managers.
- 8.2. Transaction fees and custody fees are paid to Northern Trust for transactions on terms agreed with Northern Trust under the contract for banking and custody services.

### 9. Environmental, Social and Corporate Governance Policy ESG Statement

Under the terms of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 WYPF is obliged to describe in its Investment Strategy Statement its attitude to Environmental, Social & Governance factors that may adversely impact the value of our investments.

In recognition that Responsible Investing is a rapidly evolving field we have adopted a set of overarching principles which guide our processes and goals. While the principles will be retained over the intended three-year time horizon of the Investment Strategy Statement, the goals will be reviewed annually in light of our progress as an asset owner, industry developments and the evolution of best practice. Our goals will be published annually in a separate Responsible Investment report in which we will also highlight some of the major ESG themes we consider to be relevant.

#### Who we are defines our beliefs

We believe that the following characteristics combine to shape our ESG principles:

- We are a large local government pension fund based in the North of England. Our primary aim is to generate an appropriate investment return to provide our members and their families financial security in their retirement.
- We are a Defined Benefit scheme funded by local authority employers, admitted bodies and contributions from members. We are inherently long-term in our thinking and conservative in our attitude to risk.
- We believe in actively managing the pension fund and invest in a range of UK and international equities, fixed income, private equity, infrastructure and real estate assets. By holding a diversified portfolio of uncorrelated assets we are able to deliver sufficient long-term risk adjusted returns.
- Distinct from many LGPS funds, WYPF manages its funds internally relying on an in-house team of investment specialists rather than third party providers. This approach has produced strong investment returns while maintaining our investment cost per scheme member as one of the lowest of all LGPS.

## Appendix H: Investment Strategy Statement

- In 2016 the government introduced reforms designed to improve the efficiency of LGPS and to broaden the scope of the permissible assets, specifically designed to encourage investments in infrastructure. Central to these reforms were the creation of investment pools allowing LGPS to invest collectively to benefit from specialised knowledge and improved economies of scale. As a result, WYPF joined with the LGPS of Merseyside and Greater Manchester to form the Northern LGPS.
- As a LGPS fund we are subject to a variety of legislation including the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016. We have also considered guidance from the Law Commission, Department of Work and Pensions and Department for Leveling Up, Housing and Communities (DLUHC) in developing this policy. We have also taken on board the recommendations and framework of the United Nations Principles of Responsible investment (UN-PRI) and the UK Stewardship Code.

### Our ESG Principles

**Principle #1. WYPF recognises that Environmental, Social and Governance (ESG) factors can profoundly impact an individual company's long-term sustainability.** The ESG profile of companies reflects a significant number of individual characteristics ranging from the nature of its supply chains, the composition of its board, management's attitude toward unionisation and the carbon intensity of its business. We understand that the importance of individual factors varies considerably between companies and sectors and we therefore seek to focus on material factors likely to make a long term impact on the business. The assessment of a companies' ESG characteristics is a fundamental component of our investment process. A brief summary of the factors we consider include:

- **Environmental.** WYPF believes that climate change represents an existentialist threat to the world. The dangers of climate change have been flagged by central bankers and an increasing amount of regulation is based on the idea that climate risk is financial risk. Climate change has the potential to directly impact the value of the fund in two main ways: the physical impact that rising sea levels, the increasing frequency of extreme weather conditions and higher temperatures may have on a company's assets, workforce or markets; secondly, the risk that the transition to a low carbon economy may "strand" certain assets or businesses by making them uneconomic. We think carbon intensive companies must swiftly formulate and embrace strategies to aggressively and realistically cut green-house gas emissions. We are committed to meeting the Paris Agreement to achieve net zero carbon emissions by 2050 and exploring the feasibility of a 2030 target in line with the IPCC's 1.5-degree pathway. The transition to the low carbon economy presents not only risks, but also opportunities for the fund and we will actively seek to invest in low carbon and renewable energy technology. Environmental factors are broader than solely carbon emissions: we believe companies need to control negative externalities such as water or air pollution, and act to protect biodiversity.
- **Social.** We believe that companies need to act upon a broader array of stakeholder interests, not solely those of its shareholders. Companies should seek to make a positive contribution to the welfare of employees, the communities in which they operate, to the economy and society more broadly. We believe that employees should be treated fairly in respect of compensation, working conditions, equality of opportunity and have the right to join or form trade unions. Companies should also seek to understand and acknowledge their responsibilities to their supply chains. Companies should not aggressively seek to minimise their taxation through the use of transfer pricing, loopholes or low tax regimes.
- **Governance.** We believe that companies must commit to organise themselves in line with corporate governance best practise. Boards must be sufficiently capable, diverse, and independent to appropriately scrutinise management strategy, compensation and appointments. We encourage companies to develop cultures and processes that ensure that both the interests of managers are closely aligned to those of the shareholders and that managers feel accountable to the board. Executives should be rewarded appropriately for their contribution to the long-term success of the company. Compensation should reflect progress on both financial and ESG targets as well as median employee pay. Auditors must be able to independently, fairly and impartially to review and report on financial statements. We view non-audit work on the same company a potential conflict of interest and support regular rotation of auditors.

**Principle #2 We don't believe that there is a trade-off between the investment performance of a financial asset and investing in a company that is behaving in a responsible and sustainable manner.** Companies that are inherently short-term in their outlook, behave irresponsibly or unethically will not provide the necessary long-term performance that the fund needs to fund its members' pensions. In this respect we view ESG investing not from an ethical standpoint but as a way to control investment risk. This approach is consistent with our fiduciary duties to our members.

**Principle #3. WYPF chooses to be an informed and active manager.** As such we will take care to thoroughly understand a company's business model, investment case, relative valuation and ESG risks prior to investment. We will diligently monitor investments already in the portfolio and seek to maintain an optimal allocation between asset classes.

## Appendix H: Investment Strategy Statement

**Principle #4. WYPF recognises its stewardship responsibilities through engagement and voting.** While we recognise that most companies attempt to manage ESG risks, where we believe there to be evidence of business or ESG risk the Fund will communicate such concerns to management. If we fail to receive satisfactory explanation or evidence of behavioural improvement, we may choose to escalate our action and use our voting rights to enact positive change. We strongly hold the view that as owners of a company's capital, management are our agents and should act in the long-term interests of the company. To engage efficiently we may choose to do so with other like-minded shareholders. We exercise our voting rights and commit to reporting our voting record in a transparent manner.

**Principle #5. Positive Engagement for Change.** As a final step WYPF retains the option to divest from any given investment. In recent years the fund has been petitioned by many parties in this regard, however we strongly prefer to engage rather than divest for three reasons:

- As a pension-fund we have a multi-generational investment horizon; we are uniquely well placed as long-term custodians of capital to ensure that companies are sustainable.
- Our power to influence companies is derived from our economic interest: if we sell our shares we abdicate our responsibility.
- Engagement works! The global oil industry has adopted wide-ranging changes to its business model largely due to multi-year shareholder engagement.

### 10. Exercise of rights attached to investments

- 10.1. The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity, are published on the Fund's website.
- 10.2. Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.
- 10.3. The fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

### 11. Effective Decision-Making

The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to ensure continuity and a build up of experience. An annual business plan for the Panel is produced.

### 12. Clear objectives

Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Investment Strategy Statement and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

### 13. Risk and liabilities

Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.



## Appendix H: Investment Strategy Statement

### 14. Performance assessment

The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

### 15. Responsible ownership

The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

### 16. Transparency and reporting

The Investment Strategy Statement is regularly updated and is available on the Fund's website. <https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/>

Details of the Fund's voting policy and voting activity are also published on the website <https://www.wypf.org.uk/investments/wypf-investments/voting-policy/>.

# Appendix I: Conflict of Interest Policy

## 1. Introduction

- 1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.
- 1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.
- 1.3 This is the conflict of interest policy of West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of WYPF whether directly or in an advisory capacity.
- 1.4 This conflict of interest policy is established to guide Joint Advisory Group, Investment Advisory Panel, pension board members, officers and advisers. Along with other constitutional documents, including the various codes of conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the fund otherwise.

## 2. Aims and objectives

- 2.1 In relation to the governance of the fund, the administering authority's objectives are to ensure that:
  - 2.1.1 all staff and Joint Advisory Group, Investment Advisory Panel and pension board members charged with the financial administration and decision-making with regard to the fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them
  - 2.1.2 the fund is open in all its dealings and readily provides information to interested parties
  - 2.1.3 all relevant legislation is understood and complied with
  - 2.1.4 the fund is at the forefront of best practice for LGPS funds, and
  - 2.1.5 all conflicts of interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the administering authority achieving its governance objectives.

## 3. Application of this policy

- 3.1 This conflict of interest policy applies to all Joint Advisory Group, Investment Advisory Panel and pension board members, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF management team.
- 3.2 This policy and the issue of conflicts of interest in general must be considered in light of each individual's role, whether this is a management, advisory or assisting role.
- 3.3 The Director – WYPF will monitor potential conflicts for less senior officers involved in the daily management of the pension fund and highlight this policy to them as appropriate.

# Appendix I: Conflict of Interest Policy

- 3.4 This policy also applies to all advisers and suppliers to the fund, whether advising the Joint Advisory Group, Investment Advisory Panel, pension board or fund officers, in relation to their role in advising or supplying the fund.

In this policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the administering authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third-party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to 'advisers' is to the lead adviser(s) responsible for the delivery of advice and services to the administering authority rather than the firm as a whole.

- 3.5 In accepting any role covered by this policy, those individuals agree that they must:
- 3.5.1 acknowledge any potential conflict of interest they may have
  - 3.5.2 be open with the administering authority on any conflicts of interest they may have
  - 3.5.3 adopt practical solutions to managing those conflicts, and
  - 3.5.4 plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.
- 3.6 The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

## 4. Legislative and related context

- 4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

## 5. Other administering authority requirements

- 5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:
- 5.1.1 Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct
  - 5.1.2 employees who are required to adhere to the CBMDC Employees' Code of Conduct
  - 5.1.3 advisers who are expected to have their own policies or protocols.
- 5.2 Further information is provided in Appendix 2.

## 6. What is a conflict or potential conflict and how will it be managed?

- 6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:
- 6.1.1 has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and
  - 6.1.2 at the same time, has:
    - 6.1.2.1 a separate personal interest (financial or otherwise) or
    - 6.1.2.2 another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.
- 6.2 Some examples of potential conflicts are included in Appendix 3.
- 6.3 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

# Appendix I: Conflict of Interest Policy

- 6.4 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise. Ways in which conflicts of interest may be managed include:
- 6.4.1 the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue
- 6.4.2 the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue
- 6.4.3 a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)
- 6.5 Provided that the administering authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

## 7. Responsibility

- 7.1 The administering authority for the WYPF fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director – WYPF is the designated individual for ensuring the procedure outlined below is adhered to.
- 7.2 However, it is the responsibility of each individual covered by this policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

## 8. Operational procedures

- 8.1 Declaration at appointment
- 8.1.1 On appointment to their role or on the commencement of this policy if later, all individuals will be provided with a copy of this policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the pension fund's register of conflicts of interest.
- 8.2 Declaration at meetings
- 8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, pension board or other formal meeting where pension fund matters are to be discussed, the chair will ask all those present who are covered by this policy to declare any new potential conflicts.
- 8.2.2 These will be recorded in the fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director – WYPF to the chair of every meeting prior to that meeting.
- 8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the chair and the Director – WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The chair, in consultation with the Director – WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.
- 8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the chair of that meeting. The Director – WYPF, in consultation with the chair where relevant, will consider any necessary action to manage the potential or actual conflict.
- 8.2.5 Where information relating to any potential or actual conflict has been provided, the Director – WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.
- 8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the fund's Register of Conflicts of Interest.
- 8.3 Annual declaration
- 8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the register is correct or highlighting any changes that need to be made to the declaration.

## Appendix I: Conflict of Interest Policy

### 8.4 Conduct at meetings:

There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The administering authority requires that any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a pension board or Joint Advisory Group or Investment Advisory Panel meeting, and that this will be recorded in the minutes.

## 9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

9.1.1 be provided with a copy of this policy on appointment and whenever it is updated

9.1.2 adhere to the principles of this policy

9.1.3 provide, on request, information to Director – WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as administering authority, and

9.1.4 notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the fund's Register of Conflicts of Interest.

## 10. Monitoring and reporting

10.1 The fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition, information relating to conflicts of interest will be published in the fund's annual Report and Accounts.

10.2 In order to identify whether the objectives of this policy are being met, the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

## 11. Key risks

11.1 The key risks to the delivery of this policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Director – WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required. The key risks are:

11.1.1 insufficient training or poor understanding in relation to individuals' roles on pension fund matters

11.1.2 Insufficient training or failure to communicate the requirements of this policy

11.1.3 Absence of the individual nominated to manage the operational aspects of this policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this policy, and

11.1.4 Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

## 12. Costs

12.1 All costs related to the operation and implementation of this policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this policy.

# Appendix J: Risk Management Report

## WYPF Risk Management Report

### Introduction

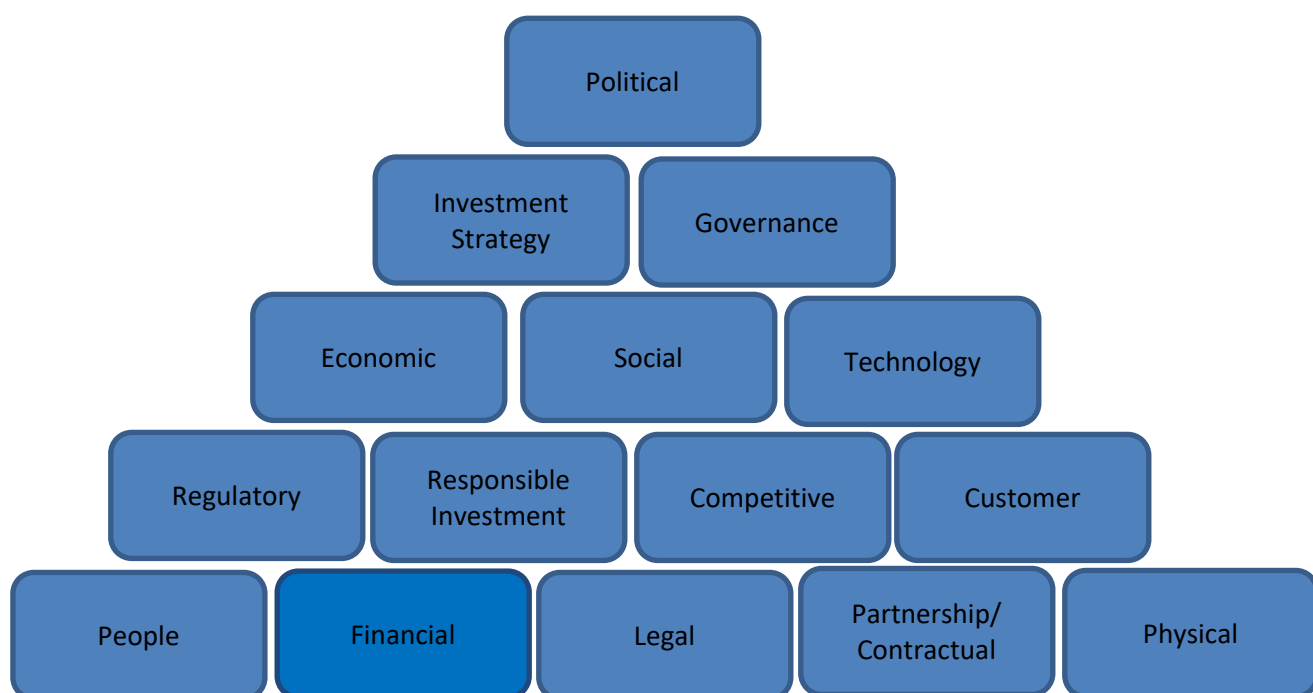
WYPF’s Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed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

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

### The process

### Risk identification

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



# Appendix J:Risk Management Report

## Identified risks

### Economic

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

### Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

### Technological

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

### Legislative/Regulatory

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

### People

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

### Financial

Scenario	Short name
10	Finance aren't always involved in other sections' decision making processes
12	External Fraud

## Appendix J:Risk Management Report

13	Admin costs increase above budgeted costs
15	Prompt payment of pensions on the due date.
17	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers

### Physical

Scenario	Short name

### Competitive

Scenario	Short name
11	National and local KPI's are not being met

### Customer

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

### Social

Scenario	Short name

### Partnership / Contractual

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

### Governance

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



# Appendix J: Risk Management Report

## Investment Strategy

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

## Responsible Investment

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

## Risk analysis, profile and tolerance

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

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

The top risks facing WYPF are identified as:

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

## Appendix J:Risk Management Report

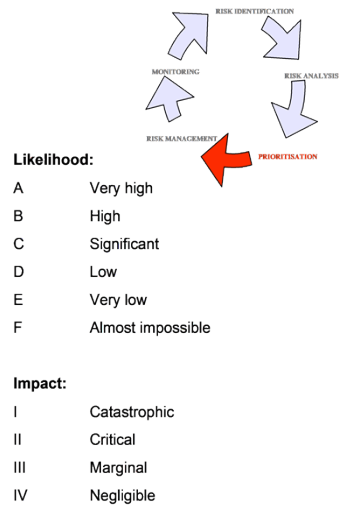
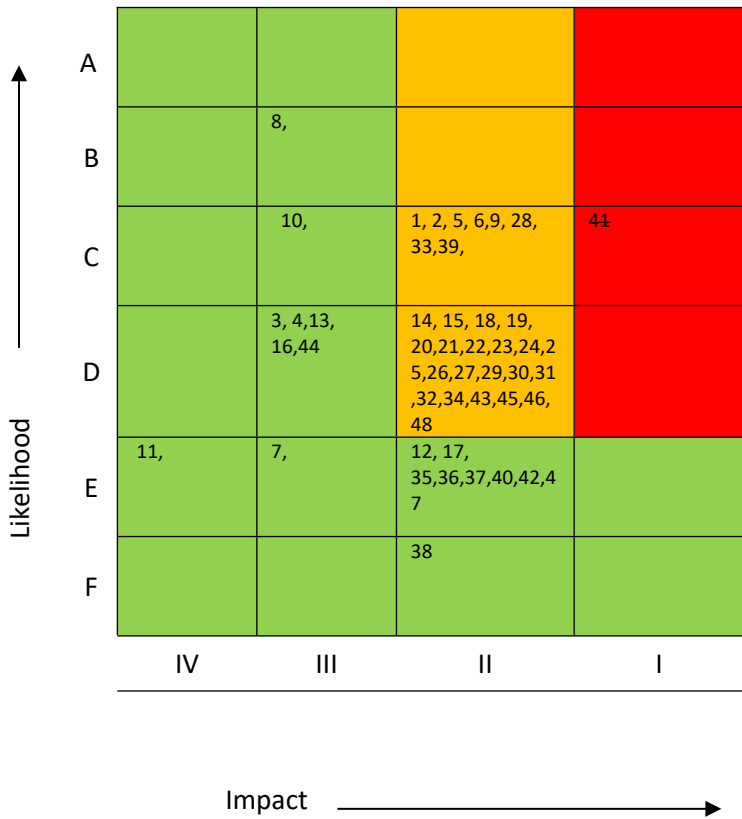
Scenario	Short name
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
38	Pension Fund investments may not be accurately valued.
39	Disaster recovery
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements

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

# Appendix J: Risk Management Report

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

WYPF Risk profile – January 2022



## Risk management and monitoring

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

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

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

# Appendix J: Risk Management Report

## Management Action Plans

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
1	C II	<p>Valuation registers a deficit in the Fund.</p> <p>Triennial Valuation undertaken on the Fund using a range of financial assumptions as agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least :</p> <ul style="list-style-type: none"> <li>• Falls in expected investment returns</li> <li>• Fall in markets values</li> <li>• Rising inflation</li> <li>• members living longer</li> </ul> <p>the funding position of the fund could deteriorate</p>	<p>Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making</p> <p>Due to potentially decreasing payroll deficit amounts are set as - monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by Funds Actuary</p>	<p>Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	Director WYPF JAG	Funding position to remain within 90 to 110%	triennial	Every three years - 31 March 2022	
2	C II	Reduction in proportion of active members	<p>Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy.</p> <p>Introduction of Auto Enrolment has increased membership.</p>	<p>Fund becomes more mature due to ageing and reduction in active members by outsourcing.</p> <p>Client base nationwide – employers 400+ including 5 district councils.</p>	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Fund continues to show as positive cashflow</li> <li>• The ISS is regularly reviewed to ensure its consistent with maturity profile of the Fund</li> </ul>	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
5	D II	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management.  Representation on various user groups: <ul style="list-style-type: none"> <li>• Civica user group</li> <li>• LGPS group</li> <li>• Payroll user group</li> </ul>	Ensure regular attendance and report back from the User Groups/Meetings as necessary.	Assistant Director (Finance, Administration and Governance)	Improved systems, costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations  Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market,  Effective and efficient system, with scalable capacity to support shared services.
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing.  Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
14	D II	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: Pensions Administration Strategy, Communication Strategy	Assistant Director (Finance, Administration and Governance) JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the Fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	Annually	Attract new business to the Fund
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYPF reputation</li> <li>• Increase in number of complaints</li> <li>• Callers/Visitors</li> </ul>	DII	Finance	Prompt payment of pensions on the due date.

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
18	D II	Partnership/ Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads WYPF not being able to meet contractual obligations	Assistant Director (Finance, Administration and Governance)	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service</li> <li>• Will not be able to pay pensions or process work</li> <li>• Staff leave</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> <li>•</li> </ul>	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads
19	D II	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments. <b>Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.</b>	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	-
20	D II	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose. Detrimental decisions made in relation to investments. <b>Annual Review of delegations.</b>	Control is adequate, annual review when Independent Advisor reports on IAP Governance Arrangements.	Director to consider changes required following Annual Governance Report.	City Solicitor Director	Documents up to date.	Annual and when regulation change.	May	

# Appendix J:Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	D II	<p>Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. Members fail to act in the best interests of the fund.</p> <p><b>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences The IAP is very experienced and knowledgeable and monitors the performance of the Fund</b></p>	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing	,	
22	D II	<p>The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions.</p> <p><b>As per risk 3 above.</b></p>	Control is adequate	Director to facilitate training arrangements and to report to IAP as required.	Director IAP Members	Training and other records kept up to date.	Ongoing		



# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
23	D II	<p>Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.</p> <p><b>All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.</b></p>	Control is adequate.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Director	Decisions to be in the best interest of the Fund.	Quarterly		
24	D II	<p>Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF. Detrimental decisions made in relation to investments.</p> <p><b>Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.</b></p>	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Director	CPD confirmation obtained.	Annual.		

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
25	D II	<p>Failure to adhere to relevant statutory regulations and guidance. Fund not invested in accordance with requirements. Reputational damage to fund within sector and investment markets.</p> <p><b>An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates</b></p>	Control is adequate.	Technical team to flag investment regulatory changes proposed at consultation stage. Investment team to maintain contacts within the sector to identify non LGPS specific regulatory changes.	Assistant Directors	Full compliance with all regulatory requirements.	Ongoing		
26	D II	<p>Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.</p> <p><b>Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.</b></p>	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding	Triennial	Receipt of 2022 valuation	

# Appendix J: Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
27	D II	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility. <b>As per risk 12 above.</b>	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
28	C II	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. <b>Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.</b>	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
29	D II	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value. <b>Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.</b>	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Director Head of Finance	Cash resources maintained at an appropriate level.	Ongoing		

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
30	D II	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels. <b>The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.</b>	Control is adequate.	ESG policies are based on a set of overarching environmental , social and governance principles which guide our processes and goals.	IAP	Fund assets safeguarded and returns achieved.	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. <b>Engagement is unsuccessful and does not promote change.</b>	Control is adequate.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. <b>The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.</b>	Control is adequate.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance.
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. <b>Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.</b>	Control depends on quality of external data.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	Ongoing		

# Appendix J: Risk Management Report

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

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
45	D II	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3 <sup>rd</sup> parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		

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

# Appendix J:Risk Management Report

## Future review and revision of risks

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

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

## Risks register

### PENSIONS ADMINISTRATION RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C II	Economic	Valuation registers a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions  Rise in longevity  (Funding level remains the main comparator)	<ul style="list-style-type: none"> <li>• Contribution rate rises</li> <li>• Budget cuts and/or council tax increases</li> <li>• Bad publicity for employers</li> <li>• Bad publicity for WYPF</li> <li>• Bad publicity for LGPS</li> <li>• Increased Central Government pressure for changes to LGPS</li> <li>• Admitted bodies review provision of LGPS to employees</li> <li>• Admitted bodies to WYPF seek reduced rates with other LGPS providers</li> <li>• Political impact</li> <li>• Customer complaints about 'pension pay-offs'</li> </ul>
2	C II	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	<ul style="list-style-type: none"> <li>• Fund stop showing net inflows of cash</li> <li>• Investment strategy no longer consistent with maturity profile</li> <li>• FSS and ISS become out of date</li> <li>• Less time to make up any deficits so more unstable contribution rates</li> </ul>
3	D III	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	<ul style="list-style-type: none"> <li>• Loss of control over budget spend</li> <li>• Imposition of "Bradford" systems inappropriate to WYPF</li> <li>• Politicises JAG and Investment Panel</li> <li>• Service delivery reduced</li> <li>• Diversion from core activity</li> </ul>



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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
4	D III	Political	Central Government regionalisation agenda	Possible regionalisation of pension funds  Could be asked to compete against other LG Funds or the private sector	Becomes Government policy	<ul style="list-style-type: none"> <li>Admin costs rise to unacceptable levels</li> <li>Culture change</li> <li>Cost pressure</li> <li>Fail to become provider for Yorkshire region</li> <li>Staff relocation</li> <li>Staff redundancies</li> <li>Bad publicity for Bradford</li> <li>Become provider for Yorkshire</li> <li>Increased resource requirement</li> <li>Good publicity</li> </ul>
5	D II	Technological	Improved Pensions and Investments systems are not developed and adopted	Increased WYPF and Civica resources required to develop and adopt system.	Major parts of the system do not work efficiently or accurately.	<ul style="list-style-type: none"> <li>E-government cannot be supported</li> <li>Increased time and support needed for number crunching</li> <li>Less added value support</li> </ul>
6	C II	Technological	Lack of information sharing with employers	Most information from employers is still paper based no direct feeds from their payroll and HR to the UPM system. Requires Pensions to work closely with employers and the Bfd-I partnership to ensure contribution returns are both correct and received on time to enable details to be provided to the Actuary for the Valuation and for Annual Benefit Statements.	Don't progress direct input or do but on a piecemeal basis  Deadlines not met	<ul style="list-style-type: none"> <li>People can't access vital information in a timely manner</li> <li>Sustainability issues</li> <li>Transcription errors</li> <li>Delays</li> <li>Invalid employer contribution rates set</li> <li>Invalid ABS's sent to members</li> <li>ABS's not sent to members</li> <li>Non compliance</li> <li>Bad publicity</li> <li>Key objective not met</li> </ul>
7	E III	Technological	Current software providers pull out of the market or are taken over	Current providers –Civica	Civica not that well established in LG pensions sector but are starting to win LG business.	<ul style="list-style-type: none"> <li>other systems available but enforced change time consuming</li> <li>pressure on staff</li> </ul>
8	B III	Legislative / Regulatory	Failure to administer the scheme in line with regulations and policies	Lots of legislative/regulatory change resulting in additional work. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/regulatory changes adequately	<ul style="list-style-type: none"> <li>Benchmarking costs rise</li> <li>Increased pressure on staff</li> <li>Don't adopt legislation</li> <li>Service criticised</li> <li>Duties and responsibilities not fully adopted</li> <li>Ombudsman cases</li> <li>Incorrect payment of benefits</li> <li>Growing complexity of administration</li> <li>Risk of non compliance</li> <li>Key objective not met</li> <li>general pensions knowledge declines</li> <li>pressure on staff</li> </ul>

# Appendix J:Risk Management Report

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						<ul style="list-style-type: none"> <li>• staff don't have up to date, consistent knowledge and understanding</li> <li>• recalculations of pensions to do</li> </ul>
9	C II	People	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	<ul style="list-style-type: none"> <li>• Staff frustrated</li> <li>• Reduced level of service to other employers</li> </ul>
10	C III	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	<ul style="list-style-type: none"> <li>• Act 'ultra vires'</li> <li>• Promises made that can't be met</li> </ul>
11	E IV	Competitive	National and local KPI's are not being met		Poor performance leading to complaints and reduction in service to stakeholders	<ul style="list-style-type: none"> <li>• Can't manage performance effectively</li> <li>• Fail to meet explicit objective</li> </ul>
12	E II	Finance	External Fraud	Pensions paid where here is no entitlement	Returned payments/payslips, non return of life certificates, flagged by NFI	<ul style="list-style-type: none"> <li>• overpaid pensions</li> <li>• court cases</li> <li>• time commitment</li> <li>• key objective not met</li> </ul>
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	<ul style="list-style-type: none"> <li>• Inefficiencies in operations</li> <li>• Lack of automation</li> <li>• Poor benchmarking returns</li> </ul>	<ul style="list-style-type: none"> <li>• Review in-house provision</li> <li>• Budget cuts</li> <li>• Service cuts</li> <li>• Partnership arrangements</li> <li>• Bad publicity</li> </ul>
14	D II	Customer	Customer Satisfaction below acceptable levels	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	<ul style="list-style-type: none"> <li>• Fines</li> <li>• Bad publicity</li> <li>• Shrinking user base</li> </ul>

# Appendix J:Risk Management Report

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	<ul style="list-style-type: none"> <li>• Pensioners not getting paid on time</li> <li>• Cause financial hardship</li> <li>• Damage to WYPF reputation</li> <li>• Increase in number of complaints. Callers/Visitors</li> </ul>
16	D III	Economic	Lack of Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	<ul style="list-style-type: none"> <li>• Increase in employer contribution rate across the Fund</li> <li>• Increase in liabilities across the Fund</li> </ul> Possible bad publicity
17	E II	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	<ul style="list-style-type: none"> <li>• Funds might go bust resulting in losses for the Fund</li> </ul>
18	D II	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads	WYPF not being able to meet contractual obligations	<ul style="list-style-type: none"> <li>• Will not be able to provide a pensions administration service</li> <li>• Will not be able to pay pensions or process work</li> <li>• Staff leave</li> <li>• Damage to WYPF Reputation</li> <li>• Bad publicity</li> <li>• Loss of income</li> <li>•</li> </ul>
47	E II	Customer	Failure to communicate adequately with scheme members	<ul style="list-style-type: none"> <li>• Website regularly updated.</li> <li>• Newsletters are published at least annually,</li> <li>• Annual Benefit Statements and Deferred benefit Statements issued annually</li> </ul>	Complaints or cases going to IDRP	<ul style="list-style-type: none"> <li>• Fines from TPR</li> <li>• Bad publicity</li> <li>• Members not able to make timely decisions</li> <li>• Reduction in value of pension benefits</li> </ul>
48	D II	Legislation	Failure to include all required information issued to members under disclosure regulations	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.		<ul style="list-style-type: none"> <li>• Fines from TPR</li> <li>• Bad publicity</li> <li>• Members not able to make timely decisions</li> </ul>

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## INVESTMENT RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments.	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Review of roles or constitution	<ul style="list-style-type: none"> <li>• Detrimental decisions made in relation to investments.</li> </ul>
20	D II	Governance	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.		Annual Review of delegations	<ul style="list-style-type: none"> <li>• Detrimental decisions made in relation to investments.</li> </ul>
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		<ul style="list-style-type: none"> <li>• Members fail to act in the best interests of the fund.</li> </ul>
22	D II	Governance	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions	<p>A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.</p> <p>The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.</p> <p>The IAP is very experienced and knowledgeable and monitors the performance of the Fund</p>		<ul style="list-style-type: none"> <li>• Members fail to act in the best interests of the fund.</li> </ul>
23	D II	Governance	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.	Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.	<ul style="list-style-type: none"> <li>• Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.</li> </ul>

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24	D II	Governance	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.	Detrimental decisions made in relation to investments.	Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	<ul style="list-style-type: none"> <li>• Advice of poor quality or not tailored to WYPF.</li> <li>• Detrimental decisions made in relation to investments.</li> </ul>
25	D II	Legislative /Regulatory	Failure to adhere to relevant statutory regulations and guidance.	An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates	Changes in regulations	<ul style="list-style-type: none"> <li>• Fund not invested in accordance with requirements.</li> <li>• Reputational damage to fund within sector and investment markets.</li> </ul>
26	D II	Investment Strategy	Strategic benchmark not set to meet the return required by the actuarial valuation.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> <li>• Funding shortfall has to be made good by employer contribution increases.</li> </ul>
27	D II	Investment Strategy	Lack of asset class diversification in the strategic benchmark.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	<ul style="list-style-type: none"> <li>• Increased risk of a funding shortfall due to excessive portfolio volatility.</li> </ul>
28	C II	Investment Strategy	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.	Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Valuation	<ul style="list-style-type: none"> <li>• Funding shortfall has to be made good by employer contribution increases.</li> <li>•</li> </ul>
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value.	Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Negative cashflow	<ul style="list-style-type: none"> <li>• Fund has to sell investment at an inopportune time, risking a loss of value.</li> </ul>
30	D II	Responsible Investment	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels.	The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	<ul style="list-style-type: none"> <li>• Expected returns not achieved</li> <li>• Asset values decrease</li> </ul>
31	D II	Responsible Investment	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	<ul style="list-style-type: none"> <li>• Actions not agreed where engagement has failed.</li> </ul>

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32	D II	Responsible Investment	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Loss of value of assets or volatility in the value	<ul style="list-style-type: none"> <li>The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.</li> </ul>
33	C II	Responsible Investment	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> <li>Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.</li> </ul>
34	D II	Responsible Investment	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	To safeguard Fund assets and achieve target returns.	<ul style="list-style-type: none"> <li>The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.</li> </ul>
35	E II	Governance	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.	Complete and authorised agreements are in place with external custodian as part of NLGPs. External custodian is in compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations, and report presented to IAP annually. Regular reconciliations carried out to check external custodian records to nominal ledger.	Regular reconciliations carried out to check external custodian records to nominal ledger.	<ul style="list-style-type: none"> <li>Fund assets not safeguarded</li> </ul>
36	E II	Governance	Stock lending counterparty failure. Fund assets at risk.	Credit rating of counterparties verified before adding to approved list. Guarantee from external custodian for all stock on loan.	Verify credit ratings of approved counterparties. Ensure custodian agreement fully documented.	<ul style="list-style-type: none"> <li>Losses on stock lending</li> </ul>
37	E II	Governance	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.	A robust framework of controls, including separation of investment managers from settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	Settlement and reconciliation processes maintained and verified.	<ul style="list-style-type: none"> <li>Fund assets at risk, fraud.</li> </ul>
38	F II	Governance	Pension Fund investments may not be accurately valued. Strategic asset allocation not delivered as a result, poor investment decisions on future investment, fund assets at risk.	Investments are valued using current prices obtained from independent pricing sources wherever possible. Unlisted valuations provided by managers monitored to ensure any sales are above manager valuation. Quarterly valuations reconciled to custodian valuation. Internal and external audit verification work completed for year-end valuation. Portfolio valuations are completed and reported to the IAP	Internal valuation reconciled to custodian data. Unlisted valuations from external managers reviewed for reasonableness and consistency over time or on sale.	<ul style="list-style-type: none"> <li>poor investment decisions on future investment,</li> <li>fund assets at risk</li> </ul>

# Appendix J: Risk Management Report

## JOINT ADMINISTRATION AND INVESTMENT RISKS.

39	C II	Technological	Disaster recovery	<p>Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and communication links</p> <p>ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe.</p> <p>System failure – protected by service and maintenance contracts</p> <p>WYPF is dependent on CBMDC for virus protection and firewalls etc.</p>	<p>Minor incident occurs</p> <p>Major incident occurs</p>	<ul style="list-style-type: none"> <li>• Can't back up the data</li> <li>• Loss of service</li> <li>• Permanent data loss</li> <li>• Loss of income</li> <li>• Inability to pay pensioners</li> </ul>
40	E II	Technological	Internal Fraud	<p>Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.</p>	fraud	<ul style="list-style-type: none"> <li>• Loss of data</li> <li>• Corrupt data</li> <li>• Incorrect payments</li> <li>• Breach of DP Act</li> </ul>
41	C I	People	Recruitment and retention of experienced staff	<p>Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age</p> <p>Difficulties in attracting staff to Bradford</p>	Recruitment and retention of staff does not improve	<ul style="list-style-type: none"> <li>• Pressures on existing staff</li> <li>• Activities are ineffectively carried out</li> <li>• Difficulties in succession planning</li> <li>• Pressure to offer more lucrative packages</li> <li>• Reliance on agency/temporary staff</li> <li>• Escalating staff costs</li> <li>• Gaps appear in structures</li> <li>• Adverse impact on service delivery</li> <li>• Loss of experienced staff</li> <li>• Stagnation</li> <li>• Carrying vacancies</li> </ul>
42	E II	Technological	Loss of sensitive personal data	<p>Data on laptops/USB devices and data sent by email is encrypted</p>	Loss of data	<ul style="list-style-type: none"> <li>• Data falls in the wrong hands and used for criminal purposes</li> <li>• Bad publicity</li> <li>• Loss of trust and confidence in WYPF</li> </ul>
43	D II	People	Key staff on long term absence	<p>The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence</p>	Absence Management	<ul style="list-style-type: none"> <li>• Impact on service provision (Staff, Employers, Scheme Members etc)</li> <li>• Crucial tasks are not performed</li> </ul>
44	D III	People	Access to sensitive/personal data by staff	<p>All new staff undergo a DBS check, Access to certain records is restricted</p>	Where DBS checks reveal a relevant conviction	<ul style="list-style-type: none"> <li>• Information could be passed on</li> <li>• Records updated inappropriately</li> <li>• Contravene DP Act</li> </ul>
45	D II	Technological	Cyber Crime	<p>A cyber attack will put data at risk and data may fall in the wrong hands.</p>	A successful cyber attack	<ul style="list-style-type: none"> <li>• Vulnerable to extortion</li> <li>• Damage to WYPF reputation</li> <li>• Impact on service delivery</li> <li>• Bad publicity</li> <li>• Fines by tPR</li> </ul>
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	<p>Documents and processes are not updated with requirements.</p>	A breach of GDPR	<ul style="list-style-type: none"> <li>• Massive fines by the ICO</li> <li>• Damage to WYPF reputation</li> <li>• Bad publicity</li> <li>• Loss of contracts</li> </ul>

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

## 1. Legislative requirements

- 1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:
  - 1.1.1 the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
  - 1.1.2 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.
- 1.2 Board members should also have knowledge and understanding of:
  - 1.2.1 the law relating to pensions, and
  - 1.2.2 such other matters as may be prescribed.
- 1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.
- 1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.
- 1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.
- 1.6 The Scheme Manager is required to maintain and develop the framework.

## 2. Degree of knowledge and understanding

- 2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.
- 2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.
- 2.3 The rules of the LGPS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.
- 2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to service for further full terms in accordance with the terms of reference.



## 3. Induction training

- 3.1 As part of the induction training, board members are required to undertake the Pensions Regulator’s online toolkit training. This training will enable board members to learn about meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.
- 3.2 The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector Toolkit compulsory learning modules.
- 3.3 The nine Essential Learning for Trustees compulsory modules test pension board members’ knowledge in the following areas.
  - 3.3.1 Introducing pension schemes
  - 3.3.2 The trustee’s role
  - 3.3.3 Running a scheme
  - 3.3.4 An introduction to investment
  - 3.3.5 How a defined benefit scheme works
  - 3.3.6 Funding your defined benefit scheme
  - 3.3.7 Defined benefit recovery plans. Contributions and funding principles
  - 3.3.8 Investment in a defined benefitscheme
- 3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.
  - 3.4.1 Conflicts of Interest
  - 3.4.2 Managing risk and internal controls
  - 3.4.3 Maintaining accurate member data
  - 3.4.4 Maintaining member contributions
  - 3.4.5 Providing information to members and others
  - 3.4.6 Resolving internal disputes
  - 3.4.7 Reporting breaches of the law
- 3.5 The Pensions Regulator website is [www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)
- 3.6 A document which will help identify training needs and be used to record and reflect on the training once completed can be found at [www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc](http://www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc)

## 4. Training

- 4.1 Board members are expected to attend regular training events.
- 4.2 In addition to the Pensions Regulator Toolkit, pension board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.
- 4.3 Training will be delivered through a variety of methods including:
  - 4.3.1 in-house training days provided by officers and/or external providers
  - 4.3.2 training as part of meetings provided by officers and/or external advisers
  - 4.3.3 external training events
  - 4.3.4 circulation of reading material

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

- 4.3.5 attendance at seminars and conferences offered by industry-wide bodies, and
- 4.3.6 links to online training.

## 5. CIPFA Knowledge and Skills Framework

- 5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework
- 5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions:
  - 5.2.1 pensions legislative and governance context
  - 5.2.2 pensions accounting and auditing standards
  - 5.2.3 financial services procurement and relationship management
  - 5.2.4 investment performance and risk management
  - 5.2.5 financial markets and products knowledge, and
  - 5.2.6 actuarial methods, standards and practices.
- 5.3 Training Needs Analysis can be used to help assist board members and scheme managers to identify areas of the CIPFA Knowledge and Understanding Framework where training is required.

## Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the fund's policies and procedures, including AVC guides).	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>
<b>Relevant policies</b>	
Conflicts of Interest Policy	<a href="https://www.wypf.org.uk/pension-boards/wypf-index/conflict-of-interest/">https://www.wypf.org.uk/pension-boards/wypf-index/conflict-of-interest/</a>
Internal Dispute Resolution Procedure	<a href="https://www.wypf.org.uk/media/2956/idrp-booklet-nov-2020-1.pdf">https://www.wypf.org.uk/media/2956/idrp-booklet-nov-2020-1.pdf</a>
Reporting of Breaches Procedure	<a href="https://www.wypf.org.uk/pension-boards/wypf-index/reporting-breaches/">https://www.wypf.org.uk/pension-boards/wypf-index/reporting-breaches/</a>
<b>WYPF policy statements</b>	
Statement of Investment Principles	
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	<a href="https://www.wypf.org.uk/publications/policy-home/wypf-index/">https://www.wypf.org.uk/publications/policy-home/wypf-index/</a>
<b>Governance Compliance Statement</b>	
WYPF Discretionary Policy Statement	Supplied on request
<b>Others</b>	
actuarial valuation Report and Rates and Adjustment Certificate	<a href="https://www.wypf.org.uk/publications/valuations/wypf-valuation/">https://www.wypf.org.uk/publications/valuations/wypf-valuation/</a>
WYPF Risk Register	Supplied on request
Annual Report and Accounts	<a href="https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/">https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/</a>

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

Investment management and activity

<https://www.wypf.org.uk/investments/wypf-investments/>

## Appendix B

Pension Knowledge and Understanding training analysis

	Training required Yes/No	Date training received
<b>Background and understanding of the legislative framework of the LGPS</b>		
Differences between public service pension schemes like the LGPS and private sector trust-based schemes		
Role of the IPSPC and its recommendations		
Key provisions of the 2013 Act		
The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers		
An overview of local authority law and how administering authorities are constituted and operate		
LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)		
<b>General pensions legislation applicable to the LGPS</b>		
Differences between public service pension schemes like the LGPS and private sector trust-based schemes		
Role of the IPSPC and its recommendations		
Key provisions of the 2013 Act		
The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers		
An overview of local authority law and how administering authorities are constituted and operate		
LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)		
<b>Role and responsibilities of the local pension board</b>		
Role of the local pension board		
Conduct and conflicts		
Reporting of breaches		
Knowledge and understanding		
Data protection		
<b>Role and responsibilities of the administering authority</b>		
Membership and eligibility		
Benefits and the payment of benefits		
Decisions and discretions		
Disclosure of information		
Record keeping		
Internal controls		
Internal dispute resolution		
Reporting of breaches		
Statements, reports and accounts		
<b>Funding and Investment</b>		
Requirement for triennial and other valuations		
Rates and adjustments certificate		
Funding strategy statement		
Bulk transfers		
Permitted investments		
Restrictions on investments		
Statement of investment principles		
CIPFA guidance		

# Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

Appointment of investment managers
Role of the custodian
<b>Role and responsibilities of scheme employers</b>
Explanation of different types of employers
Additional requirements for admission bodies
Automatic enrolment
Deduction and payment of contributions
Special contributions
Employer decisions and discretions
Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)
TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)
<b>Tax and contracting out</b>
Finance Act 2004
Role of HMRC
Registration
Role of 'scheme administrator'
Tax relief on contributions
Taxation
<b>Role of advisers and key persons</b>
Officers of the administering authority
Fund actuary
Auditor
Lawyers
Investment managers
Custodians
Administrators – in house versus third party
Procurement of services
Contracts with third parties
<b>Key bodies connected to the LGPS</b>
An understanding of the roles and powers of:
Courts
Financial Services Authority
HMRC
Information Commissioner
Pensions Advisory Service
Pensions Ombudsman
The Pensions Regulator

# Appendix L: WYPF Pension Board – Terms of Reference

## 1. Introduction

- 1.1 City of Bradford Metropolitan District Council (referred to as ‘the council’), as scheme manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The council has established two bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the council is required to establish a pension board. The WYPF Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.
- 1.3 This document sets out the terms of reference for the WYPF Pension Board.

## 2. Objectives

- 2.1 The role of the pension board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including:
  - 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS
  - 2.1.2 SECURING compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and
  - 2.1.3 any other such matters as the LGPS regulations may specify.

## 3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

## 4. Membership and appointment for pension board members

- 4.1 Membership of the pension board shall be eight in number. The pension board will consist of equal numbers of member and employer representatives.
- 4.2 Pension board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

## 5. Employer representatives

- 5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.
  - 5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.
  - 5.1.2 One representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

## 6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

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- 6.2 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four representatives to sit on the pension board as member representatives.

### 7. The chair

- 7.1 The Council as scheme manager will appoint one councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the chair on the pension board
- 7.2 The chair of the board shall:
- 7.2.1 ensure that the board delivers its purpose as set out in these terms of reference
- 7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- 7.2.3 seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

### 8. Attendance at meetings

- 8.1 Each pension board member should endeavour to attend all pension board meetings during the year. In the event of consistent non-attendance by any pension board member then the tenure of the membership should be reviewed at the next pension board meeting.

### 9. Term of office/appointment

- 9.1 Subject to paragraph 5.2, pension board representatives will normally serve for a period of four years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).
- 9.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.
- 9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.
- 9.4 Pension board members may be reappointed without limitation on terms subject to the pension board being satisfied as to the transparency and proper application of the appointment process in use.

### 10. Termination

- 10.1 Other than by ceasing to be eligible a pension board member may normally only be removed from office during a term of appointment by the agreement of the board.
- 10.2 Board membership may be terminated prior to the end of the term of office due to:
- 10.2.1 a member representative no longer being a representative of the body on which their appointment relied
- 10.2.2 an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
- 10.2.3 a board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.
- 10.2.4 the representative being withdrawn by the nominating body and a replacement identified.
- 10.2.5 a board member has a conflict of interest which cannot be managed in accordance with the board's conflict policy.
- 10.2.6 a board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.
- 10.2.7 a board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the administering authority under the LGPS regulations.

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## 11. Number of meetings

- 11.1 The pension board will normally meet twice a year. The chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.
- 11.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

## 12. Creation of working groups/sub boards

- 12.1 The pension board may establish sub-committees and working groups as and when required. The pension board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The pension board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should reportback.

## 13. Code of conduct and conflicts of interest policy

- 13.1 The principles included in the council’s code of conduct for members applies to all members of the pension board. The code of conduct is set out in part 4 of the council’s constitution: <https://www.bradford.gov.uk/your-council/about-bradford-council/councils-constitution/>
- 13.2 No person may be appointed to the pension board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person’s exercise of functions as a member of the pension board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.
- 13.3 All voting members of the pensions board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.
- 13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

## 14. Voting rights

- 14.1 All representatives on the pension board have equal voting rights. Decisions made by the pensions board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

## 15. Other attendees

- 15.1 The pensions board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

## 16. Secretariat services to the board

- 16.1 Pension board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC ‘Constitution of the council and Executive Arrangements’. All reasonable costs will be met by the fund.

## 17. Agenda

- 17.1 Prior to each meeting the Director – West Yorkshire Pension Fund will arrange to supply all members of the board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the chair.

## 18. Quorum

- 18.1 The quorum of the pension board shall be three (chair plus one employer representative and one member representative).

## 19. Publication

- 19.1 In accordance with the act, the council shall publish information about the board to include:

## Appendix L: WYPF Pension Board – Terms of Reference

- 19.1.1 the names of Board members and their contact details
- 19.1.2 the representation of employers and member on the board
- 19.1.3 the role of the board
- 19.1.4 these terms of reference

### 20. Allowances/expenses

- 20.1 No member or representative of the pension board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the board and attending training events, shall be reimbursed to all members and the cost will be met by the fund.

### 21. Knowledge and understanding and capacity of representative members

- 21.1 Every individual who is a member of the pension board must be conversant with:
  - 21.1.1 the rules of the LGPS, in other words the regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations)
  - 21.1.2 the requirements of The Pensions Regulator
  - 21.1.3 any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund, and have knowledge and understanding of:
    - the law relating to pensions, and
    - such other matters as may be prescribed.
- 21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.
- 21.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.
- 21.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

### 22. Accountability

- 22.1 The board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the board may attend a committee meeting as an observer.
- 22.2 The board should report any concerns over a decision made by the committee subject to the agreement of at least 50% of voting board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.
- 22.3 On receipt of a report the committee shall within a reasonable period, consider and respond to the board.
- 22.4 Where the board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the fund's annual report.
- 22.5 Where the board is satisfied that there has been a breach of regulation which has been reported to the committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.
- 22.6 The appropriate internal route for escalation is to the administering authority monitoring officer.

### 23. Budget

- 23.1 The pension board is to be provided with adequate resources to fulfil its role. The council will allocate an annual budget to cover the expenses of the board.



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### 24. Core functions

- 24.1 The first core function of the board is to assist the council in securing compliance with the regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the scheme.
- 24.2 The second core function of the board is to assist the council to ensure the effective and efficient governance and administration of the scheme.
- 24.3 In support of its core functions the board may make a request for information to the Committee with regard to any aspect of the council's function. Any such request should be reasonably complied with in both scope and timing.
- 24.4 In support of its core functions the board may make recommendations to the Committee which should be considered and a response made to the board on the outcome within a reasonable period of time.

### 25. Data protection

- 25.1 The pension board is considered a committee of and part of the council's legal entity. The council is and remains the data controller responsible for DPA compliance, including for processing carried out by the pension board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.
- 25.2 The pension board will therefore adhere to the data protection policies of the council.

### 26. Review of terms of reference

- 26.1 These terms of reference shall be reviewed on each material change to those parts of the regulations covering local pension boards and at least every two years.
- 26.2 These terms of reference were adopted on 20 March 2015 on behalf of the council (Governance and Audit Committee).

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## Report of the Managing Director WYPF to the meeting of Joint Advisory Group to be held on 26 January 2023

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### Subject: 2022 Actuarial Valuation

#### Summary statement:

The triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) is being prepared based on the position at 31 March 2022, and will determine the level of employers' contributions for the period 1 April 2023 to 31 March 2026.

If the draft Funding Strategy Statement is approved, the indications are that WYPF will be 108.5% funded, compared to the situation at 31 March 2019 when it was 106% funded.

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

#### EQUALITY & DIVERSITY:

None

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Euan Miller  
Managing Director WYPF

#### Portfolio:

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#### Overview & Scrutiny Area:

## 1. SUMMARY

- 1.1 The triennial actuarial valuation of the West Yorkshire Pension Fund (WYPF) is being prepared based on the position at 31 March 2022, and will determine the level of employers' contributions for the period 1 April 2023 to 31 March 2026.

If the draft Funding Strategy Statement is approved (see item 6 on today's agenda), the indications are that WYPF will be 108.5% funded, compared to the situation at 31 March 2019 when it was 106% funded.

## 2. Background

- 2.1 In accordance with the Local Government Pension Scheme Regulations the Fund is subject to an actuarial valuation by its consulting actuary as at 31 March 2022.
- 2.2 Employer contributions and funding levels are determined as part of the actuarial valuation. The primary rate of employer's contributions to the fund should be set so as to secure its solvency. The actuary must have regard to the desirability of maintaining as nearly as constant a primary rate of employers' contributions as possible in addition to the requirement to secure the solvency of the pension fund and the long term cost efficiency of the scheme, so far as relating to the pension fund. The actuary must also have regard to the Funding Strategy Statement.

## 3 Position at previous valuation (2019)

- 3.1 WYPF was 106% funded as at 31 March 2019, as determined by the consulting actuary, Aon, based on the assumptions agreed by the Fund.
- 3.2 The common contribution rate at 31 March 2019 was set at 18.6% of payroll. This is the contribution rate required together with employee contributions, to cover the cost of service being accrued by active members. In addition to this amount some employers also had accrued a deficit. In order to recover the deficit, additional monetary amounts were certified using a 22-year recovery period.
- 3.3 The contribution rates set for the five District Councils at the last valuation were: -

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

## 4 2022 Valuation

- 4.1 A Joint Advisory sub- group made up of Chair and Deputy Chair(s) of Joint Advisory Group and Investment Advisory Panel (as noted in the report to JAG in July 2022 – Valuation 2022) met with the Funds Actuary on the 7 October to agree the provisional assumptions, approaches and principles the actuary would use to calculate the provisional results.
- 4.1 The provisional results of the actuarial valuation as at 31 March 2022 indicate that the Fund is 108.5% funded, compared with 106% as at 31 March 2019.
- 4.2 The market value approach has been adopted, and the provisional figures provided by the consulting actuary, Aon, are as follows: -

	2019 valuation £m	2022 valuation £m
Value of past service benefits		
Active Members	5,180.7	6,299.3
Deferred Members	2,050.7	2,251.8
Pensioners	6,264.8	8,020.7
<b>Value of Liabilities</b>	<b>13,496.2</b>	<b>16,571.8</b>
<b>Assets</b>	<b>14,363.0</b>	<b>17,979.5</b>
<b>Past Service Surplus/ (Deficit)</b>	<b>866.8</b>	<b>1,407.7</b>
<b>Funding Ratio</b>	<b>106%</b>	<b>108.5%</b>

## 5 Reasons for changes in the past service position

- 5.1 The initial valuation results using the 2022 basis show that the surplus of £866.8M in the Fund at the previous valuation has increased to £1,407.7M at this valuation.
- 5.2 The principal reasons that have improved the funding position since 2019 are:
- Investment returns above the discount rate adopted at the 2019 valuation
  - Changes to the demographic assumptions
  - Lower than assumed pension increases and CARE revaluation

These have been partially offset by:

- The change in financial assumptions at the 2022 valuation
- Contributions being paid at a lower rate than the primary rate (due to the fund being in surplus at the 2019 valuation)

## 6 Summary of Key Assumptions

	2019 valuation	2022 valuation
Probability of Funding Success	75%	76%
Discount Rate – scheduled bodies	4.35%	4.5%
Discount Rate – orphan bodies		
In service	3.3%	3.95%
Left service	1.6%	1.6%
Discount rate - intermediate	4.1%, 3.95%, 3.8%	4.25%,4.05%, 3.95%
CPI pension increase	2.1%	2.3%
Pay growth	3.35%	3.55%

## 7. Primary contribution rate (future service cost)

- 7.1 The cost of future benefits has decreased mainly due to the removal of the allowance for McCloud from the Primary contributions rate. The McCloud cost is now included wholly within the past service liabilities because the remedy period ended on 31 March 2022.

## 8. Employer contributions

- 8.1 At the 2022 valuation the Fund’s proposed funding strategy is, broadly, to achieve a position of 100% funding over 22 years. In practice the deficit recovery contributions are set based on each employer’s or group of employers’ underlying position using a recovery period appropriate to the employer.
- 8.2 To help maintain stability of contribution rates the recovery of any surplus is limited to the surplus above 105%.
- 8.2 As the Fund/main employers are now in surplus it is considered prudent to maintain a recovery period of 22 years rather than amortising the surplus over a shorter period.

## 9. Employers’ Contribution Rates

The proposed employer contribution rates for the five district councils for 2023/24 to 2025/26 are:

	Primary contributions %		
	2023/24	2024/25	2025/26
Bradford	16.8%	16.5%	16.2%
Leeds	15.8%	15.8%	15.7%
Calderdale	17.0%	16.8%	16.7%
Kirklees	15.8%	15.8%	15.7%
Wakefield	17.1%	16.7%	16.3%

10. A training session was held for members of Joint Advisory Group, Investment Advisory Panel, Pension Board and officers on 10 January 2023 on the 2022 Valuation. Copies of the slides, recording and copies of the transcripts have been circulated to everyone who was invited to the training session.

**10. FINANCIAL & RESOURCE APPRAISAL**

As above.

**11. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

**12. LEGAL APPRAISAL**

In accordance with the local Government Pension Scheme Regulation 62(1) the Fund is subject to an actuarial valuation by its consulting actuary as at 31 March 2022.

The valuation is a statutory requirement that is held for all of the Funds in the Local Government Pension Scheme

**13. OTHER IMPLICATIONS**

**13.1 SUSTAINABILITY IMPLICATIONS**

None

**13.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None.

**13.3 COMMUNITY SAFETY IMPLICATIONS**

None.

**13.4 HUMAN RIGHTS ACT**

None.

**13.5 TRADE UNION**

None

**13.6 WARD IMPLICATIONS**

None.

**13.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

### **13.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE**

None.

### **13.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

### **14 NOT FOR PUBLICATION DOCUMENTS**

None

### **15 RECOMMENDATIONS**

- That this report be noted.





## **Report of the Managing Director – West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023**

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**Subject: Consultation on updates to West Yorkshire Pension Fund Funding Strategy Statement (FSS)**

### **Summary statement:**

The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

### **EQUALITY & DIVERSITY:**

None

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Euan Miller  
Managing Director - WYPF

**Portfolio:**

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**Overview & Scrutiny Area:**

## 1. SUMMARY

- 1.1 The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

## 2. BACKGROUND

- 2.1 The updates to the Funding Strategy Statement that were consulted on are:

- Due to the short term inflationary pressure at the 2022 valuation an adjustment of 10% be added to the liabilities for all funding targets. (This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions. (See point 5.12 of the FSS))
- Details of the discount rates, probability of funding success and trajectory periods for the 2022 valuation. (see point 5.15 of the FSS)
- For the majority of employers an adjustment to any surplus used to reduce the contributions to below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging outlook. It is intended to reduce the risk of an employer's contributions reducing from 1 April 2023 only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation. (see point 5.21 of the FSS)
- The introduction of two groups or pools of employers for funding purposes:
  - Town and Parish Councils and,
  - Academies Groups

References to how this would work are made throughout the document.

- 2.2 A copy of the draft Funding Strategy Statement with the changes tracked to aid reference is shown at Appendix A.

- 2.3 In order to support the Academies in understanding the introduction of pooling for funding purposes, all academies were invited to an information session with the Fund and Fund Actuary on 18 October. A recording of the session was also circulated to all Academies after the event.

- 2.4 The FSS consultation exercise commenced on 18 November and ran until 31 December 2022. A copy of all the responses received from the consultation exercise is provided in Not for Publication Appendix B.

- 2.5 In accordance with the Local Government Pension Scheme Regulations (LGPS 2013):

- 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. OTHER CONSIDERATIONS**

None

**4. FINANCIAL & RESOURCE APPRAISAL**

None

**5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

**6. LEGAL APPRAISAL**

None

**7. OTHER IMPLICATIONS**

None

**7.1 SUSTAINABILITY IMPLICATIONS**

None

**7.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

**7.3 COMMUNITY SAFETY IMPLICATIONS**

None

**7.4 HUMAN RIGHTS ACT**

None

**7.5 TRADE UNION**

None

**7.6 WARD IMPLICATIONS**

None

**7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

**7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE**

None

**7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

**8. NOT FOR PUBLICATION DOCUMENTS**

Not for Publication Appendix B – Comments received from the consultation exercise on the principles and approaches included set out in the Funding Strategy Statement. **This report is a ‘NOT FOR PUBLICATION’ item as it falls within information relating to the financial and business affairs of the West Yorkshire Pension Fund as defined by Schedule 12A of the Local Government Act 1972 as amended**

**9 RECOMMENDATIONS**

The Joint Advisory Group approve the changes to the Funding Strategy Statement.

**10. APPENDICES**

Appendix A – Draft Funding Strategy Statement circulated to all Stakeholders with tracked changes for ease of reference.

Not for Publication Appendix B – Comments received from the consultation exercise on the principles and approaches included set out in the Funding Strategy Statement. **This report is a ‘NOT FOR PUBLICATION’ item as it falls within information relating to the financial and business affairs of the West Yorkshire Pension Fund as defined by Schedule 12A of the Local Government Act 1972 as amended**

# WYPF Funding Strategy Statement

January 2023~~2~~

## 1. Introduction

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

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

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

- the statutory guidance issued by CIPFA for this purpose;
- the supplementary statutory guidance issued by MHCLG (now DLUHC):  
Guidance on Preparing and Maintaining Policies on Review of Employer Contributions, Employer Exit Payments and Deferred Debt Agreements and
- the Investment Strategy Statement (ISS) published under Regulation 7 of the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016 (as amended) (“The Investment Regulations”).

The Administering Authority has also considered the Scheme Advisory Board's Guide to Employer Flexibilities for Administering Authorities and Employers in developing the FSS and associated policies at Appendix 1 and Appendix 2.

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

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

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

1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. The primary rate of employers' contributions to the Fund should be set so as to “secure its solvency”. The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

## **2. Purpose of Funding Strategy Statement (FSS)**

2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.

2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:

- 2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- 2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;

- 2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met;
- 2.2.4 takes a prudent longer-term view of funding the liabilities
- 2.2.5 makes use of the provisions of Regulation 64(7A), 64A, and 64B

2.3 It should be stressed at the outset that, supplementary to the regulatory requirement to consider the desirability of maintaining a constant primary employer contribution rate as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contributions and, therefore, the degree of risk inherent within the funding targets and associated periods for recovery of deficits or return of surpluses.

2.4 The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the Administering Authority to implement and maintain.

### **3. Aims and Purpose of the Pension Fund**

3.1 The aims of the Fund are to:

- 3.1.1 enable primary employer contribution rates to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies,
- 3.1.2 enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies whilst achieving and maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike;

- 3.1.3 manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable; and
- 3.1.4 maximise the returns from investments within reasonable risk parameters.

3.2 The purpose of the Fund is to:

- 3.2.1 receive monies in respect of contributions from employers and employees, transfer values and investment income; and
- 3.2.2 pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment regulations.

## 4. Responsibilities of Key Parties

4.1 The sound management of the Fund relies on all interested parties exercising their duties and responsibilities conscientiously and diligently. The key parties in this statement are the Administering Authority, Scheme employers and the actuary.

4.2 **The Administering Authority should: -**

- 4.2.1 operate a pension fund;
- 4.2.2 collect employee and employer contributions, investment income and other amounts due to the pension fund;
- 4.2.3 invest all monies held in accordance with the ISS;
- 4.2.4 maintain adequate records for each Scheme member;
- 4.2.5 exercise discretions within the regulatory framework, taking into account the cost of decisions;
- 4.2.6 take measures as set out in the regulations to safeguard the fund against the consequences of employer default;



- 4.2.7 ensure sufficient cash is available to meet liabilities as they fall due;
- 4.2.8 pay from the pension fund the relevant entitlements as stipulated in the Regulations;
- 4.2.9 provide membership records and financial information to the actuary promptly when required and information required by the Government Actuary's Department in relation to Section 13 of the Public Service Pensions Act 2013;
- 4.2.10 prepare and maintain a Funding Strategy Statement and Investment Strategy Statement in proper consultation with interested parties;
- 4.2.11 monitor all aspects of the Fund's performance and funding and amend the FSS/ISS accordingly;
- 4.2.12 manage the valuation process in consultation with the actuary;
- 4.2.13 effectively manage any potential conflicts of interest arising from its dual role as both fund administrator and Scheme employer;
- 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference;
- 4.2.15 ensure consistent use of policies relating to revising employer contributions between formal valuations, entering into deferred debt agreements and spreading exit payments; 4.2.16 ensure the process of applying those policies is clear and transparent to all fund employers

#### **4.3 Each individual employer should:**

- 4.3.1 deduct contributions from employees' pay correctly;
- 4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date (including contributions due under a Deferred Debt Agreement);
- 4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions;

- 4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain;
- 4.3.5 provide adequate membership records to the Administering Authority promptly as required;
- 4.3.6 notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding;
- 4.3.7 notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding;
- 4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years;
- 4.3.9 pay any exit payments required in the event of their ceasing participation in the Fund.

#### 4.4 The Fund Actuary should:

- 4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations;
- 4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc.;
- 4.4.3 provide advice and valuations on the exiting of employers from the Fund;
- 4.4.4 provide advice to the Administering Authority on bonds or other forms of security to mitigate against the financial effect on the fund of employer default;

- 4.4.5 assist the Administering Authority in assessing whether employer contributions need to be revised between valuations as permitted or required by the regulations, in particular in relation to any review of contributions between triennial valuations under Regulation 64A;
- 4.4.6 provide views in relation to any decision by the Administering Authority to put in place a Deferred Debt Agreement under Regulation 64(7B) or spread an exit payment under Regulation 64B; and
- 4.4.7 ensure that the Administering Authority is aware of any professional guidance or other professional requirements which may be of relevance to his or her role in advising the Fund.

## 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency

### Risk Based Approach

5.1 The Fund adopts a risk based approach to funding strategy. In particular, the discount rates [which underpin the liabilities/employer funding targets from 1 February 2022](#) are set on the basis of the assessed likelihood of meeting the funding objectives. The Administering Authority has considered 3 key decisions in setting the discount rates:

- 5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
- 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
- 5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).

5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rates (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

## Solvency Target

5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that ~~100% of~~ the liabilities can be met over the long term using appropriate actuarial assumptions.

5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, i.e. if the in-order-to-continue-to-target-a funding level falls below ~~of~~ 100%.

5.5 For all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure, ~~from 1 February 2022~~ the Solvency Target is set:

- 5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period,
- 5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).

The long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed. The solvency discount rate is therefore 4% p.a.

5.6 For ~~Admission Bodies whose~~ liabilities ~~are expected to be~~ which are orphaned following the exit of a participating employer, a more prudent approach will be taken ~~(ongoing orphan employers)~~. The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.

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

## Probability of Funding Success

5.8 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

5.9 The Probability of Funding Success and Trajectory Period will be set considering the type of employer, whether or not new members will be admitted to the Fund and where appropriate a risk assessment to enable the Administering Authority to judge an employer’s financial security. Scheduled bodies with out a sufficient ~~no~~ guarantee from local or central government and Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, then form the “intermediate” employer category.

~~5.10 With effect from~~ At the 1 February 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance that the Fund would reaching or exceeding ~~theits~~ Solvency Target over the relevant Trajectory Period, for each group of employers, over the relevant Trajectory Periods, is as set out below:

<u>Funding Target</u>	<u>Probability of funding success</u>	<u>Trajectory Period</u>	<u>Discount rate as at 31 March 2022</u>
<del>Secure Scheduled and Subsumption Bodies and admission bodies with a guarantee from such bodies</del>	<u>765%</u>	<u>250 years</u>	<u>4.5%</u>
<u>Intermediate employers</u>	<u>Dependent on risk rating:</u>	<u>205 years</u>	

	<p>–lower risk employers: 80%</p> <p>–medium risk employer: 83%</p> <p>–higher risk employers: 85%</p>		<p><u>4.25%</u></p> <p><u>4.05%</u></p> <p><u>3.95%</u></p>
<u>Ongoing orphan employers</u>	<u>Set to target the exit (orphan) position when the last active leaves*</u>		<p><u>In service:</u> <u>3.95%</u></p> <p><u>Left service:</u> <u>1.60%</u></p>
<u>Already orphaned employers liabilities Orphan (exit)</u>	95%*	15 years*	<u>1.60%</u>

~~\* In order to keep contributions for employers subject to the ongoing orphan funding target affordable, the in service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for 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 orphan exit funding target.~~

## Funding Target

5.11 The Funding Target is the amount of assets which the Fund needs to hold at the valuation date to pay the liabilities at that date as indicated by the chosen valuation method and assumptions and the valuation data. The valuation calculations, including future service contributions and any adjustment for surplus or shortfall/deficit, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above). ~~The key assumptions used for assessing the Funding Target at the 2019 Valuation are summarised in Actuary's report on the valuation, based on the methodology set out in the Funding Strategy Statement in force at the time.~~

5.12 For all funding targets an allowance will be made for future pension increases and revaluation of pension accounts using an assumption for future CPI increases

which is derived consistently with the modelling underpinning the discount rates. At the 2022 valuation this is a long-term best estimate CPI assumption of 2.3% p.a. Allowance may also be made for any short-term inflationary pressures where this is considered appropriate and prudent. At the 2022 valuation an adjustment of 10% will be added to the liabilities for all funding targets. This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions.

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

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

5.143 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.

5.15 At the 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance of reaching or exceeding the Solvency Target over the relevant Trajectory Period, is as set out below:

<u>Funding Target</u>	<u>Probability of funding success</u>	<u>Trajectory Period</u>	<u>Discount rate as at 31 March 2022</u>
<u>Secure Scheduled and Subsumption Body</u>	<u>76%</u>	<u>20 years</u>	<u>4.5%</u>
<u>Intermediate</u>	<u>Dependent on risk rating:</u> <u>- lower risk employers: 80%</u> <u>- medium risk employer: 83%</u> <u>- higher risk employers: 85%</u>	<u>20 years</u>	<u>4.25%</u> <u>4.05%</u> <u>3.95%</u>
<u>Ongoing orphan</u>	<u>Set to target the exit (orphan) position when the last active leaves*</u>		<u>In service: 3.95%</u> <u>Left service: 1.60%</u>
<u>Orphan (exit)</u>	<u>95%</u>	<u>15 years</u>	<u>1.60%</u>

In order to keep contributions for employers' subject to the ongoing orphan funding target affordable, the in service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for the orphan exit funding target.



## Recovery Periods

5.164 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes and noting the provisions in 5.335-30 below, employers' contributions ~~will~~ may be adjusted to target ~~100% funding a fully funded position~~ over the Recovery Period. The Fund ~~has a target's strategic aim of is to~~ achieving the Funding Target full funding 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.

5.175 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.

5.186 Additional contributions to meet any ~~shortfall~~ deficit 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:

-

- 5.186.1 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
- 5.186.2 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

- 5.186.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
- 5.186.4 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)
- 5.186.5 deferred employers – remaining period of the deferred debt agreement

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

- 5.197.1 the type/group of the employer
- 5.197.2 the size of the funding ~~shortfall~~ deficit or surplus;
- 5.197.3 the business plans of the employer;
- 5.197.4 the assessment of the financial covenant of the employer;
- 5.197.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.197.6 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

5.2018 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 [are](#) set out in Appendix 2 Amending Employer Contributions between Valuations.

[5.2149 The Administering Authority operates two groups, or pools of employers for funding purposes: The Town and Parish Council Group \(TPCG\) and the Academies Group. The funding principles as set out below apply equally to the groups, other than where this would not be consistent with the principles of pooling funding risks. Further details of how the groups operate are set out in section 6 below.](#)

5.2219 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.

5.230 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.

5.244 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.

5.252 [Employer contributions may be reduced below T](#)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~~deficit of assets below the funding target. [Assets are notionally allocated to employers via a process of unitisation as described in paragraph 5.41.5.38.](#) These past service (“secondary”) contributions are assessed [taking into account the following:](#)

~~5.252.1 taking into account~~ the experience and circumstances of each employer, following a general principle of no cross-subsidy, between the various employers (other than where pooling is specifically intended to share funding risks or groups of employers where employers are pooled) in the Fund, and

~~-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.~~

5.252.2 the appropriate recovery period for the employer or group in line with the principles set out in paragraph 5.16 above.

5.263 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.

~~5.274 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:~~

~~5.24.1 a maximum Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.~~

5.24.2 ~~W~~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.

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

- 5.285.1 the type/group of the employer;
- 5.285.2 the business plans of the employer;

- 5.285.3 an assessment of the financial covenant of the employer;
- 5.285.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.285.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS

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

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

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

5.3027 With regard to the funding for early retirement costs, all employers, including those in the funding groups, are required to make capital payments to the Fund to cover the costs of their early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer's contribution rate (as are death-in-service costs). For deaths in service and tier 1 and tier 2 ill health retirements the experience (and hence funding costs) will be spread across all active employers.

5.3128 Two key principles making up the funding strategy and to be adopted for the 2022~~19~~ actuarial valuation are to:

- 5.3128.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2023 will be adopted where appropriate and required. In addition, for most employers an adjustment to the surplus used to reduce employer contributions below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging economic outlook. It is intended to reduce the risk of employer contributions reducing from 1 April 2023, only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation;
- 5.3128.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.3229 It may not be possible to adopt the two principles outlined in paragraph 5.286 for ~~some or all of the~~ employers, ~~identified in paragraphs 5.14.2, 5.14.3 and 5.14.4, although wherever possible they will be applied~~. Individual decisions may have to be taken for ~~each-an~~ employer ~~or group featuring in these three groups~~ with regard to an appropriate recovery period, the level of surplus which may be used to subsidise primary rates, 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.

5.3330 The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as ~~to~~ ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

## Long-term cost efficiency

5.341 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 and only surplus above a funding level of 105% as at 31 March 2022 being used to subsidise primary contributions from 1 April 2023, ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate).

## Smoothing of Contribution rates for admission bodies

5.352 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.

5.363 In light of strong investment performance in the six years to the 2022 valuation date and changes to the ongoing orphan and orphan exit funding targets, Where the Administering Authority considers that it necessary to relaxing the requirement that the contribution rate targets full funding for admission bodies will only be permitted in exceptional circumstances, e.g.:

5.363.1 where there is clear evidence higher pension contributions may precipitate an employer's failure

5.363.2 where market movements since the valuation date suggest an improved funding position which should reasonably be taken into account when setting secondary contributions in light of the future expected period of participation of the employer. temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.

5.374 ~~The implication of this is that, where justified on affordability grounds Where,~~ contribution rates for admission bodies subject to the ongoing orphan funding target may beare 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 could~~ 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/deficit~~. 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)**

5.385 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers/groups, as if each employer/group had its own notional sub fund within the Fund.

5.396 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.

5.4037 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. Investment returns are allocated on a pro rata basis with all employers subject to the same investment strategy unless otherwise agreed between the Administering Authority and the employer. The Administering Authority believes that the unitisation methodology 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**

5.4138 Unless a subsumption arrangement is in place, where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary which assumes a stronger (more prudent) funding target than



that used for calculating contributions. This is known as the orphan exit funding target. This approach reduces the risk that a deficit could arise on these liabilities in future which would incur a cost for the other employers in the Fund. In certain circumstances it may be agreed to enter into a DDA rather than require an immediate exit payment. In that case, the employer would remain a participating body as a deferred employer. Further details of the Administering Authority's policy for exit valuations and deferred debt agreements are set out in Appendix [21](#).

5.4239 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the orphan exit funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

## **6. Funding Groups (pools)**

### **Town and Parish Council Group (TPCG)**

6.1 Town and Parish Councils all paid the same primary contribution rate with effect from 1 April 2020. With effect from the 2022 valuation the grouping arrangements have been extended so that all funding risks are shared in the TPCG with any gain or loss since the previous valuation shared in proportion to liabilities at the valuation date.

6.2 The TPCG includes Town and Parish Council employers under Part 2 (paragraph 2) of Schedule 2 of the Regulations which, due to being relatively small employers, benefit from being able to share risks with a wider pool. Only employers with active members or which are subject to a suspension notice, are eligible for membership of the group. A Town or Parish Council can elect to opt out of the TPCG and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the TPCG is irrevocable.

6.3 Most employers within the TPCG will have a common recovery period for secondary contributions, which was retained as 22 years at the 2022 valuation. Where an employer in the TPCG notifies the Administering Authority of a decision to stop designating posts as being eligible for membership of the LGPS a shorter recovery period may be used.

6.4 Employers of the TPCG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the TPCG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation.

6.5 In order to smooth the transition to the extended grouping arrangements for TPCG employers, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years from 1 April 2023, subject to review at the 2025 valuation.

### Academies Group

6.65 The Academies Group (AG) was created on 1 April 2022. Eligibility for the AG extends to all Academies, Free Schools and Multi Academy Trusts under Part 1 (paragraph 20) of Schedule 2 of the Regulations, which are covered by the Department for Education guarantee. This includes any academy created from a former higher or further education body.

6.76 Employers can choose not to join the AG at the later of the date of conversion or the signing of the 2022 valuation rates and adjustments certificate. However, where a Multi-Academy Trust is treated as the scheme employer for funding purposes their decision not to join the AG will extend to all academies in the Trust, including any schools which convert in future. **Employers who have joined the AG can elect to opt out of the AG in future and instead have an individual contribution rate. This option can only be made as part of a triennial valuation and will be effective from the following 1 April. An election to leave the AG is irrevocable.**

6.87 Employers within the AG will share all risks in proportion to liabilities. Subject to 6.910 below, secondary contributions will be assessed for employers in the Group in proportion to their liabilities in the AG at the relevant valuation, using the recovery period appropriate to the Group, which was set as 22 years at the 2022 valuation and, where a surplus is being used to reduce contributions, in proportion to their pensionable payroll.

6.89 Employers of the AG are not credited with individual notional asset allocations at each valuation for the purposes of setting contribution rates, as secondary contributions are certified based on the funding level of the group. If we are required to calculate a notional asset allocation for any employer in the AG for example on exit, the asset value will be based on the employer's estimated share of the Group's assets based on the employer's liabilities and the Group's funding level on the secure scheduled and subsumption body funding target at the effective date of the calculation. For the purpose of calculations under FRS102/IAS19, the notional asset allocation will be based on each academy's share of the AG's assets at the (funding) valuation date pro rata to their liabilities on the secure scheduled and subsumption body funding target.

6.910 In order to smooth the introduction of the grouping arrangements, contribution changes for individual employers to harmonise the rates payable will be stepped in over a period of up to 6 years, from 1 April 2023, subject to review at the 2025 valuation. Any new academies joining the Group will pay the grouped rate from conversion.

## **7 Link to investment policy set out in the Investment Strategy Statement (ISS)**

67.1 The Administering Authority sets its investment strategy with the aim of delivering the optimal balance of risk and return in light of its risk appetite, the Fund's membership and employer profile, and noting the statutory nature of the benefits and the principal employers. 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, taking which takes~~ into account the investment strategy adopted by the Fund, as set out in the ISS.

7.2 The Fund Actuary's modelling also includes allowance for expected future volatility of returns from the Fund's investment strategy. This risk-based modelling underpinning the choice of discount rates ensures consistency between the investment and funding policy and enables employers to benefit from the expected performance of the Fund's investments, including in growth assets through reduced contributions, whilst at the same time ensuring a prudent approach which recognises that future returns are not guaranteed.

~~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.~~

~~7.36.4 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.~~

~~7.3~~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.

## **87. Identification of risks and counter-measures**

~~87.1~~ 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

87.2 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:

- 87.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
- 87.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
- 87.2.3 insufficient funds to meet liabilities as they fall due
- 87.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- 87.2.5 counterparty failure

87.3 The specific risks associated with assets and asset classes are:

- 87.3.1 equities – industry, country, size and stock risks
- 87.3.2 fixed income - yield curve, credit risks, duration risks and market risks
- 87.3.3 alternative assets – liquidity risks, property risk, alpha risk
- 87.3.4 money market – credit risk and liquidity risk
- 87.3.5 currency risk
- 87.3.6 macroeconomic risks

87.4 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.

87.5 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.

8.7.6 If there are significant market movements between the valuation date and the date the valuation is signed off the Administering Authority, on the advice of the Actuary, will consider what allowance should be made, if any, when finalising employer contributions.

## Liability risk

8.7.7.6 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).

8.8.7.7 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.

8.9.7.8 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.

8.10.7.9 Allowance has been made for prevailing high levels of consumer price inflation in the calculation of the liabilities as at 31 March 2022 as set out in paragraph 5.13 - 5.12 above. If significant changes in the value of the liabilities become apparent between valuations, including inflation above the levels allowed

[for in the 2022 valuation.](#) 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.

~~8.117.10~~ Where it appears likely to the ~~A~~administering ~~A~~authority that the amount of the liabilities arising or likely to arise has changed significantly since the last valuation the Administering Authority may consider revising an employer's contributions as permitted by Regulation 64A. Details of the Administering Authority's policy in this area are set out in Appendix 2.

## Liquidity and Maturity risk

~~8.127.11~~ 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,

- ~~8.12.17.11.1~~ budget cuts and headcount reductions could reduce the active (contributing)- membership and increase the number of pensioners through early retirements;
- ~~8.12.27.11.2~~ 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),
- ~~8.12.37.11.3~~ 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),

- ~~8.12.47.11.4 scheme changes and~~ lower member contribution rates or a change in the contribution bands, ~~which may be~~ agreed as part of the ~~Scheme Advisory Board~~ cost management process or otherwise, may will lead to lower contribution income if ~~lower member contributions which may not be~~ immediately matched by higher employer contributions;
- ~~8.12.5 7.11.5~~ an increase in opt-outs and the take up of the 50/50 option (which are currently considered to be an increased risk due to current cost of living pressures ~~either on affordability — grounds or to avoid tax charges~~) will reduce member contributions to the Fund.

~~8.137.12~~ 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

~~8.147.13~~ 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:

- ~~8.14.17.13.1~~ The timing of any final regulations in relation to the McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal age discrimination.
- ~~8.14.27.13.2~~ The outcome of the cost management process as at 31 March 2020 (and the Judicial Review of the 2016 process)
- ~~8.14.3 7.13.3~~ The Goodwin case in which an Employment Tribunal ruled (in relation to the Teachers' Pension Scheme) that the less favourable provisions for survivor's benefits of a female member in an opposite sex marriage compared to a female in a same sex marriage or civil partnership amounts to direct discrimination on grounds of sexual orientation. Following a written ministerial statement by the chief secretary to the Treasury on 20 July 2020 it is expected that changes will be made to the LGPS Regulations to reflect the ruling, but no changes have yet been proposed.



- ~~8.14.4 7.13.4~~ Redundancy early retirement provisions - Government [recently consulted on proposals to control exit costs for central government employers](#) ~~is expected to come forward with new proposals but~~ and it is not yet clear ~~whether the £95,000 total payment which will trigger additional controls will include pension strain costs nor whether similar provisions will be put forward for local government employers at the final provisions will be for the LGPS.~~

~~8.15 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 collegesector employers~~. [There is also uncertainty over how Government will respond to requests from Multi-Academy Trusts to consolidate their interests in a single LGPS fund. This could, have material implications for the net cashflow and maturity position of the Fund if the larger academy chains do then decide to consolidate their LGPS interests.](#)

~~8.167.15~~ 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

~~8.177.16~~ These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a ~~shortfalldeficit~~ in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. [Public sector spending challenges and inflation](#) ~~The response to the COVID-19 pandemic~~ may have adverse consequences ~~in relation to for~~ employer finances and their ability to make contributions. The Administering Authority monitors employer payments and expects employers in financial difficulty to engage with the Fund, noting that contributions can be reviewed between formal valuations if the conditions in Regulation 64A and the terms of the Administering Authority's policy, as set out in Appendix 2, are met.

~~8.18~~~~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/deficit](#) 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**

~~8.19~~~~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.

~~8.20~~~~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.

~~8.21~~~~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.

~~8.22~~ ~~7.24~~ 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

~~8.23~~ ~~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.

~~8.24~~ ~~7.23~~ The Administering Authority has commissioned scenario analysis modelling on the potential effect on funding from the Fund's Actuary which will be reported in the 2022 valuation report. This modelling is expected to meet the Government Actuary's requirements for the 2022 valuations as well as supporting the Fund's reporting under DLUHC's proposed new TCFD (Taskforce for Climate-Related Financial Disclosures) regime for LGPS funds. and will commission modelling or advice from the Fund's Actuary on the potential effect on funding as required.

## 98. Monitoring and Review

98.1 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.

98.2 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.

98.3 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:

- 98.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- 98.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.
- 98.3.3 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
- 98.3.4 if there have been any significant special contributions paid into the Fund.

# APPENDIX 1: Policy on New Employers, Exit Valuations and Employer Flexibilities

## 1. Background

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

- considerations in respect of the participation of employers, including Admission Bodies on commencement or admission,
- the methodology for assessment of an exit payment -of employers from the Fund; and

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

1.2 This Policy supplements the general funding policy as set out in the Funding Strategy Statement and should be read in conjunction with that statement. It is intended to provide transparency and consistency for employers in relation to the calculation of assets and liabilities on admission and exit as well as use of the flexibilities within Regulation 64 and 64B.

It should be noted that this statement is not exhaustive and individual circumstances may be taken into consideration where appropriate.

Where the information relates to a particular type of employer, this will be explained. If no type of employer is indicated the information relates to all employers in the Fund.

1.3 The Administering Authority's aim is to minimise risk to the Fund by ensuring that the employers participating in the Fund are managed in a way that ensures they are able to adequately fund the liabilities attributable to them and, in particular to pay any deficit due when leaving the Fund.

1.4 The Administering Authority has an obligation to pursue all liabilities owed so any [shortfall/deficit](#) 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 ~~will~~ 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. The pass-through approach ~~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 Scheme employer 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 Scheme employer group/pool's notional asset share will be allocated to the employers in the Scheme employer pool in proportion to their liabilities calculated on assumptions appropriate to the Scheme employer group's-pool's funding target.

2.8 A pooled pass through arrangement will be the default option for all new admissions under paragraph 1(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 In the case where the Scheme employer itself is grouped/pooled for funding purposes, contractors will generally participate in the same group as the Scheme employer, other than where it is determined that this is not appropriate, e.g. to protect the other employers in the Group. On cessation of an Admission Body for which a pass through arrangement is in place, the subsumed liabilities will be assumed to be subsumed by the Scheme employer (and its group/pool where appropriate) but not by any unconnected employers in the AG or TPCG.

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 bond the admission body must secure a guarantee from:

a) a person who funds the admission body in whole or in part;

b) a person who-

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

c) the Secretary of State in the case of an admission body-

(i) which is established by or under any enactment, and

(ii) where that enactment enables the Secretary of State to make financial provision for that admission body, or

(iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

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~~deficit would normally fall on the employers pro-rata to their liabilities in the Fund. Unless the ~~shortfall~~deficit amount were material, the allocation of the ~~shortfall~~deficit to all employers in the Fund would be carried out at the next formal actuarial valuation. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

## **4. Funding Target**

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

### **4.2 Subsumed liabilities**

Where an admission body ceases its participation in the Fund such that it will no longer have any contributing members, it is possible that another employer in the Fund agrees to provide a source of future funding in respect of any emerging deficiencies in respect of those liabilities.

In such circumstances the liabilities are known as subsumed liabilities (in that responsibility for them is subsumed by the accepting employer). For such liabilities the Administering Authority will adopt a Funding Target (comprising the relevant Solvency Target, Probability of Funding Success and Trajectory Period) in line with that adopted for the subsuming employer.

### **4.3 Scheduled Bodies**

New academies are currently considered to qualify as indefinite participants in the Fund with full taxpayers backing, as they have a guarantee from the Department for Education. As such the Funding Target adopted is in line with that adopted for Secure Scheduled Bodies. However, this guarantee is subject to review and where the Administering Authority believes the guarantee is no longer sufficient to cover the risks posed by the number of academies in the Fund, the Administering Authority will review the approach taken to the Funding Target for new academies and any admission bodies for which an academy provides a subsumption commitment and also the default approach taken to the notional assets transferred to academies upon conversion.

For any new scheduled bodies joining the Fund, the Administering Authority may, without limitation, take into account the following factors when setting the funding target for such bodies:

- the type/group of the employer
- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund
- any contingent security available to the Fund or offered by the employer such as guarantor or bond arrangements, charge over assets, etc.

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

### **4.4 Orphan liabilities**

4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members, or a Deferred Debt Agreement ends, unless any residual liabilities are to become subsumed liabilities, the Administering

Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation, carried out in accordance with Regulation 64, has been completed and any sums due have been paid. Residual liabilities of employers from whom no further funding can be obtained are known as orphan liabilities.

4.4.2 The Administering Authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. From 1 February 2022, to give effect to this, the Administering Authority will seek funding from the outgoing employer which allows for a more prudent solvency target and gives the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy.

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

## **5. Initial notional asset transfer**

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

5.2 Unless a pass through approach applies, when a new admission body starts in the Fund, they will usually start as fully funded. This means that any past service surplus or deficit for the members who are transferring to the new employer remains with the original employer and does not transfer to the new employer.

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

5.4 Unless specific instruction is received in relation to a new academy and the agreement is reflected in the Commercial Transfer Agreement, the Administering Authority's policy is that an unadjusted share of Fund approach is adopted by the Actuary in notionally re-allocating assets from the Local Education Authority to the academy on conversion in respect of the transferring liabilities subject to a maximum transfer of assets equal to the transferring liabilities. This unadjusted share of the Fund approach means there is no prior allocation of assets to fully fund any deferred and pensioner liabilities. The policy has been discussed and agreed with the 5 main Councils in the Fund which have education responsibilities.

5.5 Where the new employer will participate in a pool of employers, for example where a multi-new academy ~~trust has requested that its academies will be included within the Academies Group~~ ~~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 ~~2019-2022~~ 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 ~~2019-2022~~ (see paragraph ~~8.14-7.13 above~~ of the Funding Strategy Statement) are resolved.

## 6. Employer Contribution Rate

### 6.1 Initial Rate

6.1.1 When a new employer joins the Fund, unless a pass through approach is in place where the employer will pay the same contribution rate as the Scheme

employer, the Fund's Actuary determines the initial employer contribution rate payable.

6.1.2 An interim contribution rate may be set pending a more accurate calculation by the Fund Actuary of the employer contribution rate payable. Currently the interim contribution rate is 20% of pay. The Administering Authority will change these interim contribution rates following each triennial Actuarial Valuation and at any other time at its discretion.

6.1.3 When a new academy converts and joins a the multi-academy trust (MAT) Academies Group ~~where a single contribution rate applies~~, it will generally pay the a minimum of the employer's contribution Academies Group contribution rate ~~applicable to the MAT until the next triennial Actuarial Valuation at which time the contributions for the MAT will be reviewed. However, ~~W~~ where the new academy is joining a multi-academy trust material relative to the (MAT), and the MAT is paying different contributions to the the contributions for the MAT may be reviewed under Regulation 64A Academies Group due to phasing in of contribution changes, the new academy will pay contributions in line with those being paid by the MAT until contributions are reviewed at the next triennial Actuarial Valuation, or earlier if required and permitted by the Fund's strategy. Where the new academy is not material, the MAT may elect to increase contributions for all employers in the MAT before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.~~

6.1.4 The employer contribution rate will be set in accordance with the Funding Strategy Statement, taking into consideration elements such as:

- Any past service or transferred liabilities
- Whether the new employer is open or closed to new entrants
- The funding target that applies to the employer
- The funding level on commencement and, where there is a surplus or deficit, whether the admission agreement is fixed term or not, whether open or closed and the period of any fixed term contract period or average future working lifetime of the employee membership (as appropriate)
- Other relevant circumstances as determined by the Administering Authority on the advice of the Fund Actuary and following discussion with the ceding employer as appropriate.

## 6.2 Review of Employer Contribution Rates

6.2.1 The Regulations require a triennial Actuarial Valuation of the Fund. As part of each Actuarial Valuation the contributions paid by each employer in the Fund are reviewed and may be increased or reduced.

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

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

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

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

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

6.2.3 The Administering Authority monitors the active membership of ~~closed~~ admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

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

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

7.1 An employ~~er~~~~ing authority~~ can cease participation in the following circumstances:

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



- a deferred employer ceases to participate where the Deferred Debt Agreement ends.

7.2 Where participation ceases, an exit valuation will be carried out in accordance with Regulation 64. That valuation will take account of any activity as a consequence of cessation of participation regarding any existing contributing members (for example any bulk transfer payments due) and the status of any liabilities that will remain in the Fund. When employees do not transfer to another employer they will retain pension rights within the Fund, i.e. either as a deferred pensioner or immediately taking retirement benefits.

7.3 The assumptions adopted to value the departing employer's liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a [shortfall/deficit](#) emerges in relation to these liabilities after the exit date.

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

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

7.6 Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation. Any [shortfall/deficit](#) 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 where the calculations are undertaken on or after the date this statement comes into force, the following refinements will be made to the approach at the 20~~22~~<sup>19</sup> funding valuation:

- the approximate allowance will be made for the potential liabilities arising from the McCloud judgement remedy will be refined as required once the final remedy is known and as the data required to accurately assess any additional liabilities becomes available, ~~equal to 0.6% liabilities upon exit, plus 0.7% of assumed salary over the period from 2019 valuation to the date of exit~~
- the allowance for short-term inflation above the long-term assumption underpinning the orphan exit funding target will be reviewed and updated on the advice of the Fund Actuary
- ~~allowance will be made for the confirmed changes to GMP indexation equalisation as set out in Government's response to the consultation, i.e. indefinite extension of the interim solution of paying full pension increases from the Fund.~~

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

7.8 Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

7.9 However, where agreed between the parties the deficit (or any exit credit) may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

7.10 If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity. These will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.

7.11 At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

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

## 8. Exit payments

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

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

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

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

8.3 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able

to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

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

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

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

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

8.8 Where it has been agreed to spread an exit payment the Administering Authority will advise the employer in writing of the arrangement, including the spreading period; the annual payments due; interest rates applicable; other costs

payable\* and the responsibilities of the employer during the spreading period. Where a request to spread an exit payment has been denied the Administering Authority will advise the employer in writing and provide a brief explanation of the rationale for the decision.

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

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

## 9. Exit Credits

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

- (a) the extent to which there is an excess of assets in the Fund relating to that employer over the liabilities (i.e. a surplus)
- (b) the proportion of the surplus which has arisen because of the value of the employer's contributions
- (c) any representations made by the exiting employer and, where that employer participates in the scheme by virtue of an admission agreement, anybody listed in paragraphs (8)(a) to (d)(iii) of Part 3 to Schedule 2 of the 2013 Regulations, and
- (d) any other relevant factors, which include any legal, actuarial or other costs incurred by the Administering Authority in relation to the exit, the circumstances in which any subsumption commitment was granted, and any risk sharing arrangements in place.

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

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

## **10 Multi-academy trusts**

10.1 Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT, rather than becoming orphaned liabilities.

[10.2 Where the MAT participates in the Academies Group](#) 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 of the extent of these liabilities. The Administering Authority may also direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT if this is considered necessary to protect the other employers in the Academies Group. The contribution rate for the MAT may be adjusted at the next triennial Actuarial Valuation, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.2 Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall/deficit 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 but those assets and liabilities will be tracked separately from the Academies Group in order to protect the other employers within the Academies Group.

10.3 It is expected that the establishment of the Academies Group will simplify the funding approach for academies and MATs. However, actuarial calculations may still be required in relation to academies or MATs which do not participate in the Academies Group. For example, where such 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 liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the 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.

10.4 Where an academy moves to a MAT which does not participate in the Fund, unless otherwise advised by the Fund Actuary, or required by a Direction Order, ~~the assets to be transferred will in each case will be calculated as the liabilities of the transferring academy (calculated on the ongoing funding target) multiplied by the funding level of the Academies Group.~~

## 11. Suspension notices

11.1 Regulation 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. For the avoidance of doubt, when a Town and Parish Council exits the Fund their liabilities will become orphan rather than being subsumed by the Town and Parish Council Group.



## 12. Deferred Debt Agreement (DDAs)

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

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

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

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

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

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to

consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches

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

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

- an undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- a provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- a provision that the DDA will terminate on the first date on which one of the following events occurs-
  - (a) the deferred employer enrolls new active members;
  - (b) the period specified, or as varied, elapses;
  - (c) the take-over, amalgamation, insolvency, winding up or liquidation of the deferred employer;
  - (d) the Administering Authority serves a notice on the deferred employer that it is reasonably satisfied that the deferred employer's ability to meet the contributions payable under the deferred debt arrangement has weakened materially or is likely to weaken materially in the next 12 months; or

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

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

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

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

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

- where the exit deficit has reduced (increased) such that it is reasonable to reduce (extend) the length of the recovery period and associated period of the DDA assuming that, in the case of the latter, this does not materially increase the risk to the other employers/Fund
- where the deferred employer's business plans, staffing levels, finances or projected finances have changed significantly, but, in the case of a deterioration, the Administering Authority, having taken legal, actuarial, covenant or other advice as appropriate, does not consider that there is sufficient evidence that deferred employer's ability to meet the contributions payable under the DDA has weakened materially, or is likely to weaken materially in the next 12 months

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

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

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

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

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

support the effective monitoring of the arrangement and will be a requirement of the DDA.

### **13. Responsibilities of employers in the Fund**

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

13.2 Employers should have regard to the Administering Authority's administration strategy and their responsibilities as set out in the Funding Strategy Statement at all times.

13.3 All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff, regardless of whether or not that company will participate in the Fund
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6<sup>th</sup> form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership
- any intervention by, or voluntary undertaking provided to, the appropriate regulator

13.4 Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

## **APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations**

### **1. Background**

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

1.2 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 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.

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

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## **Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023.**

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### **Subject:**

**Pensions Administration**

### **Summary statement:**

This report gives an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 July 2022 to 31 December 2022.

### **EQUALITY & DIVERSITY:**

Issues of Equality and Diversity are included within the body of the document.

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Mr Euan Miller  
Managing Director

### **Portfolio:**

Report Contact: Yunus Gajra  
Assistant Director (Finance,  
Administration and Governance)  
Phone: (01274) 432343  
E-mail: [Yunus.gajra@bradford.gov.uk](mailto: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, the London Borough of Barnet and to twenty three 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 2022 to 31 December 2022.

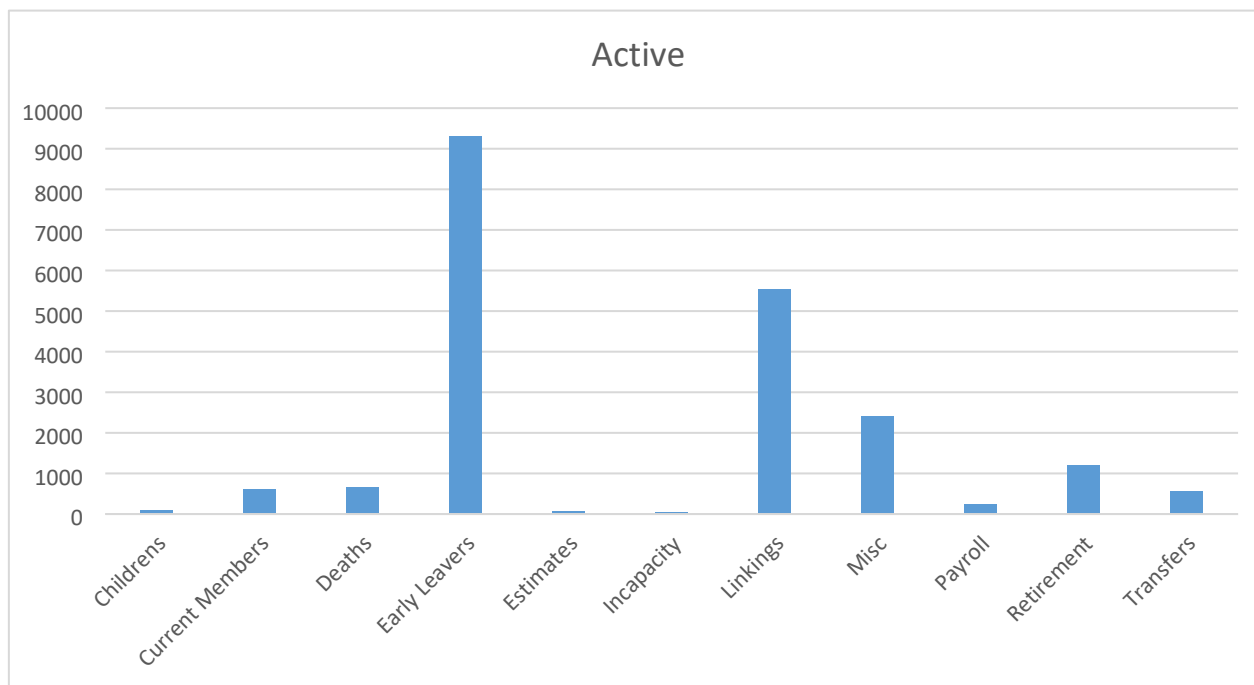
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
Transfer In Quote	499	35	499	85	100
Transfer In Actual	319	35	294	85	92.16
Divorce Settlement Pension Sharing order Implemented	17	80	17	100	100
Deferred Benefits Set Up on Leaving	4914	20	3739	85	76.09
Refund Quote	2423	35	2177	85	89.85
Refund Actual	1391	10	1382	90	99.35
Transfer Out Payment	137	35	115	85	83.94
Pension Estimate	1772	10	1250	90	70.54
Retirement Actual	2071	10	2065	90	99.71
Deferred Benefits Into Payment Actual	2534	5	2492	90	98.34
AVC In-house (General)	526	20	519	85	98.67
Deferred Benefits Into Payment Quote	3428	35	2648	85	77.25
Transfer Out Quote	1410	35	1354	85	96.03
Monthly Posting	5491	10	5202	95	94.74
Divorce Quote	327	40	322	85	98.47
Change of Address	2778	20	2675	85	96.29
Change of Bank Details	916	20	916	85	100
General Payroll Changes	1291	20	1286	85	99.61
Age 55 Increase to Pension	3	20	3	85	100
NI adjustment to Pension at State Pension Age	143	20	143	85	100
DWP request for Information	24	20	23	85	95.83
Death Grant to Set Up	1945	10	1754	85	90.18
Death In Retirement	1945	10	1754	85	90.18

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
Death In Service	69	10	60	85	86.96
Death on Deferred	152	10	122	85	80.26
Estimates for Deferred Benefits into Payment	42	10	27	90	64.29
Update Member Details	11261	20	11143	100	98.95
Pension Saving Statement	8	20	8	100	100
Dependant Pension To Set Up	799	5	720	90	90.11
Phone Call Received	18717	3	18071	95	96.55
Interfund Out Quote	1226	35	1001	85	81.65
Interfund Linking In Quote	537	35	190	85	35.38
Interfund Out Actual	1226	35	768	85	62.64
Interfund Linking In Actual	319	35	234	85	73.35

#### Reasons for underperforming KPI's:

1. **Deferred Benefits set up on leaving** - High volume of cases to process, exacerbated as scheme employers provide data for the Triennial valuation, and this includes Deferred Benefits Set Up on leaving.
2. **Pension Estimate** – Estimates prioritised in date order. Those with future dates not accurately reported. Also some estimates were more complicated and took longer to do.
3. **Deferred Benefits into payment quote** - Significant increase in requests for quotes.
4. **Death on Deferred** - The KPI for Death In Retirement has not been met due to the Pensioner Services Team are currently training new staff in this area of work.
5. **Estimates for Deferred Benefits into payment** - High volume of estimates requests being received as members receive their ABS & DBS. Estimates received with a date of retirement within 3 months have been treated as a priority.
6. **Interfund Out Quote** - Historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding in preparation for the Triennial Valuation. This has had an impact on the levels of work and has increased the numbers of interfunds out.
7. **Interfund Linking In Quote** - Historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding in preparation for the Triennial Valuation. This has had an impact on the levels of work and has increased the numbers of linkings.
8. **Interfund Out Actual** - Historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding in preparation for the Triennial Valuation. This has had an impact on the levels of work and has increased the numbers of interfunds out.
9. **Interfund Linking In Actual** - Historic cases being processed for ABS production. Employers across all funds are currently sending in leaver notifications that have been outstanding in preparation for the Triennial Valuation. This has had an impact on the levels of work and has increased the numbers of linkings.

## 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 AVCs, 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 3 January 2023 was 477,804  
. A full breakdown between the different Funds and Schemes is shown at Appendix 1.



### 3.2 Number of Employers in the West Yorkshire Pension Fund

	<b>Actives</b>	<b>Ceased</b>	<b>Total</b>
Scheme	275	3	272
Admission	152	9	143
<b>Total</b>	<b>427</b>	<b>12</b>	<b>415</b>

### 4.0 Praise and Complaints

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

Appendix 2 - WYPF

Appendix 3 – Lincolnshire Pension Fund

Appendix 4 – London Borough of Hounslow Pension Fund

Appendix 5 – Barnet Pension Fund

### 5.0 Internal Disputes Resolution Procedures

5.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the 'Adjudicator'). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Managing Director of WYPF. Stage 2 appeals are considered by the Chief Executive of the City of Bradford MDC.

A summary of the IDRPs decisions for the period 1.7.22 to 31.12.22 is shown below:

**West Yorkshire Pension Fund**

	<b>Number of Determinations</b>	<b>Outcomes</b>	<b>Type</b>
<b>STAGE 1</b>	6		
		1 Upheld	1 Distribution of death grant
		5 Turned down	1 Distribution of death grant 1 Calculation of pension benefits 1 Lack of information on tier 3 ill health retirement 1 Due date for payment of deferred benefits 1 Deduction of tax from refund of contributions
<b>STAGE 2</b>	5		
<b>AGAINST EMPLOYER</b>	4	3 Turned down	1 Not entitled to ill health retirement 1 Time limit not extended to allow transfer in 1 Tier 3 ill health review decision
		1 Referred back to employer to reconsider	1 Not entitled to ill health retirement
<b>AGAINST WYPF</b>	1	1 Turned down	1 Allowed to transfer out

**Lincolnshire Pension Fund**

	Number of Determinations	Outcomes	Type
<b>STAGE 1</b>	5	1 Upheld	1 Calculation of pension benefits
		4 Turned down	1 Incorrect retirement quote 1 Not entitled to widower's pension 1 Delays in opting opt 1 Calculation of pension benefits
<b>STAGE 2</b>	1		
<b>AGAINST EMPLOYER</b>	1	1 Turned down	1 Not entitled to ill health retirement
<b>AGAINST LPF</b>	0		

#### London Borough of Barnet Pension Fund

	Number of Determinations	Outcomes	Type
<b>STAGE 1</b>	1		
		1 Turned down	1 Calculation of pension benefits

#### London Borough of Hounslow Pension Fund

	Number of Determinations	Outcomes	Type
<b>STAGE 1</b>	1		
		1 Turned down	1 Time limit not extended to allow transfer in
<b>STAGE 2</b>	0		

## 6.1 Employer events

Event	Number
Employer Webcast	8
Employer Training (one to one)	1
Employer Support	7
Member Presentation	8
Member surgeries / one to one	4

### Employer webcasts - Feedback (Repeat and Refresh)

Employers from any part of the country can now attend simultaneously so it is not possible to provide fund specific satisfaction scores.

Eight employer webcasts were held between **5 July and 06 September 2022** covering the following topics:

- Final Pay
- Final Pay - deep dive
- Understanding CPP
- Ill Health

**Feedback satisfaction score:**  
**(Average across funds) 94.55%** based on 37 responses

### Do you have any other comments about the length of the webinar?

The examples we went through a little too fast

Really good and informative. Well explained and easy to understand.

The length of the webcast suited but the only slight hiccup was that during the second part of the session, there was a temporary loss of sound.

The length of the webcast was fine but I would say any future ones should not be longer than 1 hour.

It was perfect to fit in a busy day

Short subject however presenter was thorough and precise as always

It was as long as it needed to be. The time flew by as the webcast was extremely interesting.

### Did the session meet your expectations?

Yes - 16

No - 0

## 6.2 Annual Benefit Statements (ABS) and Deferred Benefit Statements (DBS)

This year's statements have been issued electronically. Members have been asked to sign up to the secure 'MyPension' portal to access their statements. However, members who still prefer a paper version will be able to opt out and receive one.

As at 31 August 2022 99.2 of ABS's and 100% of DBS's have been produced for WYPF members who are eligible to receive one. The remaining ABS's are due to queries on records with employers and outstanding transfers and linkings which are being worked on. It is our intention to review the ABS process over the next 12 months to ensure going forward more statements are produced for members.

## 6.3 Audits undertaken by Bradford Council's Internal Audit in the period:

### a) Annual Benefits Statement

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.

Internal Audit made **0** recommendations for improvement.

## 6.4 ISO 9001 Quality Audits

The following internal quality audits were completed by WYPF staff:

Monthly payroll procedures

Transfers out

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

## 6.5 Disaster Recovery

Our first disaster recovery on our new infrastructure was planned and executed. This took down our primary system and WYPF tested operational capability from our secondary site before successfully restoring our primary site. This took approximately 4 hours.

Lessons learnt will be implemented for the next test.

## 6.6 Recruitment

A number of appointments have been made to our pensions administration teams with some vacancies still to fill. On the Investments team we have recruited a Treasury Manager, an Investment Manager and an Investment Analyst.

## 6.7 Annual Allowance

The LGPS Annual Allowance exercise is now completed as the deadline for issuing a Pensions Savings Statement was 5 October. 85 Pension Saving Statements have been issued to WYPF Pension Fund members.

## 7.0 Staffing

- 7.1 WYPF headcount is 206 (194 full time equivalent staff) with an average age of 45.8 (Appendix 6).
- 7.2 For the year ending 1 April 2022 the average number of days absence due to sickness is 7.33 per staff member. This compares with the Council average of 14.56 days (Appendix 7).
- 7.3 There were 26 new starters during the last 12 months (Appendix 8)
- 7.4 There were 12 leavers during the last 12 months (see Appendix 9).
- 7.5 A number of recruitment exercises are ongoing to fill vacancies and also for new posts created as a result of increasing workloads.

## 8.0 Member Portal

### 8.1 Web Registrations

The number of members registered for online member web are:

Membership Type	Number	Percentage
Active	42,866	39.25%
Deferred	22,397	25.50%
Pensioner	34,135	32.17%

## 9.0 Awards

IT is very pleasing to report that WYPF won the Good Governance Award at the LAPF Investment Awards last month.

WYPF have 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 21 March 2023.

## 10.0 OTHER CONSIDERATIONS

- None

## 11.0 FINANCIAL & RESOURCE APPRAISAL

Sufficient budget to ensure adequate resources to deliver contractual obligations.

## **12.0 RISK MANAGEMENT AND GOVERNANCE ISSUES**

Failure to meet contractual obligations to our shared service partners may result in contract termination.

## **13.0 LEGAL APPRAISAL**

Not applicable.

## **14.0 OTHER IMPLICATIONS**

### **14.1 SUSTAINABILITY IMPLICATIONS**

None

### **14.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **14.3 COMMUNITY SAFETY IMPLICATIONS**

None

### **14.4 HUMAN RIGHTS ACT**

None.

### **14.5 TRADE UNION**

None

## **15.0 NOT FOR PUBLICATION DOCUMENTS**

None

## **16.0 OPTIONS**

None.

## **17.0. RECOMMENDATIONS**

It is recommended that the report be noted.

## **18.0 APPENDICES**

Appendix 1	Membership Numbers
Appendix 2	Customer Survey Results- WYPF
Appendix 3	Customer Survey Results - Lincolnshire Pension Fund
Appendix 4	Customer Survey Results - London Borough of Hounslow Pension Fund
Appendix 5	Customer Survey Results - Barnet Pension Fund
Appendix 6	Headcount
Appendix 7	Absence Performance
Appendix 8	New Starters
Appendix 9	Leavers

## 19.0. BACKGROUND DOCUMENTS

None



## Membership Numbers

SCHEMENAME	ACTIVES	DEFS	PENS	BENS	PRESERVED	LEAVERS	OPTIONS	TOTAL
					REFUND	PENDING		
Councillors	0	82	146	18	0		0	246
Gratuity Payments	0	0	6	0	0		0	6
LGPS	109109	88003	94710	11711	12353		2381	318267
Teachers Compensation	0	0	1088	247	0		0	1335
West Yorkshire Fire (1992 Scheme)	0	85	2008	345	0		0	2438
West Yorkshire Fire (2006 Scheme)	0	90	8	7	2		0	107
West Yorkshire Fire (2006/RDS Scheme)	0	12	39	0	0		0	51
West Yorkshire Fire (2015 Scheme)	988	143	22	3	1		3	1160
West Yorkshire Fire (2015/RDS Scheme)	20	0	3	0	0		1	24
South Yorkshire Fire (1992 Scheme)	0	42	1105	202	8		0	1357
South Yorkshire Fire (2006 Scheme)	0	35	2	1	1		0	39
South Yorkshire Fire (2006/RDS Scheme)	0	1	14	0	0		0	15
South Yorkshire Fire (2015 Scheme)	635	98	16	2	4		4	759
South Yorkshire Fire (2015/RDS Scheme)	4	1	0	0	0		0	5
North Yorkshire Fire (1992 Scheme)	0	27	438	87	0		1	553
North Yorkshire Fire (2006 Scheme)	0	144	22	2	1		1	170
North Yorkshire Fire (2006/RDS Scheme)	2	23	59	2	0		0	86
North Yorkshire Fire (2015 Scheme)	607	265	25	3	11		19	930
North Yorkshire Fire (2015/RDS Scheme)	33	4	0	0	0		0	37
Humberside Fire (1992 Scheme)	0	42	829	160	0		0	1031
Humberside Fire (2006 Scheme)	0	109	14	2	2		0	127
Humberside Fire (2006/RDS Scheme)	0	5	77	3	0		0	85
Humberside Fire (2015 Scheme)	666	165	18	0	2		8	859
Humberside Fire (2015/RDS Scheme)	46	3	2	0	0		0	51
Lincolnshire Councillors	0	26	52	4	0		0	82
Lincolnshire LGPS	26335	25787	24315	2602	2543		679	82261
Lincolnshire Fire (1992 Scheme)	0	21	260	53	1		0	335
Lincolnshire Fire (2006 Scheme)	0	315	38	7	20		2	382
Lincolnshire Fire (2006/RDS Scheme)	1	11	40	1	0		0	53
Lincolnshire Fire (2015 Scheme)	594	331	16	4	15		65	1025
Lincolnshire Fire (2015/RDS Scheme)	20	1	1	0	0		1	23

Royal Berks Fire (2015/RDS Scheme)	6	1	0	0	0	0	7
Royal Berks Fire (1992 Scheme)	1	57	418	57	2	1	536
Royal Berks Fire (2006 Scheme)	1	61	11	0	0	0	73
Royal Berks Fire (2006/RDS Scheme)	0	11	27	2	0	0	40
Royal Berks Fire (2015 Scheme)	395	132	8	0	1	1	537
Bucks and MK Fire (1992 Scheme)	0	32	358	68	1	0	459
Bucks and MK Fire (2006 Scheme)	0	158	18	10	2	0	188
Bucks and MK Fire (2006/RDS Scheme)	0	11	25	0	0	0	36
Bucks and MK Fire (2015 Scheme)	350	180	12	0	3	30	575
Bucks and MK Fire (2015/RDS Scheme)	3	1	0	0	0	0	4
Devon and Somerset Fire (1992 Scheme)	0	56	916	158	1	0	1131
Devon and Somerset Fire (2006 Scheme)	1	407	140	17	9	1	575
Devon and Somerset Fire (2006/RDS Scheme)	0	71	209	3	0	1	284
Devon and Somerset Fire (2015 Scheme)	1489	671	43	15	8	23	2249
Devon and Somerset Fire (2015/RDS Scheme)	67	7	4	0	0	2	80
Dorset and Wiltshire Fire (1992 Scheme)	0	62	649	98	3	0	812
Dorset and Wiltshire Fire (2006 Scheme)	0	269	41	15	3	0	328
Dorset and Wiltshire Fire (2006/RDS Scheme)	3	47	166	2	0	2	220
Dorset and Wiltshire Fire (2015 Scheme)	884	411	28	2	1	37	1363
Dorset and Wiltshire Fire (2015/RDS Scheme)	87	4	3	0	0	0	94
Unknown Modified Scheme	0	0	1	0	0	0	1
Tyne and Wear Fire (1992 Scheme)	0	68	1228	199	0	0	1495
Tyne and Wear Fire (2006 Scheme)	0	25	5	0	0	0	30
Tyne and Wear Fire (2006/RDS Scheme)	0	1	1	0	0	0	2
Tyne and Wear Fire (2015 Scheme)	589	52	9	0	0	2	652
Tyne and Wear Fire (2015/RDS Scheme)	0	0	1	0	0	0	1
Northumberland Fire (1992 Scheme)	0	17	281	46	0	0	344
Northumberland Fire (2006 Scheme)	1	81	15	7	2	0	106
Northumberland Fire (2006/RDS Scheme)	0	13	33	1	0	0	47
Northumberland Fire (2015 Scheme)	310	128	5	0	0	5	448
Northumberland Fire (2015/RDS Scheme)	6	3	3	0	0	0	12
Norfolk Fire (1992 Scheme)	0	44	381	68	0	0	493
Norfolk Fire (2006 Scheme)	0	102	22	9	0	0	133
Norfolk Fire (2006/RDS Scheme)	1	8	62	0	0	0	71

Norfolk Fire (2015 Scheme)	631	212	22	12	7	10	894
Norfolk Fire (2015/RDS Scheme)	17	2	1	0	0	0	20
Staffordshire Fire (1992 Scheme)	0	24	558	107	0	0	689
Staffordshire Fire (2006 Scheme)	0	311	28	6	2	0	347
Staffordshire Fire (2006/RDS Scheme)	0	33	87	1	0	0	121
Staffordshire Fire (2015 Scheme)	546	348	23	15	15	3	950
Staffordshire Fire (2015/RDS Scheme)	29	3	3	0	0	0	35
LB Hounslow LGPS	7018	7687	7081	894	1384	209	24273
LB Hounslow Teachers Compensation	0	0	132	41	0	0	173
Hereford and Worcester (1992 Scheme)	0	34	390	65	0	0	489
Hereford and Worcester (2006 Scheme)	0	126	30	8	1	0	165
Hereford and Worcester (2006/RDS Scheme)	0	11	42	1	0	0	54
Hereford and Worcester (2015 Scheme)	542	274	17	2	3	13	851
Hereford and Worcester (2015/RDS Scheme)	23	2	1	0	0	1	27
Durham and Darlington (1992 Scheme)	0	28	476	97	0	0	601
Durham and Darlington (2006 Scheme)	0	73	12	0	0	0	85
Durham and Darlington (2006/RDS Scheme)	0	9	28	0	0	0	37
Durham and Darlington (2015 Scheme)	435	156	13	3	0	0	607
Durham and Darlington (2015/RDS Scheme)	9	2	2	0	0	0	13
East Sussex (1992 Scheme)	0	58	515	100	1	0	674
East Sussex (2006 Scheme)	0	125	12	5	3	0	145
East Sussex (2006/RDS Scheme)	0	17	39	0	0	0	56
East Sussex (2015 Scheme)	550	175	15	2	1	57	800
East Sussex (2015/RDS Scheme)	9	2	1	0	0	0	12
LB Barnet Councillors	0	11	16	2	0	0	29
LB Barnet LGPS	9768	9634	8098	1009	1281	709	30499
LB Barnet Teachers Compensation	0	0	353	41	0	0	394
Derbyshire (1992 Scheme)	0	32	606	100	0	0	738
Derbyshire (2006 Scheme)	0	128	20	9	5	0	162
Derbyshire (2006/RDS Scheme)	0	32	67	1	0	0	100
Derbyshire (2015 Scheme)	652	200	16	3	8	4	883
Derbyshire (2015/RDS Scheme)	16	6	5	0	0	0	27
Leicestershire (1992 Scheme)	0	34	546	81	1	0	662
Leicestershire (2006 Scheme)	0	138	26	4	9	0	177

Leicestershire (2006/RDS Scheme)	0	11	51	0	0	0	62
Leicestershire (2015 Scheme)	560	158	23	2	1	9	753
Leicestershire (2015/RDS Scheme)	6	2	1	0	0	0	9
Nottinghamshire (1992 Scheme)	0	44	715	119	1	0	879
Nottinghamshire (2006 Scheme)	0	159	30	10	6	0	205
Nottinghamshire (2006/RDS Scheme)	0	37	63	0	0	0	100
Nottinghamshire (2015 Scheme)	599	186	23	1	0	1	810
Nottinghamshire (2015/RDS Scheme)	17	4	1	0	0	0	22
Cambridgeshire (1992 Scheme)	0	27	375	50	4	0	456
Cambridgeshire (2006 Scheme)	1	205	8	1	3	0	218
Cambridgeshire (2006/RDS Scheme)	0	11	47	0	0	0	58
Cambridgeshire (2015 Scheme)	457	231	14	0	4	3	709
Cambridgeshire (2015/RDS Scheme)	7	2	2	0	0	0	11
Northamptonshire (1992 Scheme)	0	21	353	53	0	0	427
Northamptonshire (2006 Scheme)	0	92	6	1	11	0	110
Northamptonshire (2006/RDS Scheme)	0	10	28	0	0	0	38
Northamptonshire (2015 Scheme)	398	219	5	0	4	14	640
Northamptonshire (2015/RDS Scheme)	9	0	0	0	0	0	9
Shropshire (1992 Scheme)	0	17	251	35	2	0	305
Shropshire (2006 Scheme)	0	108	4	3	4	1	120
Shropshire (2006/RDS Scheme)	0	14	67	1	0	0	82
Shropshire (2015 Scheme)	408	166	13	5	2	23	617
Shropshire (2015/RDS Scheme)	22	2	1	0	0	1	26
Warwickshire (1992 Scheme)	0	24	359	60	0	0	443
Warwickshire (2006 Scheme)	1	98	2	1	2	0	104
Warwickshire (2006/RDS Scheme)	0	8	18	0	0	0	26
Warwickshire (2015 Scheme)	360	141	10	4	3	2	520
Warwickshire (2015/RDS Scheme)	3	1	0	0	0	0	4
	166347	140905	152095	19180	17768	4330	500877

## Customer Survey Results – WYPF Members (1<sup>st</sup> July to 30<sup>th</sup> September 2022)

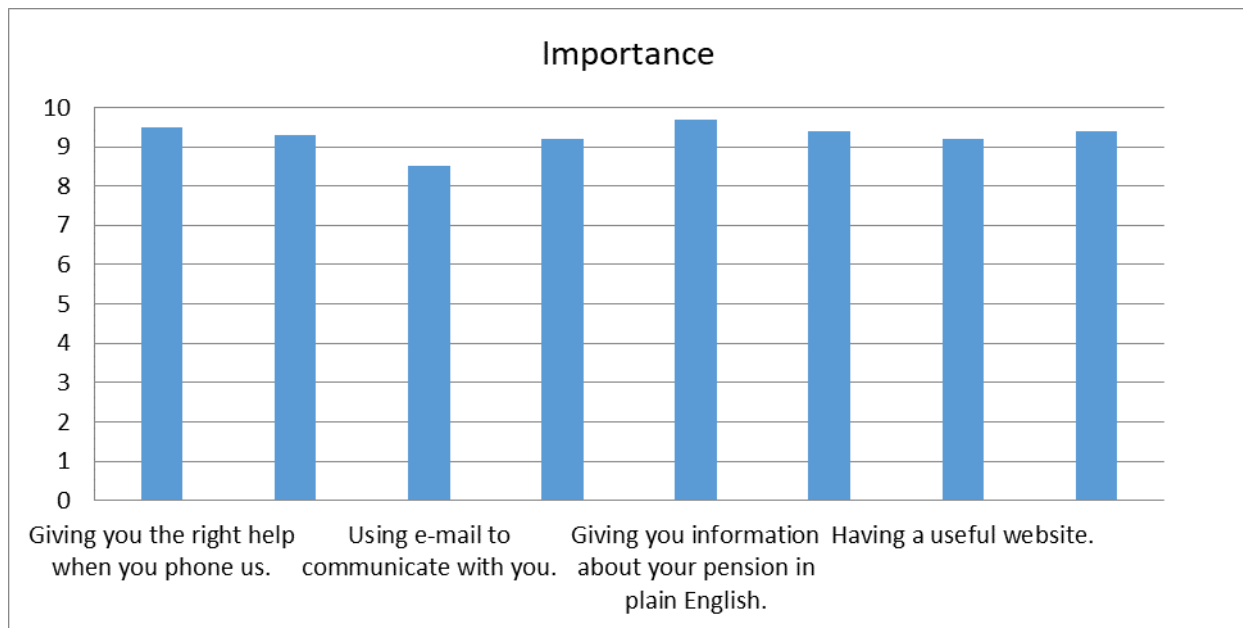
Over the quarter July to September, we received **2** online customer responses.

Over the July to September **525** sample survey letters were sent out and **87 (16.6%)** returned:

Overall Customer Satisfaction Score:

July to September 2021	October to December 2021	January to March 2022	April to June 2022	July to September 2022
96.3%	86.3%	84%	96.3%	93.2%

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



### Sample of positive comments:

Member Name /Number	Comments
	<p>Hi Sandra</p> <p>I had a very informative and helpful conversion with one of your colleagues xxxx with regards to some potentially serious changes to my current WYPF.</p> <p>I would just like to give xxxx the recognition he deserves when handling this sensitive situation.</p> <p>Regards</p>
	<p>Staff at wy pf was helpful and tried to help me, my main issue was a delay in my AVC pension, wy pf worked hard to sort it out. Trying to get through phone was hard but email was helpful. When matters with AVC sorted, others went quickly.</p>
	<p>The support I received was very useful. The worker I spoke was very supportive and chased up my enquiry and sent out the correct forms.</p>
	<p>Having decided to draw my pension once the form was returned and my money was in account, within 7 days, excellent service. staff has always been helpful when I have rung.my pension sorted very quickly. Would recommend WYPF every one.</p>
	<p>Great service, issues resolved very quickly. easy to read letter communication, issue resolved with no fuss, very quickly, thanks</p>

### Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
	<p>Poor, I have phoned many times on my day off all your lines are extremely busy. Customer service is not acceptable, very disappointing, I am sixty this October 2022, yet have not received any support or advice regarding, vitals decisions I can't make because I don't understand key issues.</p>	<p>The following explanation letter was sent by xxxx - Thank you for taking the time to complete and return our customer feedback form.</p> <p>If you would like any help at all our customer service lines are open 8.30 - 5pm Monday to Friday. Our pension officers will be able to help with setting up your online account and talk through any of the pension questions you may have. Alternatively we can call you, we would just need a time, a date to do this along with confirmation of you contact number.</p>
	<p>The experience of transferring the pension was poor. The process of transferring the pension to a new pension pot took over 7 months with a lot of back and forth between pension companies, it seemed to have a long time for each stage to happen and I had to phone you on 3 occasions for</p>	<p>Response sent by xxxx - Member was frustrated at length of time it took to transfer her benefits to Peoples Pension.</p> <p>Timeline provided to member                  23/12/22 CETV Request                  18/01/22 CETV provided                  28/02/22 TVO request from Peoples</p>

	<p>clarification and check the progress.</p>	<p>Pension  07/03/22 Responded with completed forms  07/06/22 (incorrectly) completed forms received from Peoples Pension  21/06/22 query raised with member  30/06/22 member responded  05/07/22 query raised with Peoples Pension  06/07/22 Peoples Pension responded  07/07/22 Payment of transfer to peoples Pension</p> <p>Apologised to member and explained transfers can be lengthy due to duty of care required when checking documentation. Highlighted that WYPF responded to queries within 10 working days, but there were much lengthier delays on the part of Peoples Pension</p>
	<p>Terrible, I asked months ago to transfer my funds to another company to assist with a very stressful time. You have sent numerous amounts of forms to me to sign and I am still waiting for my funds because of your slow service I have lost thousands of pounds on my divorce settlement due to not being able to produce the final figures. You should be ashamed to claim the service you provide.</p>	<p>Response sent by xxxx -The member felt that we had caused delays to their transfer  Timeline of transfer provided to member  The member requested a divorce CETV 19/01/22 this was provided 28/01/22  Transfer CETV then requested 04/02/22 - provided 23/03/22 guaranteed to 13/06/22  Digitally signed from returned on 07/06/22 - unable to get wet signed forms returned within guarantee date so new CETV required.  New CETV and transfer forms provided 25/07/22  25/08/22 completed forms returned and payment made 27/08/22  Apologised to member for the delay in providing the updated CETV, but also highlighted the 11 week delay in returning forms originally.</p>

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## Customer Survey Results - Lincolnshire Members (1<sup>st</sup> July to 30<sup>th</sup> September 2022)

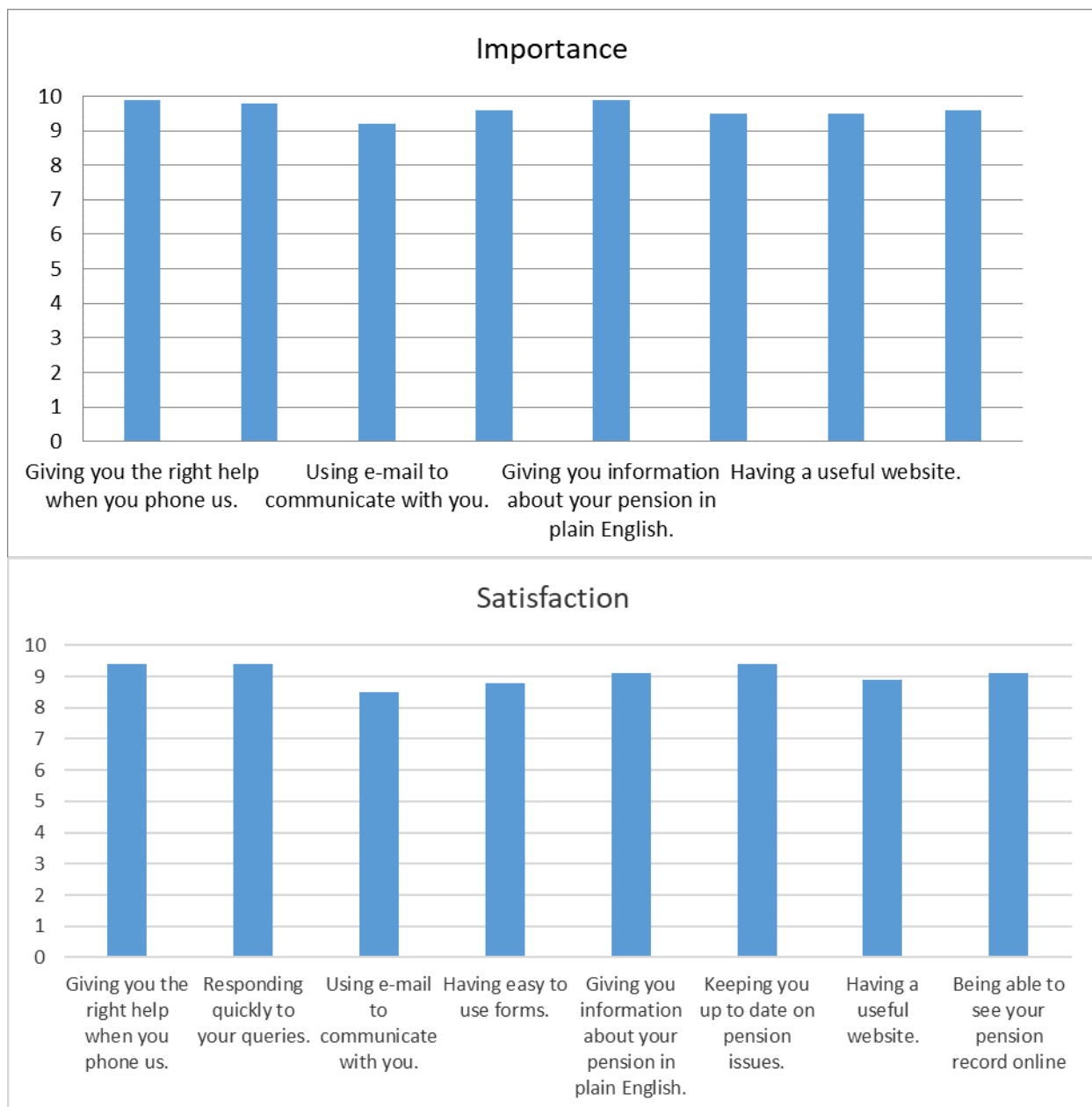
Over the quarter July to September we received **1** online customer response.

Over the quarter July to September **153** Lincolnshire member's sample survey letters were sent out and **21 (13.8%)** returned:

Overall Customer Satisfaction Score;

July to September 2021	October to December 2021	January to March 2022	April to June 2022	July to September 2022
96.9%	91.5%	95.3%	80.2%	90.4%

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



**Sample of positive comments:**

Member Number	Comments
	<p>Hello</p> <p>I would like to say thank you for all your help over the past 8 months. xxxx has been particularly patient and helpful and David.</p> <p>I had a pleasant surprise when checking my bank account today.</p> <p>Again thank you, your customer service as a company is excellent and all staff have been so helpful and pleasant.</p> <p>take care</p> <p>xxxx</p>
	<p>Very helpful and dealt with quickly. Excellent service, polite and professional staff, thank you.</p>
	<p>I prefer written communication rather than online services. Generally, I have very good service.</p>
	<p>Friendly and helpful, sorted out issues.</p>

**Complaints/Suggestions:**

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
	<p>My queries have been answered. I have recently transferred in 2 previous pensions, the transfer value although sent by letter cannot be found anywhere on my online record. The two transfers showing on my record don't mean anything to me, apart from the company name, what do the headings mean, no information to explain.</p>	<p>Response sent by xxxx- Letter sent to member 11/08/2022 to acknowledge survey comments and respond to member's query regarding her transfer in values.</p> <p>Raised with xxxx who confirmed that the TV IN page on MPO was in development to include CARE benefits as well as per 14 service.</p>

## Customer Survey Results - Hounslow Members (1<sup>st</sup> July to 30<sup>th</sup> September 2022)

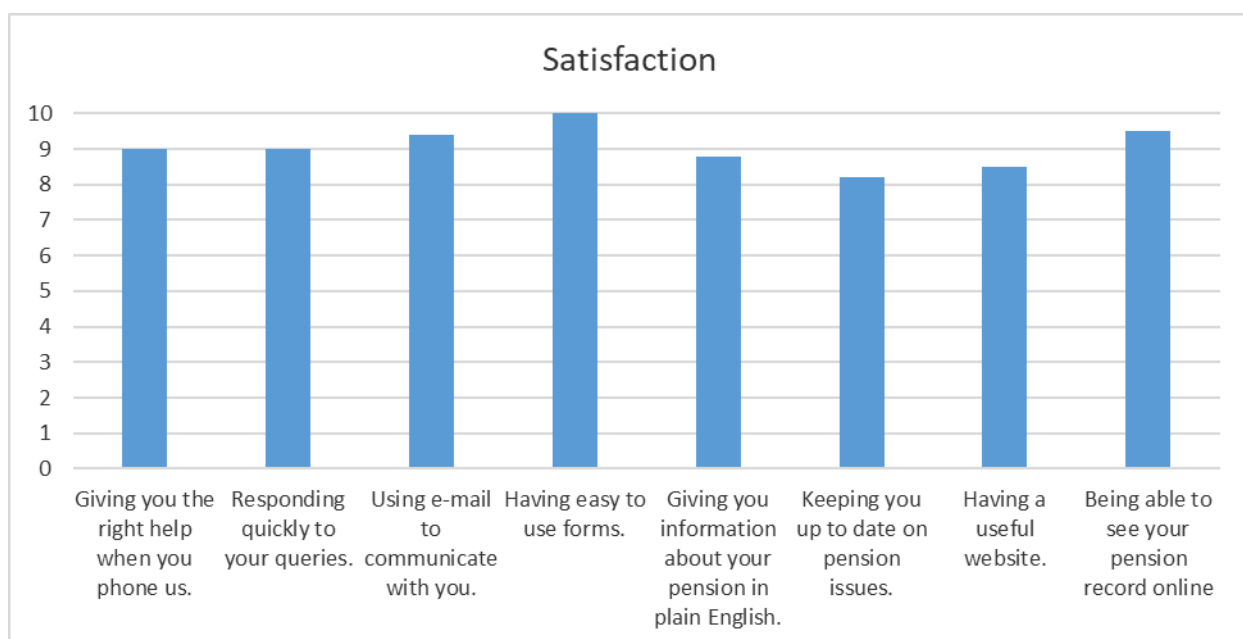
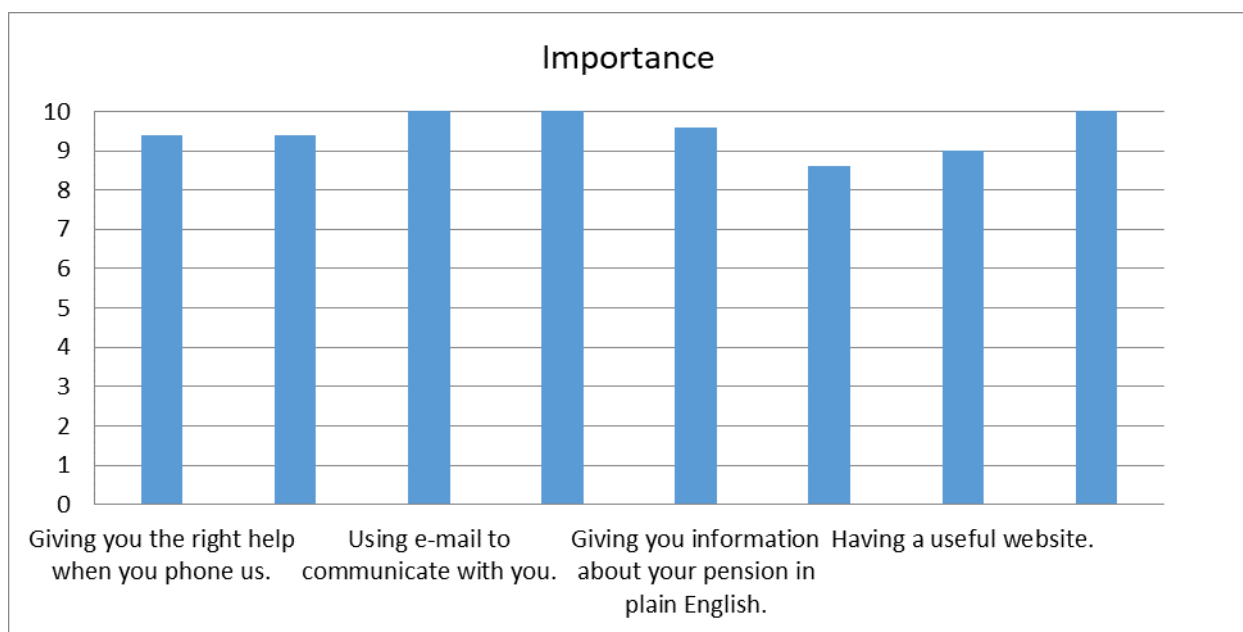
Over the quarter July to September we received **0** online customer responses.

Over the quarter July to September **55** Hounslow member's sample survey letters were sent out and **5 (9.1 %)** returned:

Overall Customer Satisfaction Score;

July to September 2021	October to December 2021	January to March 2022	April to June 2022	July to September 2022
96.4%	92.3%	94.5%	89.2%	90.8%

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



**Sample of positive comments:**

<b>Member Number</b>	<b>Comments</b>
	Your service is very good.
	Quick and easy. Getting the pension was quick and easy, not a lots of forms to fill in.
	Fast and efficient. All was good.

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Summary of Acknowledgement Letter Sent to Member</b>
None		

## Customer Survey Results – Barnet Members (1<sup>st</sup> July to 30<sup>th</sup> September 2022)

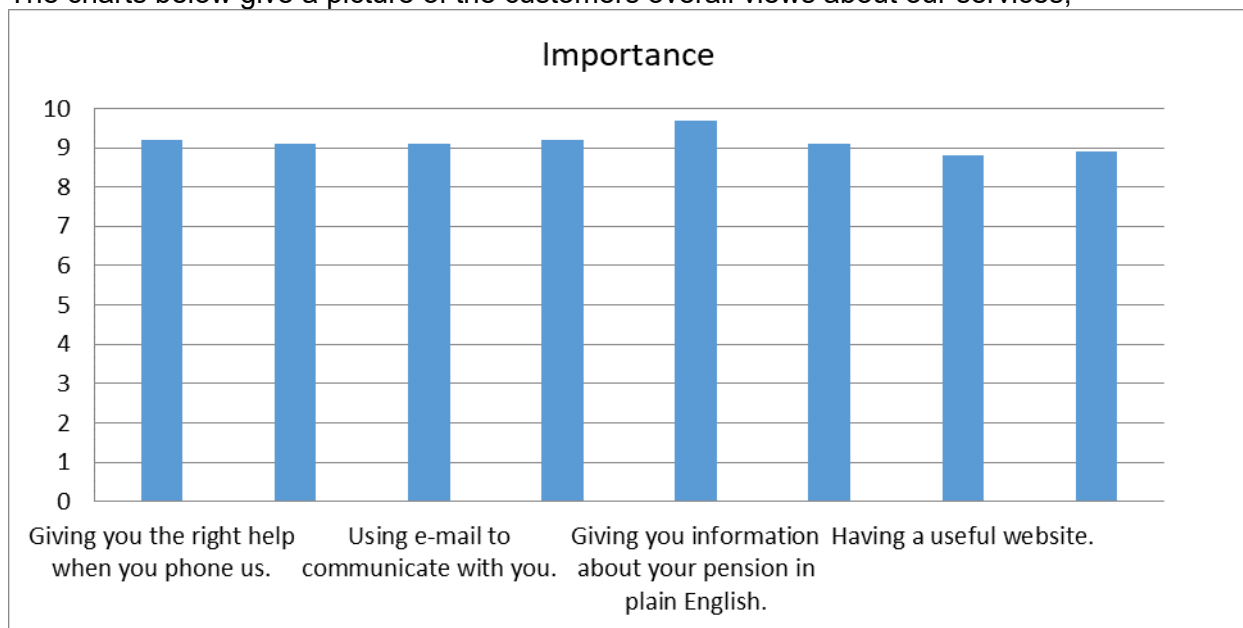
Over the quarter July to September we received **0** online customer response.

Over the quarter July to September **118** Barnet member's sample survey letters were sent out and **17 (14.5%)** returned:

Overall Customer Satisfaction Score:

July to September 2021	October to December 2021	January to March 2022	April to June 2022	July to September 2022
87.3%	84.5%	91.1%	85%	86.5%

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



**Sample of positive comments:**

<b>Member Name /Number</b>	<b>Comments</b>
	Good. Mine was a bit complicated but everyone I dealt with was clear, responsive & helpful.
	The staff I spoke to were professional, helpful, and knowledgeable. Very happy with the service received.
	Excellent and informative staff. The service was excellent and everything was clear.
	I can't comment because I have not had my statement yet for August to see if my pension is in my account. When I rang you first time about my pension and retirement I spoke to xxxx who was able to answer all questions I have. I will do another survey in the future when I have had more time to experience your service.

**Complaints/Suggestions:**

<b>Member Number</b>	<b>Comments</b>	<b>Summary of Acknowledgement Letter Sent to Member</b>
None		

# Council Workforce

3 January 2023

Select a Department or Service to filter the information shown

Dept

Chief Executive

Service

West Yorkshire Pension Fund

Council Headcount & True FTE

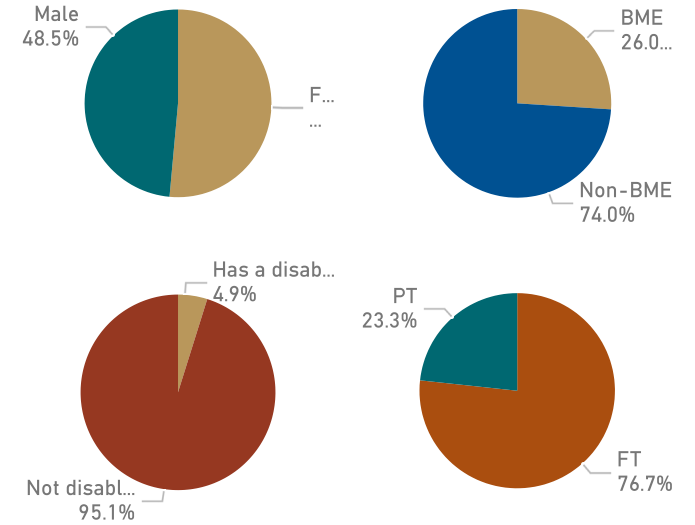


205  
Established Employees

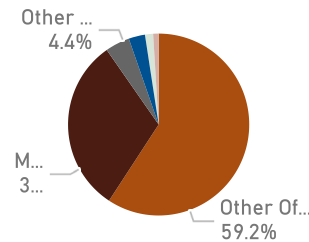
1  
Temporary Employees

19  
Casual Workers

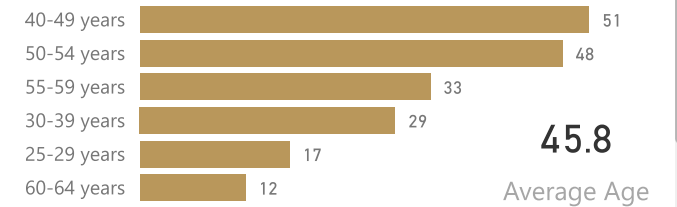
Protected Characteristics



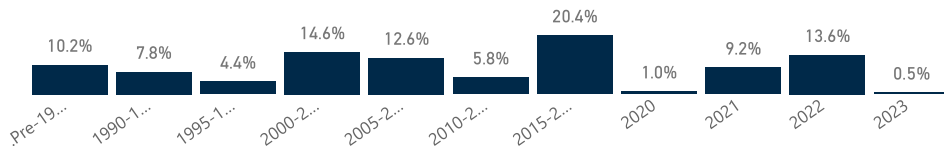
Job Types



Age Bands



Current Employee Start Year



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# Absence Performance

Council staff in 12 month period to 1 April 2022

Select a Department or Category to filter the information shown:

Department

Sickness Category

West Yorkshire Pension F... ▾

All ▾

Department BV12 Sickness Outturns	2019	2020	2021	2022
Chief Exec's & Office of the Chief Exec	5.36	4.87	7.30	16.08
Children's Services	14.03	14.98	12.52	18.03
Corporate Resources	10.32	11.35	9.47	11.01
Health & Wellbeing	15.60	13.37	13.66	16.58
Place	14.06	13.58	9.23	13.98
West Yorkshire Pension Fund	6.14	6.05	5.48	7.33
Council Total (excluding Schools)	13.00	12.96	10.75	14.56

YE Total Sickness

1,196

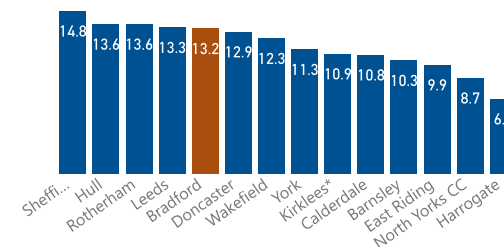
Total FTE Days Lost

YE Total Sickness

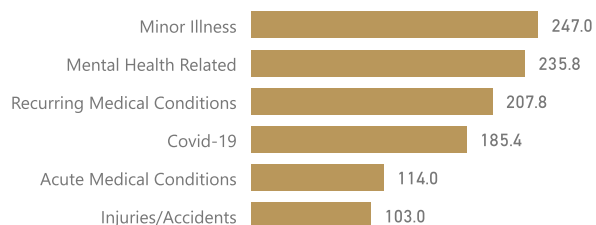
£178.4K

Total Sick Pay Cost

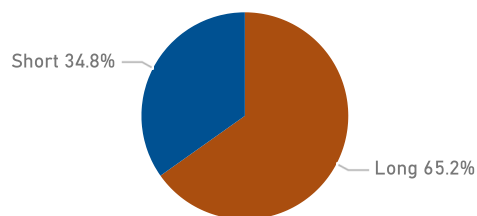
BV12 Local Authority Comparison 2021/22



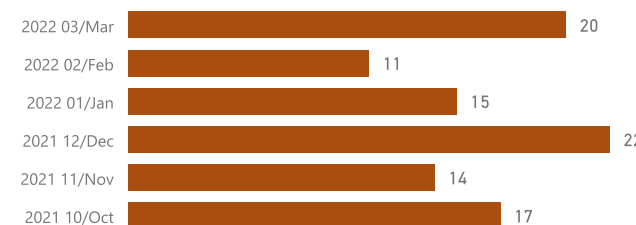
Sickness Category (FTE days) at Year End



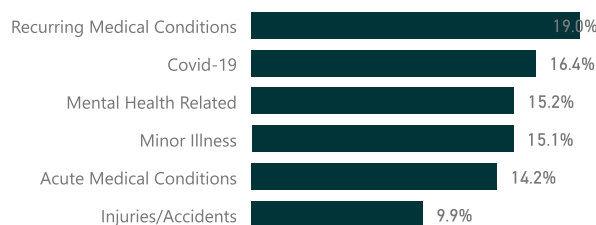
FTE Days by Term at Year End



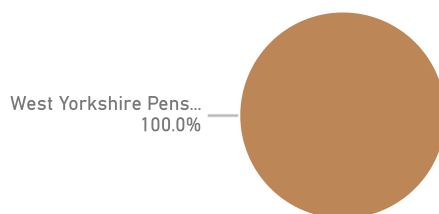
Sickness Spells Commenced per Month



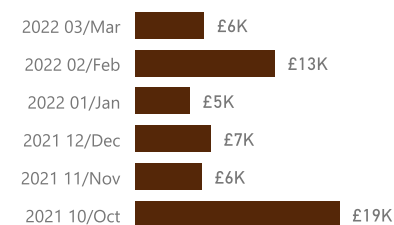
Sick Pay by Category (£) at Year End



Sick Pay Costs Split at Year End



Sick Pay Cost by Month Commenced (£)



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# Starters

1 Jan 2023

Start Date

1/1/2022

12/31/2022

Number of Starters

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

All

BME

All

Disability

All

Employee Group

All

Gender

All

Payscale

All

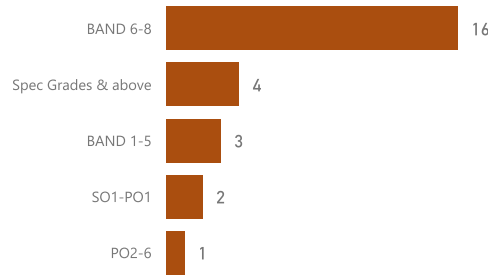
< Show All >

< Gender >

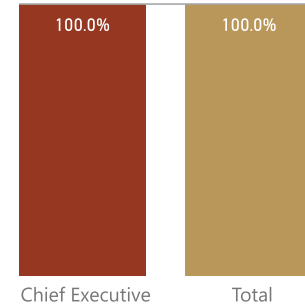
< Ethnicity >

< Disability >

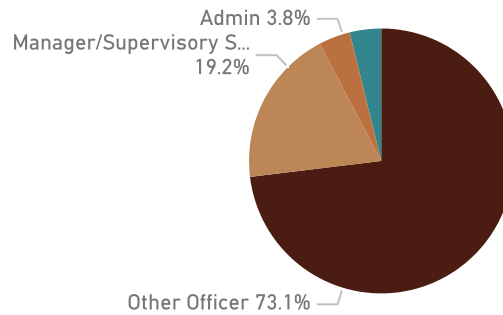
## Starter Pay Band



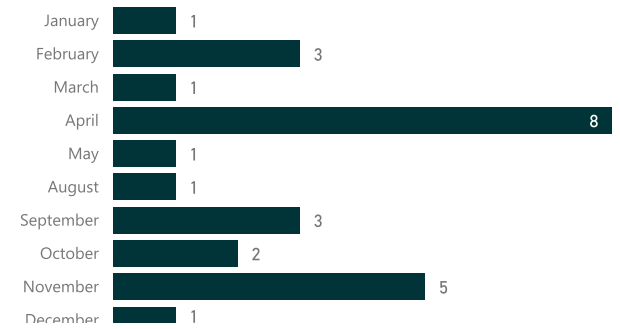
## Percentage of Starters



## Starter Job Types



## Starters Over Time



Chief Executive



26

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# Leavers

1 Jan 2023

Leaving Date

1/1/2022

12/31/2022

Number of Leavers



Select a Department or Service to filter the information shown

Dept

Service

Chief Executive

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 G ...

Gender

Payscale

All

All

All

All

All

All

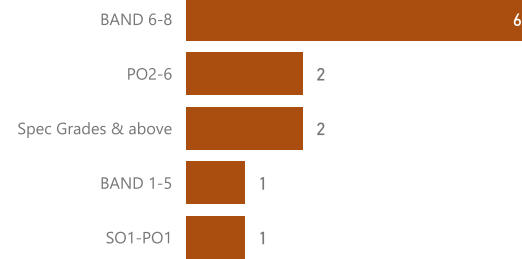
< Show All >

Leavers by Payscale

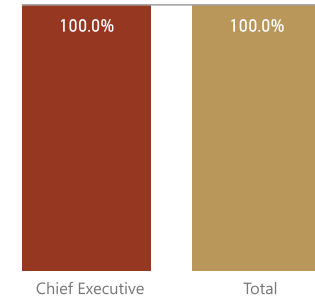
< Gender >

< Ethnicity >

< Disability >



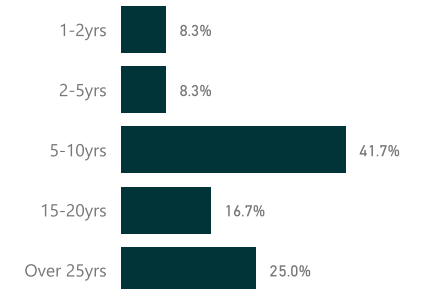
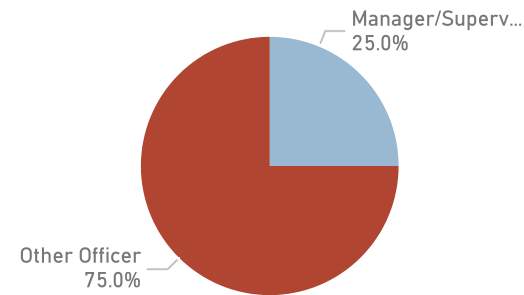
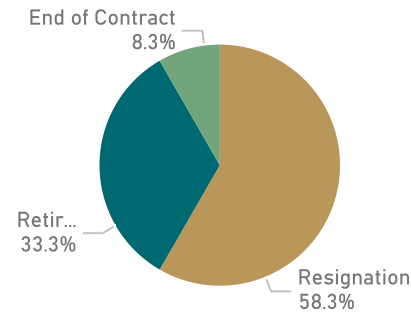
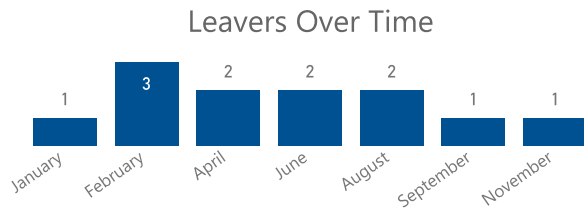
Percentage of Leavers



Leaving Reasons

Leaver Job Types

Leaver Length of Service



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## **Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023.**

**O**

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### **Subject:**

**Pensions Administration Strategy and Communications Policy 2023**

### **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 2023.

### **EQUALITY & DIVERSITY:**

**No specific equality and diversity issues.**

---

Euan Miller  
Managing Director

**Portfolio:**

Report Contact: Yunus Gajra  
Assistant Director (Finance,  
Administration and Governance)  
Phone: (01274) 432343  
E-mail: [Yunus.gajra@wypf.org.uk](mailto:Yunus.gajra@wypf.org.uk)

**Overview & Scrutiny Area:**

## **1. SUMMARY**

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 have been produced by WYPF and are brought before JAG each year to review and approve.

## **2. BACKGROUND**

- 2.1 The Pensions Administration Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations 2013.
- 2.2 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 will be sent to the secretary of state once approved by JAG.
- 2.3 The 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.
- 2.4 The Communications policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.
- 2.5 The policy has been prepared to meet our objectives about how we communicate with key stakeholders. WYPF currently administers the Local Government Pension Scheme (LGPS) for over 800 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 2023 and is reviewed annually.

## **3. OTHER CONSIDERATIONS**

None

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

Sufficient budget to ensure adequate resources are available to meet the requirements of the Pensions Administration Policy and the Communications Policy.

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

None specific.



**6. LEGAL APPRAISAL**

None

**7. OTHER IMPLICATIONS**

**7.1 SUSTAINABILITY IMPLICATIONS**

None

**7.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

**7.3 COMMUNITY SAFETY IMPLICATIONS**

None

**7.4 HUMAN RIGHTS ACT**

None

**7.5 TRADE UNION**

None

**8. NOT FOR PUBLICATION DOCUMENTS**

None

**9. RECOMMENDATIONS**

It is recommended that the Pension Administration Strategy and the Communications Policy 2023 be approved.

**10. APPENDICES**

Appendix A – Pensions Administration Strategy  
Appendix B – Communications Policy

**12. BACKGROUND DOCUMENTS**

None

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# Pension Administration Strategy

# Contents

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

## 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 IDRPCs
- 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 or better
Change of hours, name, payroll number or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within 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 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.

An adjudicator will be nominated 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. For LPF, the decision maker in these stage one appeals is the Head of Pensions.

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



### Main contact registration form

<b>Employer name and location code</b>
<b>Employer address</b>

**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	

<b>Date signatures valid from</b>	<b>Signed (by current authorised signatory)</b>
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## 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 19 <sup>th</sup> of month (weekends and bank holidays on the last working day before 19 <sup>th</sup> )	Due by 19 <sup>th</sup> 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 19 <sup>th</sup> of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19 <sup>th</sup> 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 19 <sup>th</sup> of the month (weekends and bank holidays on the last working day before 19 <sup>th</sup> ).	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for 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: <ul style="list-style-type: none"> <li>Benefit recalculation</li> <li>Member file search and record prints</li> <li>Supplementary information requests</li> </ul>	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

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London Borough  
of Hounslow



# Communications Policy

## Communications Policy 2023

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 800 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 2023 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 scheme regulations and procedures in a clear and easy to understand style and help scheme members understand their pension, the benefits and options it provides
- 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
- Provide timely and sufficient information to scheme members, allowing access through the channel of their choice, so members can make informed decisions about their benefits
- 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 a secure My Pension platform
- broaden our use of digital platforms to engage stakeholders including adoption of online chat using Live Agent

- improve the web provision for all members by launching a new persona driven website, and,
- increase the information we give to employing authorities when they join the scheme or change main contacts

## Communications events 2023 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
<b>LGPS active members (including representatives of active members and prospective members)</b>			
	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
	Engaging with your LGPS pension	Monthly	Virtual events held online
	Pension Awareness Week	Once per year (Sept)	Virtual events held online
	Planning for a successful retirement	At least monthly	Held by Affinity Connect
	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
<b>LGPS deferred members (including representatives of deferred members)</b>			

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 2023 – firefighters**

Communication	Format	Frequency	Method of distribution
<b>Firefighter active members (including representatives of active members and prospective members)</b>			
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
New recruit presentation	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 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 2023 – councillors

Communication	Format	Frequency	Method of distribution
<b>Councillor members (including representatives of members)</b>			
	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 2023 – employing authorities

Communication	Format	Frequency	Method of distribution
<b>Employing authorities</b>			
Employer Pension Fund Representatives	Website	8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
Fact card	Website	1 per year	Web
Fact sheets	Website	Constant	Web
Employer guide	Website	Constant	Web/electronic document
Employer webcasts	Website	Weekly	Held on-line with recordings made available
Ad hoc training	Website	When required	Face-to-face/virtual
Update sessions	Website	Up to 2 per year	Meeting
Annual meeting	Website	1 per year	Meeting
Manuals/toolkits	Website	Constant	Web/electronic document
Pension Matters and round-up	Website	12 per year and when required	Wordpress blog and gov. delivery bulk email
Social media	Website	Constant	Web
Ad hoc meetings	Website	When required	Face-to-face



## Member contacts

**Phone** (01274) 434999

**Email** [pensions@wypf.org.uk](mailto:pensions@wypf.org.uk)

Our offices have now re-opened to members of the public following the Covid-19 pandemic on an appointment basis.

### Postal address

WYPF  
PO Box 67  
Bradford BD1 1UP

### WYPF contact centre

Aldermanbury House  
4 Godwin Street  
Bradford  
BD1 2ST

### LPF satellite office

Lincolnshire County Council  
County Offices  
Newland  
Lincoln LN1 1YL

## Employer contacts

Ammie Mchugh (Employer Relations Manager) 01274 432763

### Employer Pension Fund Representatives

David Parrington (Fire)	01274 433840
Sheryl Clapham (LGPS)	01274 432541
Kaele Pilcher (LGPS)	01274 432739
Ahmed Surtee (LGPS)	01274 433517
Richard Quinn (LGPS)	01274 433646
Finola Middleton (LGPS)	01274 432726

## WYPF Management

Euan Miller	Managing 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  
Shropshire Fire & Rescue Service  
South Yorkshire Fire & Rescue  
Staffordshire Fire & Rescue Service  
Tyne & Wear Fire & Rescue Service  
Warwickshire Fire & Rescue Service  
West Yorkshire Fire & Rescue Service



## **Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023**

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### **Subject: Register of Breaches of Law**

#### **Summary statement:**

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

Section 70 of the Pensions Act 2004 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.

#### **EQUALITY & DIVERSITY:**

None

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Euan Miller  
Managing Director WYPF

**Portfolio:**

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Head of Employer Services and  
Compliance  
Phone: 077903531709  
E-mail: caroline.blackburn@wypf.org.uk

**Overview & Scrutiny Area:**

## **1. SUMMARY**

1.1 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.

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

## **2. BACKGROUND**

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

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

2.2 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.

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

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

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

### **3. BREACHES**

3.1 The entries on the Register of Breaches for 2022/2023 relate to:

- Contributions being paid late by employers and therefore not being received by the fund until after the Pension Regulator's deadline of the 21<sup>st</sup> day of the following month.
- the non-issue of Annual Benefit Statements by the 31 August 2022 for a small number of active members.

### **4. OTHER CONSIDERATIONS**

None

### **5. FINANCIAL & RESOURCE APPRAISAL**

None

### **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

### **7. LEGAL APPRAISAL**

7.1 Appendix A details whether each Breach has been deemed to be of material significance and as a result been reported to the Pensions Regulator in accordance with Section 70 of the Pensions Act 2004.

### **8. OTHER IMPLICATIONS**

#### **8.1 SUSTAINABILITY IMPLICATIONS**

None.

#### **8.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None.

#### **8.3 COMMUNITY SAFETY IMPLICATIONS**

None.

#### **8.4 HUMAN RIGHTS ACT**

None.

#### **8.5 TRADE UNION**

None.

**8.6 WARD IMPLICATIONS**

None

**8.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

**8.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE**

None.

**8.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None.

**9. NOT FOR PUBLICATION DOCUMENTS**

None

**10. OPTIONS**

N/A

**11. RECOMMENDATIONS**

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

**12. APPENDIX**

- Appendix A – Register of Breaches 2022/2023

## WYPF Breaches of Law 2022-2023

Date	Category (eg administration, contributions, funding, investments)	Pensions Regulator code of practice paragraph	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
Sept 2022	<b>Administration</b> <b>Issue of Annual Benefit Statements (ABS)</b>	189	Scheme regulations require an ABS be provided to each active member by the 31 August each year  At 31 August 22 98.39% of statements had been sent out.  (Members at 31 March 22 = 181285  ABS issued = 178365)	1.61% of active eligible members did not receive 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 record is in a position to have a correct ABS produced.	Not reported	Due to the relative low numbers this breach is not regarded as of material significance	Outstanding ABS continue to be issued as soon as the ABS block has been resolved
See schedule below	<b>Administration</b> <b>Maintaining contributions</b>	147	Employee's pension contributions must be paid to the manager of the scheme by the 19th day of the month following deduction or by 22nd day if paid electronically.  <b>Please see schedule below for details of employers who failed to make payment by the appropriate date.</b>	Contributions not received by the scheme within the prescribed timescales	<b>Immediate action:</b> All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee and are notified that further late payments may be reported to the Pensions Regulator. <b>Continuing Action:</b> Employers are closely monitored. Records of each employer who fail to make payment each month are maintained.	Not reported		All outstanding payments are chased up

**WYPF Breaches of the Law 2022 -2023**



## WYPF Breaches of the Law 2022 -2023

Month	Employer	Date contributions due	Date paid	Value of late contributions
Carry over from 2021/22	Basketball England	21.11.2021	No contributions received yet	985.36
April 2022	Halifax Opportunities Trust (Calderdale)	21.05.2022	23.05.2022	3228.95
	Fleet Factors	21.05.2022	17.06.2022	88.97
	Atalian Servest (Mast Academy Trust)	21.05.2022	30.06.2022	3281.85
	Hutchinson Catering Ltd (Cottingley Primary Academy)	21.05.2022	06.06.2022	508.38
	Hutchinson Catering Ltd (Feversham Primary Academy)	21.05.2022	06.06.2022	717.22
	Kirklees Citizen Advice and Law Centre	21.05.2022	10.06.2022	762.76
	Enviroserve (Priestley Academy Trust)	21.05.2022	No contributions received yet	
May 2022	Arcadis (UK) Ltd	21.06.2022	22.06.2022	3988.37
	Atalian Servest (Mast Academy trust)	21.06.2022	30.06.2022	3451.74
	Enviroserve (Priestely Academy Trust)	21.06.2022	No contributions received yet	
June 2022	South Elmsall Town Council	21.07.2022	05.08.2022	1184.37
	Fleet Factors	21.07.2022	19.08.2022	88.97
	Pool Parish Council	21.07.2022	26.07.2022	298.06
	Sitlington Parish Council	21.07.2022	08.09.2022	1011.14
	Heaton St Barnabas C of E Primary School	21.07.2022	08.09.2022	10182.04
	St Bedes and St Joseph's Catholic College	21.07.2022	08.09.2022	37960.78
	Low Moor Primary	21.07.2022	08.09.2022	9137.74
	Midshire Signature Services Ltd (Bronte Academy Trust)	21.07.2022	19.08.2022	419.91
	Hutchinson Catering Limited	21.07.2022	31.08.2022	96.27
	Independent Cleaning Services Ltd ( Star Academies Trust)	21.07.2022	12.09.2022	509.42
	Midshire Signature Services Ltd (Coop Academy Smithies Moor)	21.07.2022	20.09.2022	475.02
	Basketball England	21.07.2022	No contributions received yet	
	Aspire Igen Group Ltd	21.07.2022	23.08.2022	3922.91

## WYPF Breaches of the Law 2022 -2023

	Ryhill Parish Council	21.07.2022	No contributions received yet	
	Enviroserve (Priestley Academy Trust)	21.07.2022	No contributions received yet	
July 2022	South Elmsall Town Council	21.08.2022	14.09.2022	1296.57
	Aspire Igen Group Ltd	21.08.2022	23.08.2022	3922.91
	CBRE Managed Services Ltd	21.08.2022	01.09.2022	2343.99
	Independent Cleaning Services Ltd (Star Academies Trust)	21.08.2022	12.09.2022	514.02
	Bulloughs (Temple Learning Academy RKLt)	21.08.2022	18.10.2022	3757.48
	Hutchinsons Catering Services Ltd (Iveson)	21.08.2022	31.08.2022	129.57
	Mellors Catering Services Ltd (Elevate MAT)	21.08.2022	19.10.2022	455.62
	Bulloughs Cleaning Services Ltd (Share MAT)	21.08.2022	13.10.2022	531.78
	Midshire Signature Services Ltd (Coop Academy Smithies Moor)	21.08.2022	20.09.2022	461.51
	Ryhill Parish Council	21.08.2022	No contributions received yet	
	Arcadis (UK) Ltd	21.08.2022	No contributions received yet	
	Enviroserve (Priestley Academy Trust)	21.08.2022	No contributions received yet	
August 2022	Micklefield Parish Council	21.09.2022	23.09.2022	332.93
	Fleet Factors	21.09.2022	05.10.2022	88.97
	Pool Parish Council	21.09.2022	29.09.2022	298.06
	Moorlands Learning Trust	21.09.2022	03.10.2022	41327.81
	South Pennines Academies	21.09.2022	27.09.2022	20722.98
	Affinity Trust	21.09.2022	12.10.2022	499.75

## WYPF Breaches of the Law 2022 -2023

	Future Cleaning Services Ltd (Calderdale High)	21.09.2022	05.10.2022	893.11
	Bulloughs (Temple Learning Academy RKLt)	21.09.2022	18.10.2022	4390.48
	Bulloughs (Cleaning Services LTD (Share MAT)	21.09.2022	13.10.2022	677.45
	South Elmsall Town	21.09.2022	No contributions received yet	
	St Anne's Community Services	21.09.2022	No contributions received yet	
	St Anne's (Bradford) Community Services	21.09.2022	No contributions received yet	
	Enviroserve (Priestley Academy Trust)	21.09.2022	No contributions received yet	
Sept 2022	Greenhead Sixth Form College	21.10.2022	02.11.2022	36980.52
	Arcadis (Uk) Ltd	21.10.2022	03.11.2022	2248.68
	RCCN Ltd (Chellow Heights School)	21.10.2022	11.11.2022	679.23
	Ryhill Parish Council	21.10.2022	No contributions received yet	
	South Elmsall Town Council	21.10.2022	No contributions received yet	
	South Hiendly Parish Council	21.10.2022	No contributions received yet	
	Enviroserve (Priestley Academy Trust)	21.10.2022	No contributions received yet	

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## **Report of the Managing Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023.**

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### **Subject:**

**CEM - Pensions Administration Benchmarking Survey (PABS)**

### **Summary statement:**

This report compares WYPF's pension administration costs and member service with a peer group of other schemes, from both public and private sector, for the year to 31 March 2022.

### **EQUALITY & DIVERSITY:**

**No specific equality and diversity issues.**

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Euan Miller  
Managing Director

**Portfolio:**

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E-mail: [Yunus.gajra@wypf.org.uk](mailto:Yunus.gajra@wypf.org.uk)

**Overview & Scrutiny Area:**

## 1. SUMMARY

The PABS report contains:

- A comparison of administration, governance and project costs with a peer group of other schemes.
- Analysis of the factors that influence our costs relative to our peers, explaining why our costs are higher or lower than our peers.
- An overall service score and a comparison with peers.
- Analysis on why our service score is higher or lower than that of our peers.
- A line item comparison of service metrics relative to our peers.
- A cost effectiveness ranking that shows our service score relative to cost.

## 2. BACKGROUND

- 2.1 CEM produces detailed benchmarking reports that compare the costs and performance of pension funds. PABS is an annual study that helps schemes to understand how their administration and governance costs and member service compare with others.

## 3. SURVEY RESULTS

Key findings from the survey are:

- 3.1 Our pension administration costs of £14.45 per member were £15.14 below the adjusted peer average of £29.59.
- 3.2 Our Business-As-Usual (BAU) costs of £14.45 per member were £10.60 below the adjusted peer average of £25.05.
- 3.3 We spend more on serving employers than peers and less on projects.
- 3.4 Our total administration cost per member fell by 4.4% in the last year.
- 3.5 Our total member service score was 69 out of 100. This was above the peer median of 67.
- 3.6 Our total member service score increased by 3 points in the year.
- 3.7 We were positioned as a high member service, low cost on the CEM administration cost effectiveness graph.
- 3.8 Our governance costs of £0.77 per member were £10.24 below the peer average of £11.01.

## 4. OTHER CONSIDERATIONS

None

## 5. FINANCIAL & RESOURCE APPRAISAL

None

**5. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None specific.

**6. LEGAL APPRAISAL**

None

**7. OTHER IMPLICATIONS**

**7.1 SUSTAINABILITY IMPLICATIONS**

None

**7.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

**7.3 COMMUNITY SAFETY IMPLICATIONS**

None

**7.4 HUMAN RIGHTS ACT**

None

**7.5 TRADE UNION**

None

**8. NOT FOR PUBLICATION DOCUMENTS**

None

**9. RECOMMENDATIONS**

It is recommended that JAG note the report.

**10. APPENDICES**

Appendix A – CEM Pensions Administration Benchmarking Report

**11. BACKGROUND DOCUMENTS**

None

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**Pension Administration  
Benchmarking Analysis**  
For the year ending March 2022

**West Yorkshire Pension Fund**

25/11/2022

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## Contents

- 1 Executive summary
- 2 Cost analysis
- 3 Total member service score
- 4 Service for active members
- 5 Service for deferred members
- 6 Service for pensioners
- 7 Cost effectiveness
- 8 Employer service

# West Yorkshire Pension Fund Pension Administration Benchmarking Results

For the year ending March 2022



Oxford House | 15-17 Mount Ephraim Road | Tunbridge Wells | Kent | TN1 1EN | UK

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[www.cembenchmarking.com](http://www.cembenchmarking.com)

## This report compares your pension administration costs and member service with a peer group of other schemes.

### Peer group for West Yorkshire<sup>1</sup>

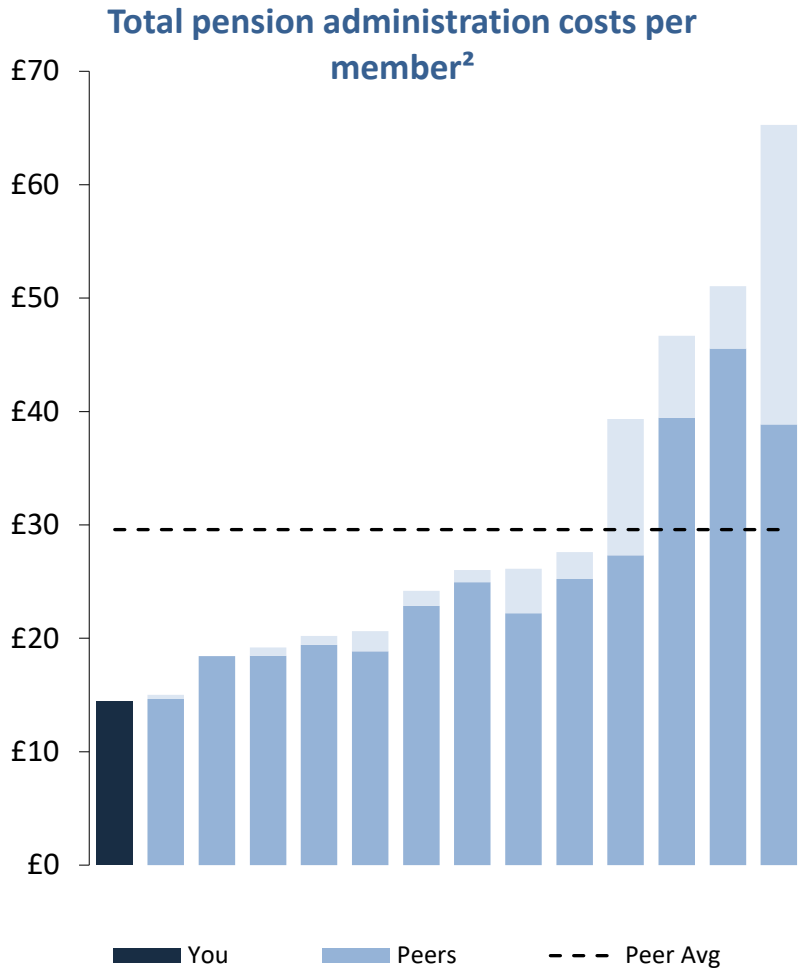
#	Scheme	# of members				% active	Administration model
		Active	Deferred	Pensioners	Total		
1	BT Pension Scheme	0	60,123	208,855	268,978	0%	In-house
2	Greater Manchester Pension Fund	117,823	147,338	139,771	404,932	29%	In-house
3	Lothian Pension Fund	36,093	20,270	35,828	92,191	39%	In-house
4	LPP (Local Pensions Partnership) <sup>2</sup>	190,210	239,033	210,486	639,729	30%	In-house
5	Merseyside Pension Fund	46,740	42,553	55,254	144,547	32%	In-house
6	Royal Mail Pension Plan	71,732	19,519	48,414	139,665	51%	In-house
7	RPMI (Railway Pension Scheme) <sup>2</sup>	101,668	108,751	147,160	357,579	28%	In-house
8	South Yorkshire Pension Fund	49,145	51,877	45,915	146,937	33%	In-house
9	SPPA (Scottish Public Pensions Agency)	269,608	85,412	203,648	558,668	48%	In-house
10	TPT	10,961	47,892	58,136	116,989	9%	In-house
11	Tyne and Wear Pension Fund	55,392	49,814	62,351	167,557	33%	In-house
12	USS (Universities Superannuation Scheme)	212,306	207,204	96,335	515,845	41%	In-house
13	West Midlands Pension Fund	112,431	114,897	111,263	338,591	33%	In-house
<b>14</b>	<b>West Yorkshire Pension Fund</b>	<b>105,964</b>	<b>86,657</b>	<b>104,710</b>	<b>297,331</b>	<b>36%</b>	<b>In-house</b>
	Average	98,577	91,524	109,152	299,253	32%	14 out of 14 in-house
	Median	86,700	72,768	100,523	283,155	33%	

Your peer group comprises 14 pension schemes between 92,191 and 639,729 members. The peer median was 283,155 members, compared with your own 297,331 members. The peer group has been selected based on the availability of data, scheme size and membership mix.

1. Peer data is the most up-to-date available. In most instances it is for the year to March 2022 though some peers have different year ends. We have rolled forward data from prior years for some peers, increasing costs in line with National Average Earnings where no updated data was available and substituting current year membership data from publicly available documents.

2. LPP and RPMI operate administration platforms serving multiple clients. We are benchmarking their operating costs rather than the fees they charge to their clients.

# Your pension administration costs of £14.45 per member were £15.14 below the adjusted<sup>1</sup> peer average of £29.59.



	£ 000s		£ per member		
	You 2022	You 2021	Peer avg	You 2022	You 2021
Project costs	0	0	4.54	0.00	0.00
Business-as-usual costs	4,297	4,349	25.05	14.45	15.12
<b>Total administration costs</b>	<b>4,297</b>	<b>4,349</b>	<b>29.59</b>	<b>14.45</b>	<b>15.12</b>

We include costs that are directly related to pension administration (e.g., staff costs or an outsourced provider's fee) plus attributions of IT, accommodation, HR, support services and professional fees.

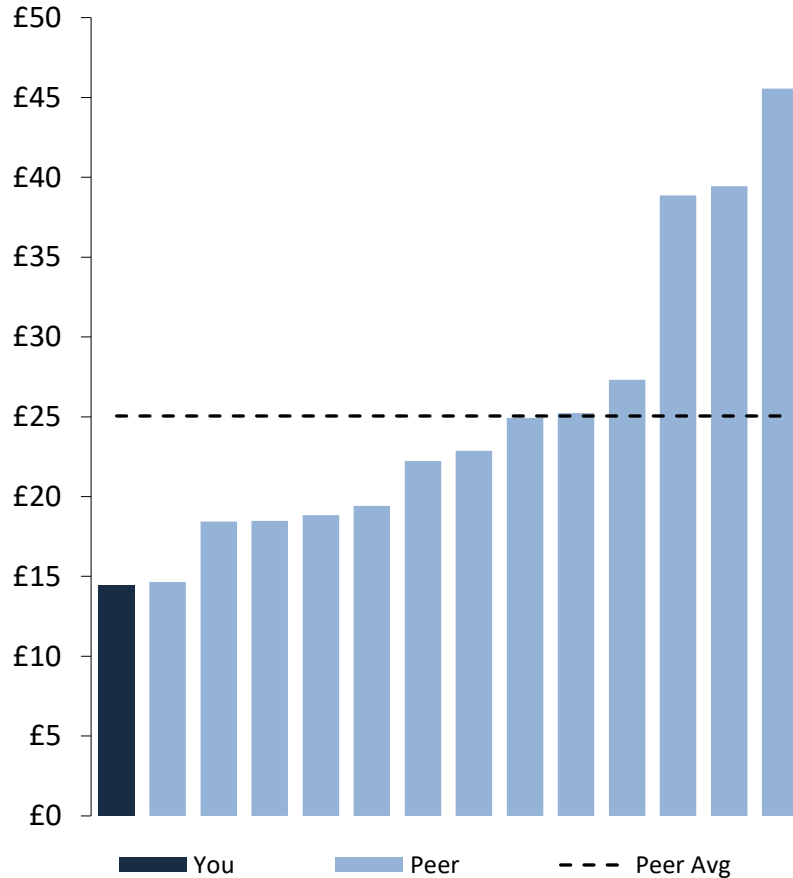
The costs associated with investment operations, investment management and the governance of the scheme are specifically excluded.

1. To make a fairer comparison we adjust (or 'normalise') business-as-usual peer costs to eliminate the effect of economies of scale. On average, peer costs have decreased by £1.49 per member. Before the adjustment the peer average cost was £31.07.

2. Project costs are denoted by the lighter shading on the bars. These one-off costs are averaged over a maximum of 5 years.

Your Business-As-Usual (BAU) costs of £14.45 per member were £10.60 below the adjusted peer average of £25.05.

Business-as-usual (BAU) costs



	<u>£ per member</u>		
	Adjusted <sup>1</sup> peer avg	You 2022	You 2021
Business-As-Usual (BAU) costs	25.05	14.45	15.12

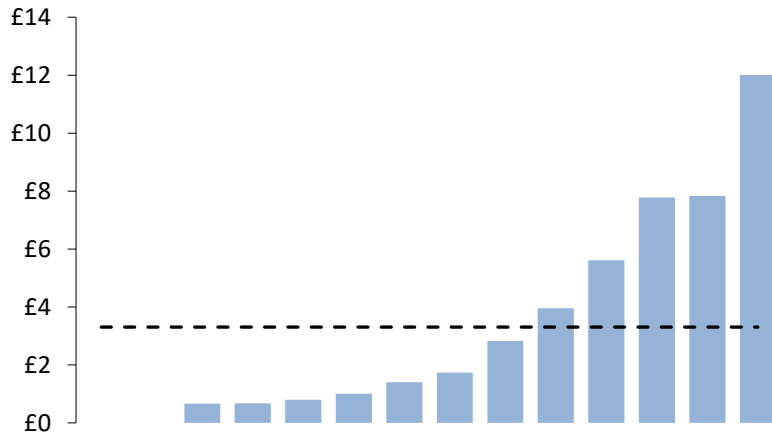
The following BAU tasks were included:

- Processing leavers, joiners, retirees, deaths, etc.
- Maintenance of the membership database
- Dealing with incoming and outgoing post, e-mails and phone calls
- Finance and accounting (excluding investment accounting)
- Mass communication including member statements, newsletters, websites, etc.
- Pensioner payroll
- Serving employers
- Collecting data and contributions.
- Communication strategy, print and design
- Business integrity: quality, risk management, technical support, etc.
- Internal oversight of any outsourcing contract.

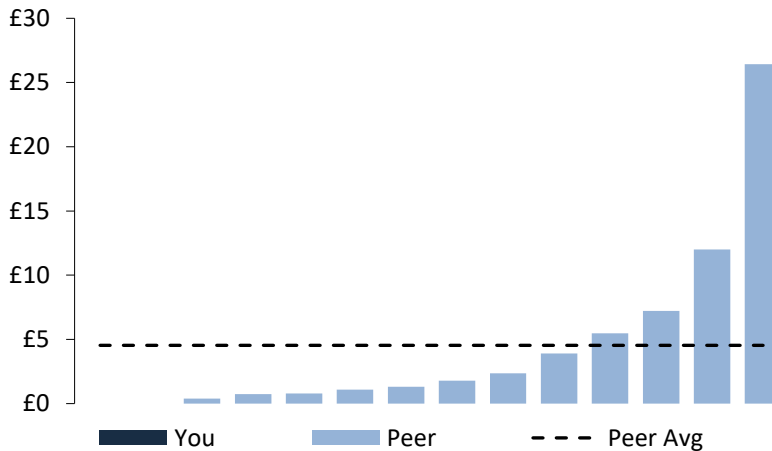
<sup>1</sup> To make a fairer comparison we adjust (or 'normalise') costs to eliminate the effect of economies of scale. On average, peer costs have decreased by £1.49 per member. Before the adjustment the peer average cost was £26.54.

## Your 2021/22 project costs were £0.00 per member.

### 2021/22 Project costs



### Multi-year average project costs



	£ per member	
	You	Peer Avg
Single year 2021/2022	£0.00	£3.31
Multi-year average	£0.00	£4.54

You did not report any one-off costs in the year.

What is included:

- One-off costs that were not capitalised, including fees paid to external administration providers for one-off projects or irregular work. These costs are averaged over as many years as possible based on the scheme's participation record, with a maximum of 5 years.
- The attribution of accommodation and HR costs based on FTEs dedicated to major projects in the current year, if any.
- Current year amortisation on capitalised costs.

Note that some schemes have submitted less than 5 years of data. Where this is the case the costs are averaged over the number of years where data has been available. Some schemes have reported no capital expenditure.

## Some reasons why your costs were £15.14 below the adjusted peer average:

Reason	Impact £ per member	Explanation
Headcount	-£4.85	You have 1 FTE for every 3,675 members, 32.0% less than the peer average of 1 FTE per 2,499 members.
Salaries and benefits	-£0.67	Your average remuneration <sup>1</sup> was £35,888 per FTE. This was 4.5% less than the peer average of £37,567.
Accommodation	-£0.47	Your accommodation costs were £1,816 per FTE. This was 39.4% less than the peer average of £2,999 <sup>3</sup> .
HR and Training	-£1.18	Your HR and Training costs were £192 per FTE. This was 93.9% less than the peer average of £3,150.
Spending less per member on IT	-£3.65	Your IT spend (exc. major projects) was £2.35 per member. The peer average was £6.00 <sup>4</sup> .
Third party fees and other direct costs <sup>2</sup>	-£1.26	Your third party fees and other direct costs were £1.78 per member. The peer average was £3.05 <sup>4</sup> .
<b>Total</b>	<b>-£12.09</b>	<b>Difference in cost before adjusting for economy of scale impact</b>
Adjustment for scale	£1.49	You had a scale advantage
Difference in average project costs	-£4.54	Your multi-year average project costs were £0.00 per member. The peer average was £4.54.
<b>Total</b>	<b>-£15.14</b>	

1. Average remuneration is the sum of your total salaries and the value of any overtime, benefits-in-kind, employer NI, etc. divided by the number of FTEs on your team.

2. Third party fees and other direct costs includes, where relevant, fees paid to external providers for activities that are outsourced. In some schemes these outsourced activities can be material, e.g. outsourcing pension payroll can explain differences in other areas, e.g. headcount.

3. Differences in the way funds account for accommodation will have an influence on relative costs, i.e., some funds will pay commercial rents whilst others will occupy premises they have owned for a long time that are fully depreciated.

4. Differences in organisation structures will influence relative overheads, for example some funds may enjoy cost benefits of shared services supplied by a sponsor or another government agency.



## You spend more on serving employers than peers and less on projects.

Function	Costs by function				FTE by function	
	You		Peer average		You	Peer average
	£ per member	% of total	£ per member	% of total	FTE per 10,000 members	FTE per 10,000 members
Contact centre (if you have one) <sup>1</sup>	£0.55	4%	£0.90	3%	0.13	0.24
Member transactions <sup>1</sup>	£6.42	44%	£7.76	25%	1.51	2.15
Pensioner payroll <sup>3</sup>	£0.78	5%	£0.79	3%	0.18	0.20
Mail room / imaging	£0.55	4%	£0.65	2%	0.13	0.12
Communication (strategy, design, web, etc)	£0.51	4%	£1.31	4%	0.12	0.16
Scheme-wide processes	£0.53	4%	£1.31	4%	0.12	0.34
Serving employers	£0.96	7%	£0.80	3%	0.23	0.21
Finance and accounting	£0.72	5%	£1.55	5%	0.17	0.28
Technical, risk mgt, compliance, quality	£0.51	4%	£1.59	5%	0.12	0.25
Other	£0.00	0%	£0.91	3%	0.00	0.06
IT	£2.34	16%	£5.65	18%	0.09	0.40
Accommodation	£0.51	4%	£1.37	4%	0.00	0.03
HR	£0.05	0%	£0.94	3%	0.00	0.09
Other support services	£0.00	0%	£0.49	2%	0.00	0.06
Project costs	£0.00	0%	£4.54	15%	0.00	0.11
<b>Total</b>	<b>£14.45</b>		<b>£30.58</b>		<b>2.81</b>	<b>4.69</b>
Balancing amount <sup>2</sup>			-£1.00			
<b>Total</b>	<b>£14.45</b>		<b>£29.59</b>	<b>Members per FTE</b>	<b>3,675</b>	<b>2,499</b>

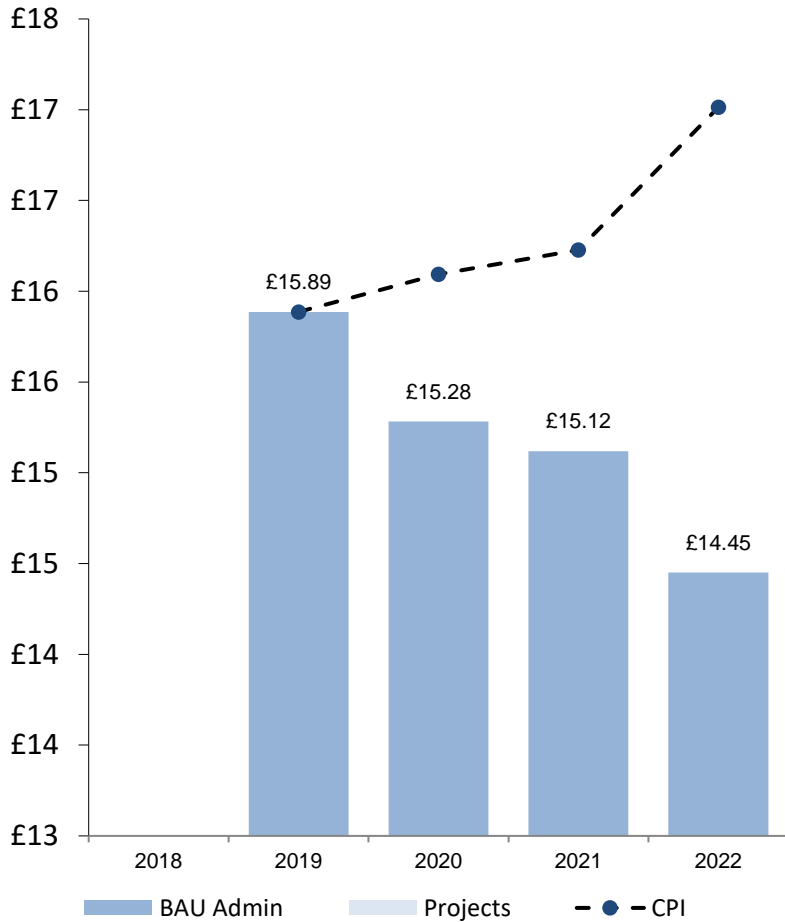
1. Not all peers have a contact centre so care needs to be taken in interpreting the data in this area. Combining contact centre and member transactions may provide a better measure of relative spend and FTEs.

2. The 'balancing' amount includes outsourced costs, scale adjustment (for peers), and the impact of peers that do not provide a functional cost breakdown.

3. Your cost for pensioner payroll on a per pensioner basis was £2.22. The peer average was £2.30.

# Your total administration cost per member fell by 4.4% in the last year.

Pension admin cost per member trend



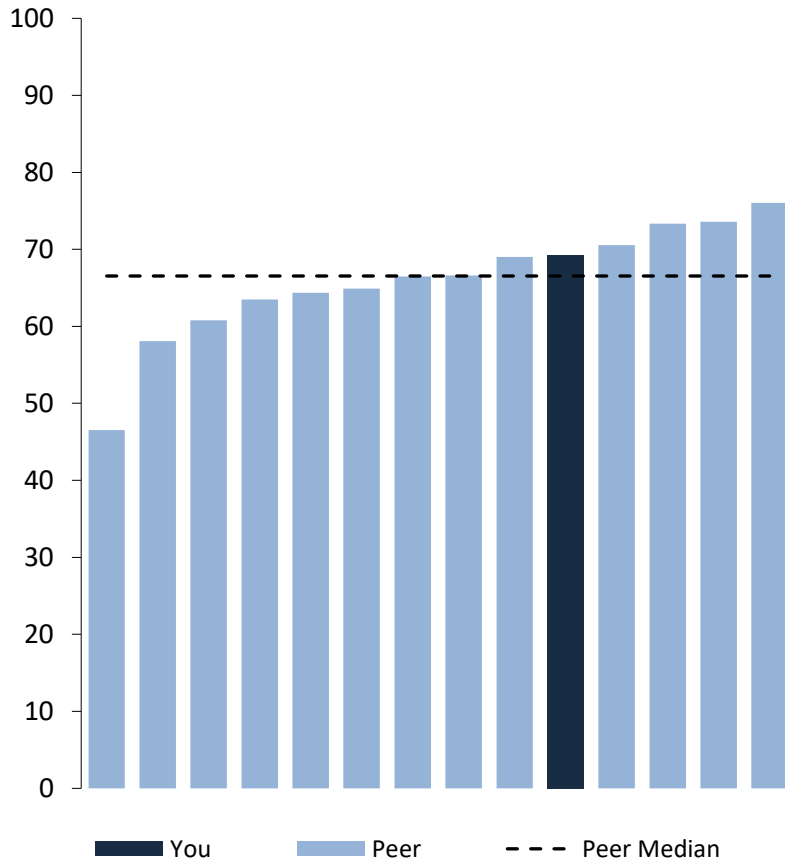
Reasons for cost changes over 1 and 3 years

Reason	1 Year (2021)		3 Years (2019) Avg. % change	
	% change	£ per member	per annum	£ per member
<i>Start</i>		£15.12		£15.89
Headcount <sup>1</sup>	17.8%	£1.98	7.2%	£3.18
Average remuneration per FTE <sup>2</sup>	-17.6%	-£2.15	-9.1%	-£3.87
Support costs per FTE <sup>3</sup>	-33.5%	-£0.28	-17.3%	-£0.42
IT costs per member	-15.1%	-£0.43	25.5%	£1.24
Outsourced fees per member <sup>3</sup>	62.7%	£0.71	-9.9%	-£0.67
Project costs per member	0.0%	£0.00	0.0%	£0.00
Membership <sup>4</sup>	3.4%	-£0.49	2.0%	-£0.90
<i>End (2022)</i>	-4.4%	£14.45	-3.1%	£14.45

1. Your headcount increased by 17.8% in the year from 69 to 81. Over 3 years it has increased by an average 7.2% per annum.
2. Average remuneration fell by 17.6% in the year from £43,546 to £35,888. Over 3 years it has fallen by an average of 9.1% per annum. Average remuneration can change year over year because of inflationary increases, promotions and also because the makeup of your team changes over time.
3. Includes accommodation, HR, etc.
4. Your membership increased by 3.4% in the year from 287,644 to 297,331. Over 3 years it has increased by an average of 2.0% per annum.

## Your total member service score was 69 out of 100. This was above the peer median of 67.

Total member service score<sup>1</sup>



Looking at cost in isolation is unhelpful. Context is required, as is a means to measure value for money. CEM believes the right measure is member service, hence the service score.

Service is defined from a member's perspective. Higher service means more channels, faster turnaround times, more availability, more choice, better content and higher quality.

Higher service is not necessarily cost-effective. For example, the ability to answer the telephone 24 hours a day is higher service, but not cost

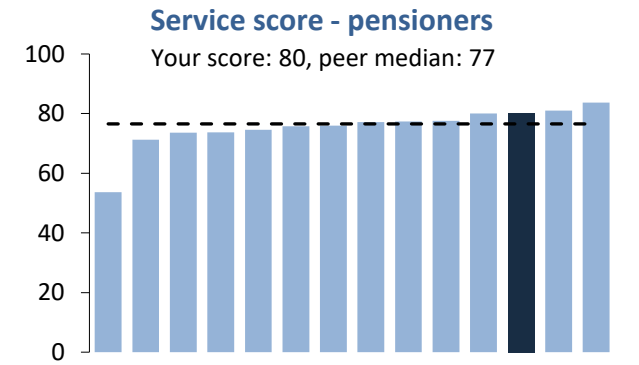
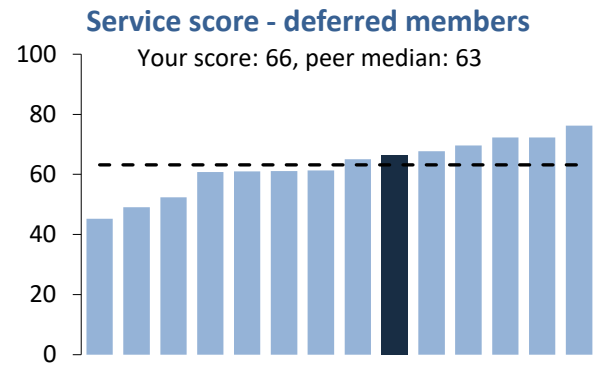
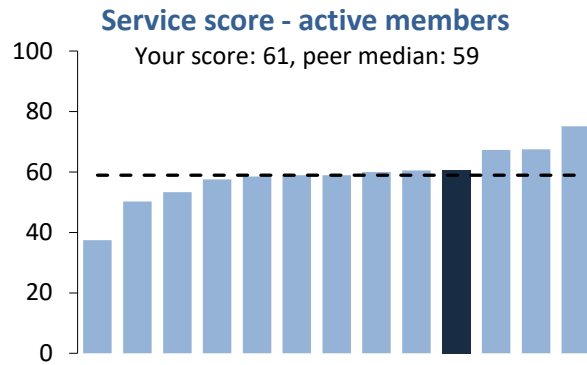
The total service score is equal to your service scores for active members, deferred members and pensioners, weighted by your membership mix. Your membership mix is also used to weight the total scores for your peers.

	Weight	2022 score	2021 score <sup>2</sup>	1 year change
Active	36%	61	59	2
Deferred	29%	66	59	7
Pensioner	35%	80	78	2
<b>Total</b>	<b>100%</b>	<b>69</b>	<b>66</b>	<b>3</b>

1. For peers with no active members we have added a default active member service score equal to your own active member service score.

2. Historic service scores are restated to reflect your current membership mix and to eliminate the effects of changes to the methodology.

## Service score by member type and activity



Activity	Weight	You 2022	Peer med
Pension Set Ups	10%	91	52
Benefit Statements	8%	69	57
Estimates	7%	25	95
Newsletters and Campaigns	4%	65	40
-			
Meeting members	9%	22	39
Telephone	14%	56	61
Digital	28%	63	66
SLA	7%	89	84
DC and AVCs	5%	37	57
Feedback	4%	68	68
Vulnerable members	4%	88	78
<i>Deductions</i>			
Complaints (up to 6 pts)	n/a	0	0
Data Breaches (up to 20 pts)	n/a	0	0
<b>Weighted total</b>	<b>100%</b>	<b>61</b>	<b>59</b>

Activity	Weight	You 2022	Peer med
Pension Set Ups	10%	96	66
Benefit Statements	4%	68	58
Estimates	8%	45	100
Newsletters and Campaigns	4%	59	59
Tracing Members	15%	88	91
Meeting members	2%	0	12
Telephone	14%	56	62
Digital	22%	60	72
SLA	7%	65	68
DC and AVCs	4%	27	56
Feedback	4%	100	66
Vulnerable members	6%	88	78
<i>Deductions</i>			
Complaints (up to 6 pts)	n/a	0	0
Data Breaches (up to 20 pts)	n/a	0	0
<b>Weighted total</b>	<b>100%</b>	<b>66</b>	<b>63</b>

Activity	Weight	You 2022	Peer med
Pension Increases	20%	100	100
P60s	10%	100	100
-			
Newsletters and Campaigns	4%	84	52
-			
Meeting members	2%	11	0
Telephone	15%	52	58
Digital	28%	74	77
SLA	7%	88	87
-			
Feedback	4%	100	40
Vulnerable members	10%	82	73
<i>Deductions</i>			
Complaints (up to 6 pts)	n/a	0	0
Data Breaches (up to 20 pts)	n/a	0	0
Missed Payments (up to 65 pts)	n/a	0	0
<b>Weighted total</b>	<b>100%</b>	<b>80</b>	<b>77</b>

1. The weighted total service score for peers is the median amongst the peer group, not the sum of the peer medians by activity x the weight.

2. The service score is not designed to be comparable across the member categories, i.e., if active members score higher than deferreds, it does not mean that active members enjoy a higher level of service per se.

# Key outliers influencing your total member service score relative to peers

## Higher than peers

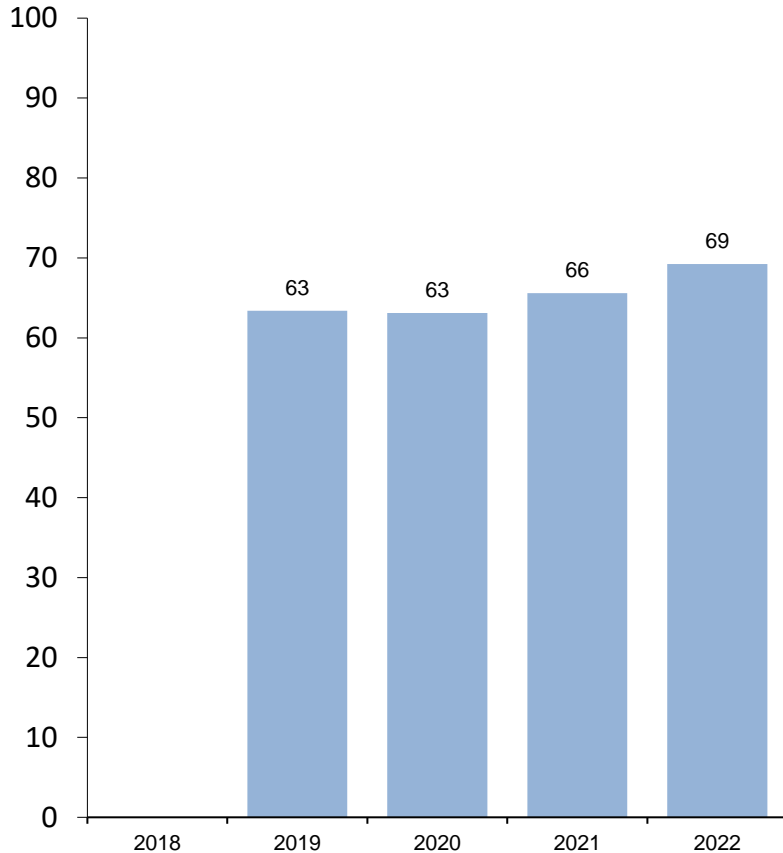
- 97.8% of your retiring active member pension set-ups were paid without an interruption in cashflow greater than 1 month, versus a peer median of 60.0%.
- 83.7% of your pension commencement lump sums were paid within 1 week of retirement for retiring active members. (92.3% amongst retiring deferred members). The peer median was 36.0% (68.0% for deferred).
- Your website has enhanced features to service your vulnerable members compared to most peers. Specifically screen magnifiers, screen readers and the ability to change screen colour.
- You do more surveying of your members both for single activity and customer effort than your peers. For example, only 36% of peers survey effort for telephone calls.
- You ran more types of campaigns than your peers. For example, you launched campaigns this year to obtain updated contact information and beneficiary information for actives and pensioners. Less than half your peers did.

## Lower than peers

- You do not have an on-line estimates calculator for active and deferred members, although this is due to be available imminently. 70% of peers have a calculator linked to member data for active members, with a further 15% linked to a generic calculator. No peers provide a generic calculator for deferred members, although 79% of peers have a calculator linked to member data for deferred members.
- You did not meet one-on-one with your active members. 62% of your peers did, with virtual meetings being the most common form. However, you are only 1 of 5 peers that met one-on-one with pensioner members.
- You have less online functionality for your DC/AVC component than most of your peers, for example:
  - view current market value (peers: 86%)
  - summary of account activity for any time period (peers:79%)
  - switch balances between investment options (peers: 86%).
- Many of your peers offer high value functionality in their secure site:
  - apply for retirement (peers: 69%)
  - change banking information (peers: 77%)
  - secure mailbox - pensioners (peers: 54%).
- You have fewer flags to identify vulnerable members than most of your peers such as speech impairment, reading or writing impairment, english as a second language.

# Trend analysis - your total member service score increased by 3 points in the year.

Total service score trend



## Changes that had a positive impact this year

- You significantly improved the timeliness of setting up new pensions for actives (2022: 97.8%, 2021: 73.6%) and lump sum payments (2022: 83.7%, 2021: 53.0%)
- You have greater utilisation of your secure site. 6.7% more active members and 7.7% more pensioner members accessed your site compared to peers.
- This year you provided the number of retiring deferred members that you were unable to locate at 0.1%, previously it was unknown.

## Changes that had a negative impact this year

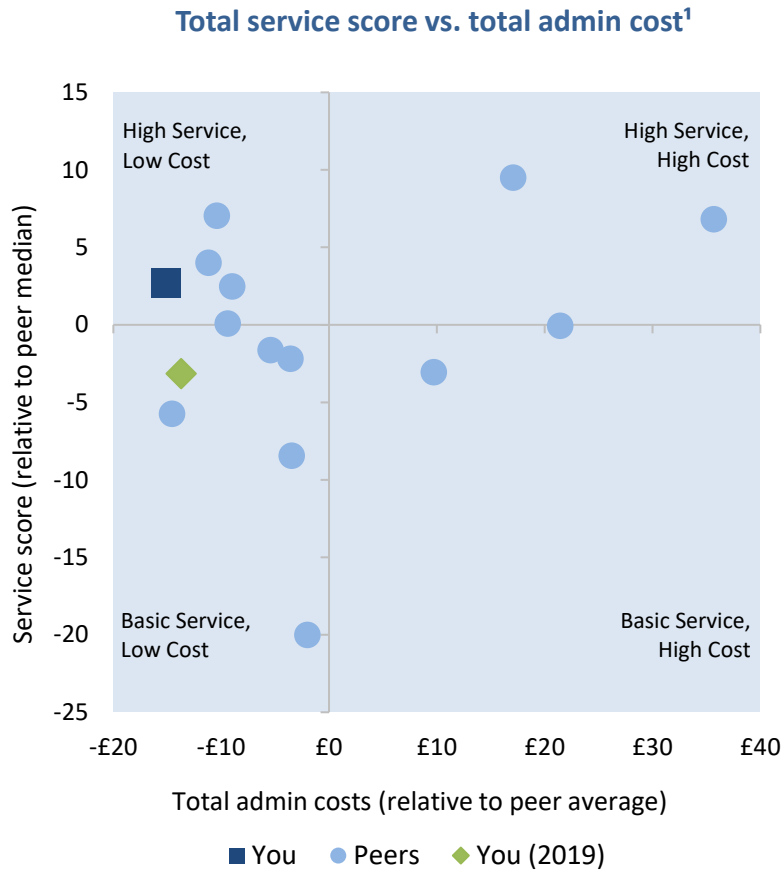
- You previously had an on-line calculator for deferred members that is no longer available.
- You had less attendees at your webinars (2022: 0.37%, 2021: 1.91%).
- Your telephone abandonment rate increased due to increased call volume and queuing times (2022: 15%, 2021: 0.5%).

## Longer term changes

- There has been a continual increase in your engagement with pensioner members, with your score for newsletters and campaigns steadily increasing over the last few years, which is complemented by the step change this year in the proportion of members using your secure website.
- Your telephone pre-connection service declined due to Covid and the subsequent changes that have been made to compensate are yet to show the expected positive impact, which is more likely to be evident in the 2023 report.

Historic service scores are restated to reflect your current membership mix and to eliminate the effects of changes to the methodology.

## You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.



If you pay more for pension administration, do you get more? We answer this question by positioning each peer on our signature 'cost effectiveness graph'.

Your positioning on the graph is based on:

- Your total administration cost of £14.45 was £15.14 lower than the adjusted peer average of £29.59.
- Your total service score of 69 was 2 points higher than the peer median of 67.

Your operational strategy should focus on delivering services that are appropriate for your members within a budget that is right for your scheme. There is therefore no right answer about where you should be positioned in the graph on this page.

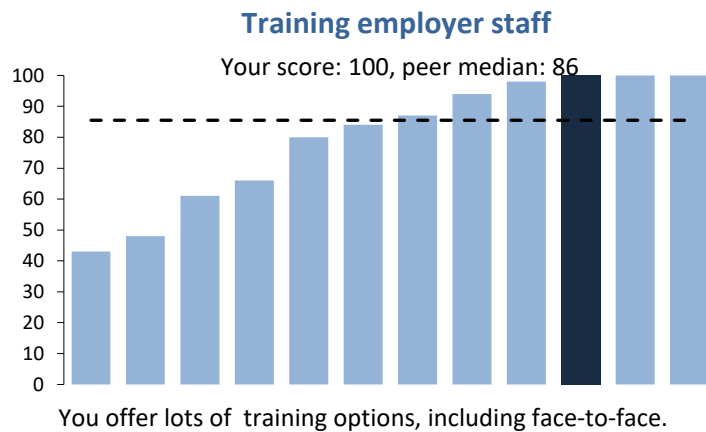
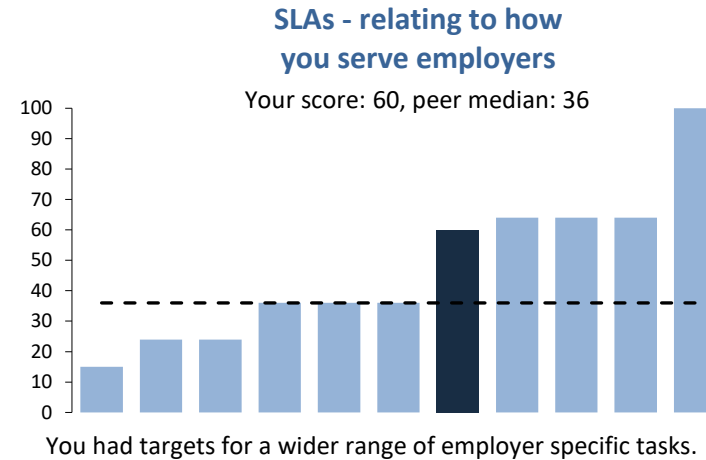
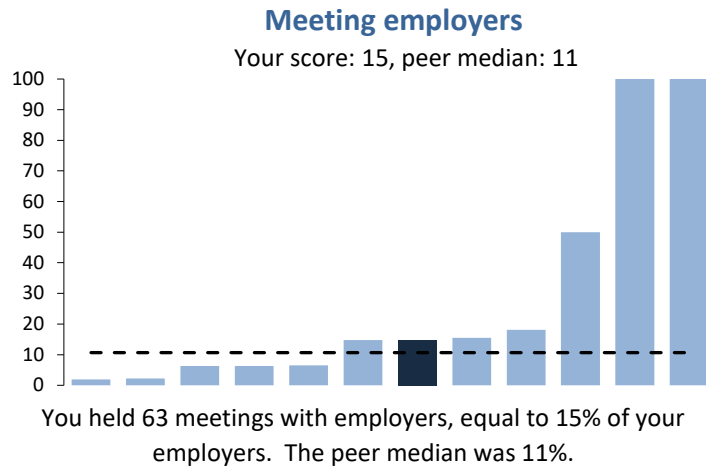
Having said this, our research suggests a low correlation between cost and service (according to the CEM scale). It should therefore be possible to increase your service score without a corresponding increase in costs.

We suggest that schemes focus on service improvements that can be implemented cost effectively. We also suggest benchmarking regularly as a means to monitor progress over time.

1. Including projects and BAU costs.

# Employer service dashboard

Your administration team serves two groups of 'clients' – members and employers. You serve 423 employers. On average, peers serve 621 (range 66 to 2,269). 78% of your employers are small (<100 active members). On average, 81% of employers are small amongst your peers. There is no single overarching score for employer service as we believe that different employers have different needs. Here is how you compare in some areas where comparisons make sense though:



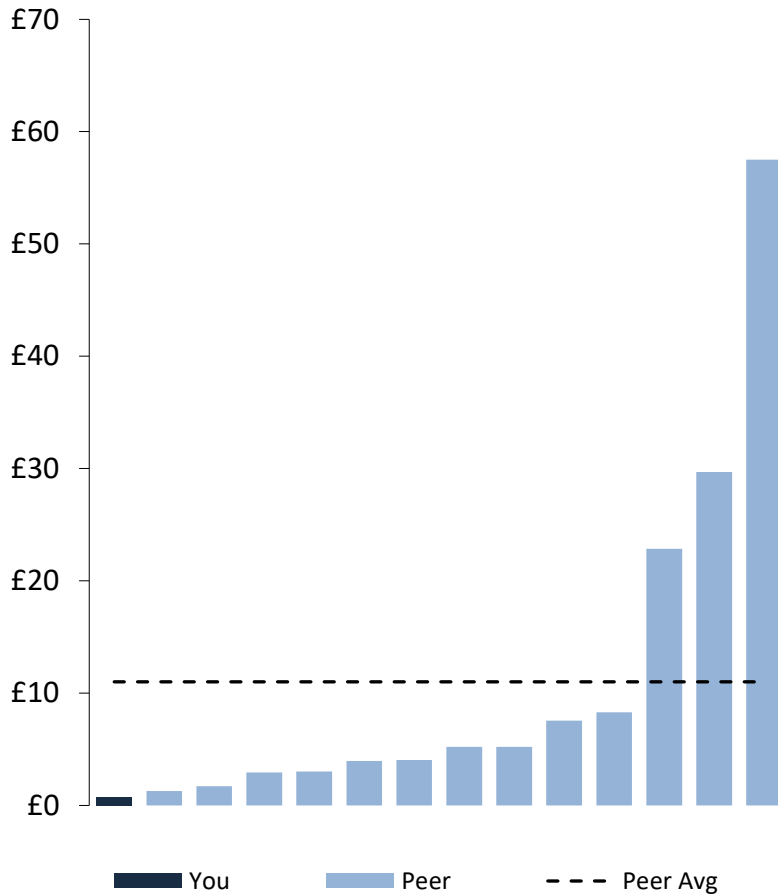
■ You ■ Peer - - - Peer Median

Not every peer answers every question. Corporate schemes in particular are not included. The median is the median amongst those schemes that were able to answer the relevant questions.



# Your governance costs of £0.77 per member were £10.24 below the peer average of £11.01.

## Governance costs per member



Governance costs relate to the oversight and strategic management of the scheme. It includes the costs of the Board, the executive team (except the head of administration and the head of investments) and professional adviser fees.

## Components of governance cost

	£ 000s		£ per member			
	Peer Avg	You	You	Peer Avg	You	You
		2022	2021		2022	2021
Board/Trustee fees and expenses	206	0	0	0.78	0.00	0.00
CEO, secretariat, strategy, policy <sup>1</sup>	1,147	11	13	4.25	0.04	0.05
Legal	406	9	24	1.49	0.03	0.08
Actuarial valuation <sup>2</sup>	523	8	0	2.06	0.03	0.00
Actuarial other	364	181	163	2.01	0.61	0.57
External audit	91	19	55	0.42	0.06	0.19
<b>Total</b>	<b>2,738</b>	<b>228</b>	<b>256</b>	<b>11.01</b>	<b>0.77</b>	<b>0.89</b>

The scope of work and activities of the Board and executive team vary substantially from scheme to scheme and are difficult to compare systematically. The type of scheme and complexities in benefit design, funding and employer numbers and engagement are all factors that impact costs. In addition, a scheme's propensity to outsource, M&A activity and legal issues arising in any period will affect an individual scheme's spend.

More importantly, it is very difficult to attach a meaningful measure of value to spend on governance. Extremely well governed schemes may be underfunded or achieve sub-optimal results and vice-versa. For these reasons, governance cost comparisons need to be treated cautiously but are included here for completeness.

<sup>1</sup> Includes attributions of accommodation, HR and other support costs.

<sup>2</sup> The peer average is the average amongst those schemes that have a valuation cost in the year.

## In summary

### Pension Administration Costs

- Your total costs were £15.14 per member below the peer average.
- Your costs were lower in all categories compared to your peer group.
- Your cost per member fell by 4.4% (CPI 4.8%) in the year.
- Your cost per member fell mainly due to a reduction in average salaries per FTE, lower support costs and reduced IT costs.

### Member Service

- Your total service score was above the peer median.
- You scored well for service in these areas:
  - Setting up new pension
  - Newsletters and Campaigns
  - Telephone Outcomes
  - SLA
- You scored below your peers in these areas:
  - Secure member website functionalities (specifically no secure area where pensioners can access their data)
  - 1-on-1 meetings with members
  - Member presentations
- Your total service score increased by 3 points in the year.

### Cost effectiveness

- You were positioned as high member service, low cost on the CEM administration cost effectiveness graph.

### Employer Service

- You scored well for training employer staff and for SLAs relating to how you serve employers.

# 2

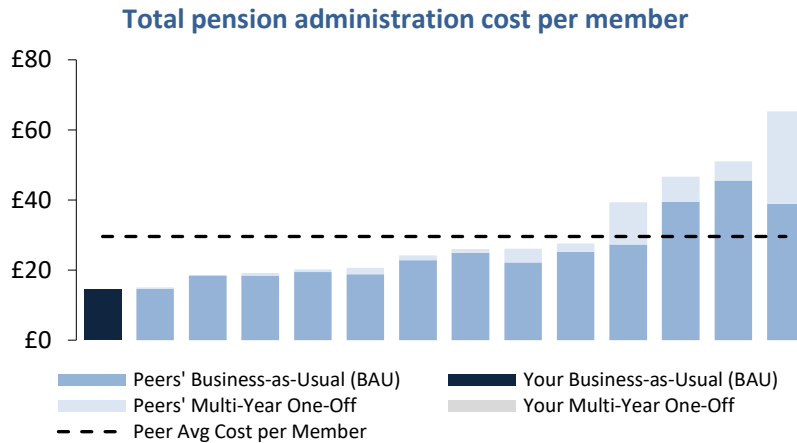
## Cost analysis

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## Total administration cost

Your total pension administration cost was £14.45 per member<sup>1</sup>. This was below the peer average of £29.59.

Your total pension administration cost per member is calculated by dividing your total cost of £4,296,620 by your total membership at year end of 297,331.



Your total pension administration cost is broken down between business-as-usual (BAU) and project costs averaged over multiple years.

### Components of total pension administration cost

Function	£000's		£ per member	
	You	Peer average <sup>2</sup>	Higher / (lower)	
BAU	4,297	14.45	25.05 <sup>2</sup>	-10.60
Projects	0	0.00	4.54	-4.54
Total	4,297	14.45	29.59	-15.13

The costs used in the comparison are 'fully loaded', with indirect costs like accommodation, HR and IT added, based on a standardised attribution and reflecting the data you supplied.

In the pages that follow we set out why your costs compare as they do and how they have changed over time.

<sup>1</sup> Per member costs in this report are based on all members (actives, deferreds and pensioners) unless otherwise stated.

<sup>2</sup> Reflects an adjustment for scale - refer to page 5.

## Reasons for your relative cost positioning

Here are some reasons why your costs were £15.13 below the adjusted peer average

Reason	Impact £ per member	Explanation
Headcount	-£4.85	<p>You have 1 FTE for every 3,675 members, 32.0% less than the peer average of 1 FTE per 2,499 members. So, based on the experience of peers, we would expect your headcount to be 119.0 (38.1 more than you currently have).</p> <p>Calculation: <math>(119.0 \text{ FTEs}^3 - 80.9 \text{ FTEs}^4) \times £37,896^* / 297,331 \text{ members} = £4.85 \text{ per member}</math></p> <p>* Sum of your average salaries and benefits (£35,888), accommodation (£1,816), and HR &amp; Training (£192) costs per FTE.</p>
Salaries and benefits	-£0.67	<p>Your average remuneration was £35,888 per FTE. This was 4.5% less than the peer average of £37,567*.</p> <p>Calculation: <math>(£35,888^1 - £37,567^2) \times 119.0 \text{ FTE}^3 / 297,331 \text{ members} = £0.67 \text{ per member}</math></p>
Accommodation	-£0.47	<p>Your accommodation costs were £1,816 per FTE. This was 39.4% less than the peer average of £2,999.</p> <p>Calculation: <math>(£1,816 - £2,999) \times 119.0^3 \text{ FTE} / 297,331 \text{ members} = £0.47 \text{ per member}</math></p>
HR and Training	-£1.18	<p>Your HR and Training costs were £192 per FTE. This was 93.9% less than the peer average of £3,150.</p> <p>Calculation: <math>(£192 - £3,150) \times 119.0^3 / 297,331 \text{ members} = £1.18 \text{ per member}</math></p>
Spending less per member on IT	-£3.65	Your IT spend (exc. projects) was £2.35 per member. The peer average was £6.00.
Third party fees and other direct costs	-£1.26	Your third party fees and other direct costs were £1.78 per member. The peer average was £3.05.
<b>Total</b>	<b>-£12.09</b>	<b>Difference in cost before adjusting for economy of scale impact</b>
Adjustment for scale	£1.49	You had a scale disadvantage. Your 297,331 members was below the peer average of 299,253.
Project costs	-£4.54	Your multi-year average project costs were £0.00 per member. The peer average was £4.54.
<b>Total</b>	<b>-£15.13</b>	<b>Difference in cost after adjusting for economy of scale impact</b>

\* The relative competitiveness of remuneration for your staff cannot be implied from this analysis. No account is taken of skills, experience, regional variations, local competition, etc

<sup>1</sup> Your average salaries and benefits per FTE

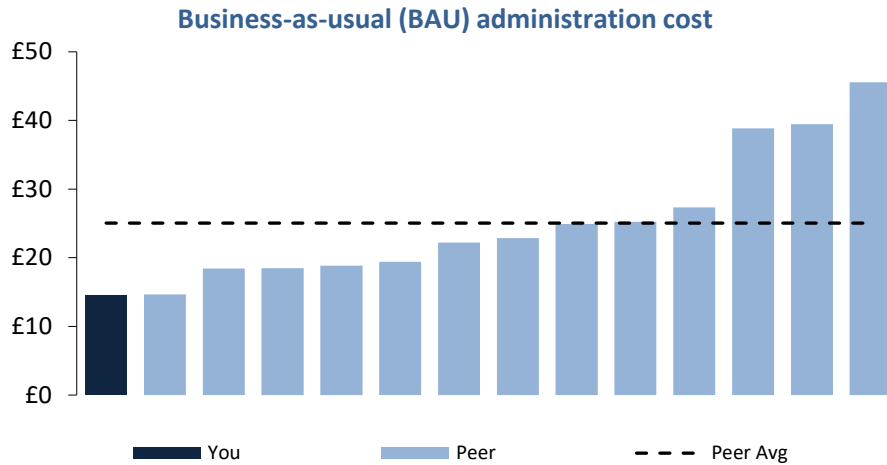
<sup>2</sup> Peer average salaries and benefits per FTE

<sup>3</sup> Your expected headcount based on peer FTE numbers

<sup>4</sup> FTE per member

## Business-as-usual (BAU) administration cost

Your BAU administration costs were £14.45 per member. This was £10.60 below the peer average of £25.05. For this comparison, each peers' costs were adjusted for scale differences. This adjustment is described overleaf.



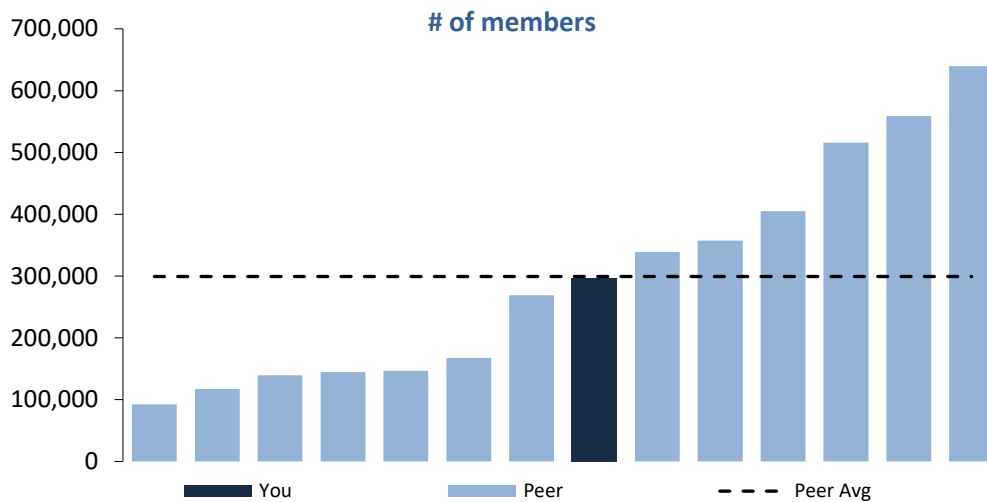
For the purpose of this report, BAU administration includes:

- Processing leavers, joiners, retirees, deaths, etc.
- Maintenance of the membership database
- Dealing with incoming and outgoing post, e-mails and phone calls
- Finance and accounting (excluding investment accounting)
- Mass communication including member statements, newsletters, websites, etc.
- Pensioner payroll
- Serving employers
- Collecting contributions and data
- Communication strategy, print and design
- Business integrity: quality, risk management, technical support, etc.

It excludes governance costs. These are considered separately.

## Scale adjustment to peer costs

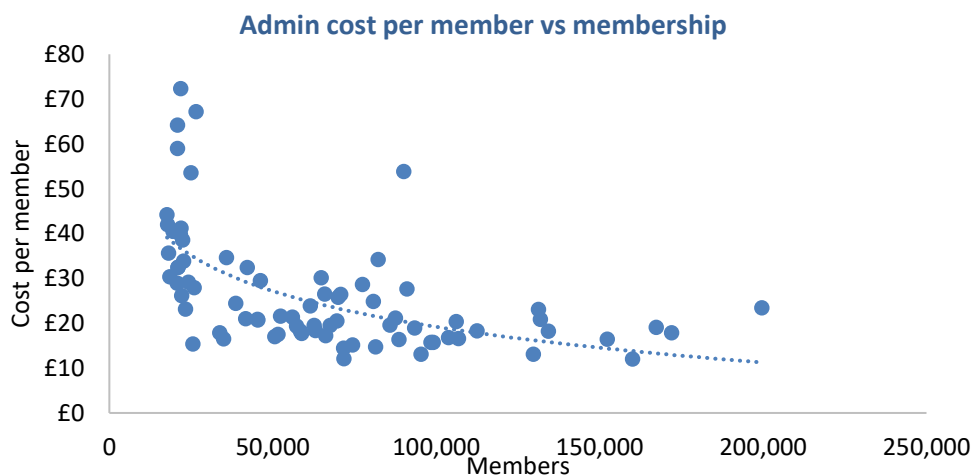
Having more members lets you spread your fixed costs over a larger base. Your scheme had 1% fewer members than the peer average.



For the purpose of the BAU cost comparison, we adjust each peers' costs to compensate for these scale differences. The effect of this 'normalisation' is to show how your costs would compare if your peers had the same membership numbers as you.

Because you have fewer members than peers, we expect your costs per member to be naturally higher. We therefore reduced peer costs by an average of £1.49 per member to compensate.

The adjustment reflects regression data from 105 UK pension schemes.



The same data helps us to suggest a potential cost impact for your scheme should your membership base change substantially.

## Scale adjustment to peer costs

How changes in membership could impact your cost			
% change in members	Implied # of members	Predicted cost per member	Increase / decrease
-75%	74,333	£39.33	£24.88
-50%	148,666	£23.84	£9.39
-25%	222,998	£17.79	£3.34
0%	297,331	£14.45	£0.00
25%	371,664	£12.30	-£2.15
50%	445,997	£10.78	-£3.67
75%	520,329	£9.65	-£4.80

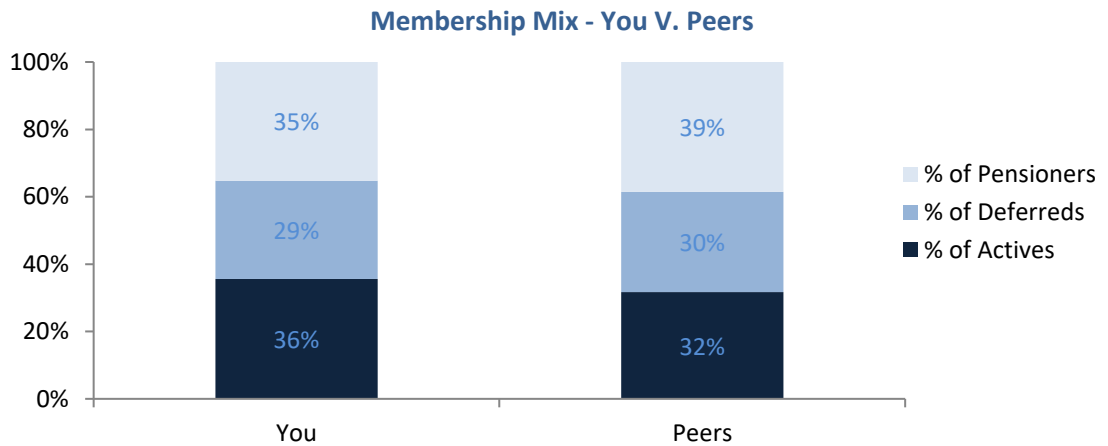


## Other factors that impact relative cost

### Membership Mix

Generally (though not universally) active members create more work than pensioners, who in turn create more work than deferred members. Your mix of members therefore impacts your costs and may explain some cost differences between you and peers.

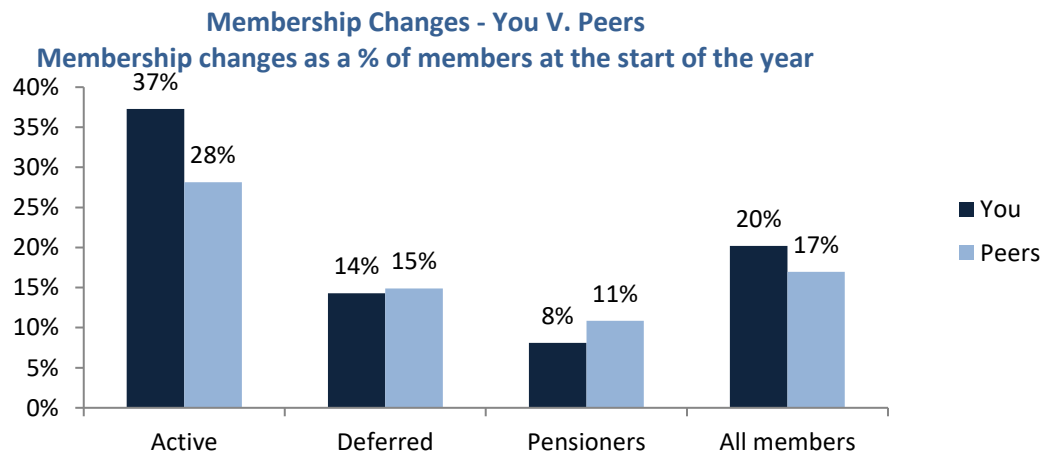
You have more active members than the peer average and fewer pensioners than the peer average.



### Work Volumes

Work volumes are a key driver of cost. For example, if you receive more telephone calls then you are going to need more staff to deal with those calls - so as your work volume increases, your costs are likely to increase. All other things being equal, we would expect a scheme with above average work volumes to have above average costs.

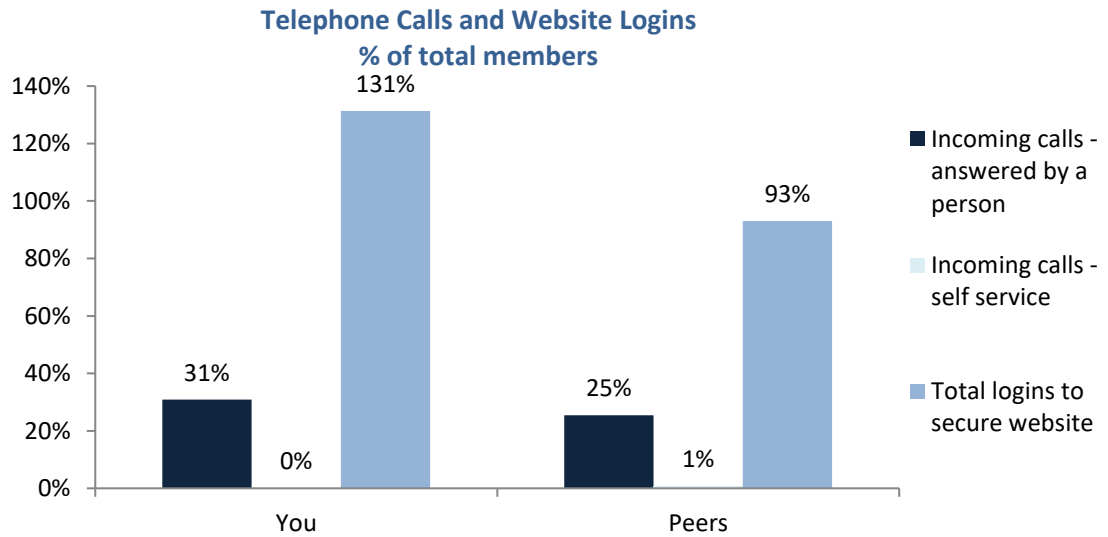
One of the most significant drivers of work volumes for any pension scheme is transactional work caused by changes to membership - the number of people that join, leave, retire, die, etc. The following chart illustrates the relative number of membership changes that you process compared with peers.



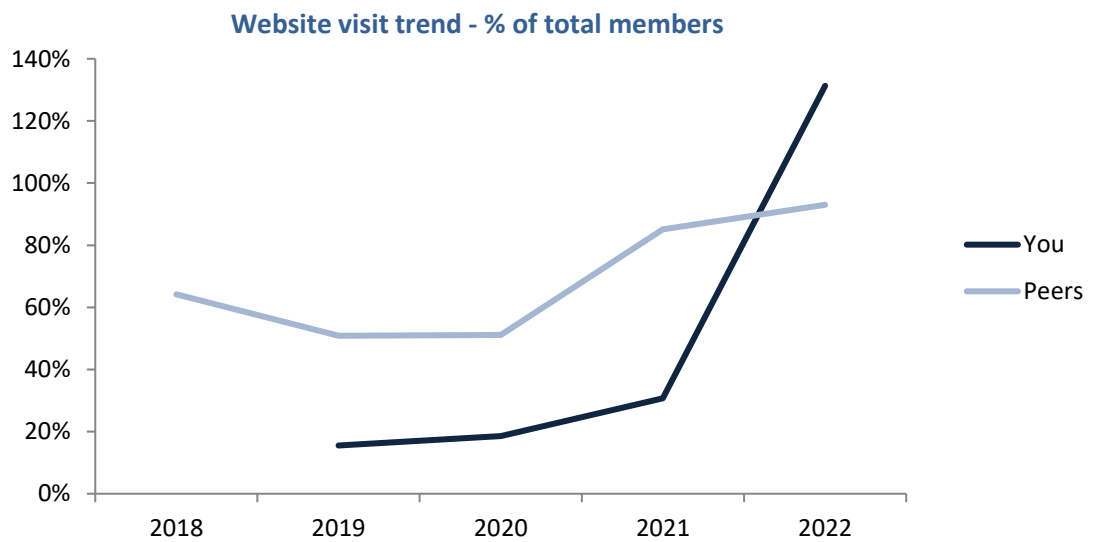
## Other factors that impact relative cost

### Channel Choice

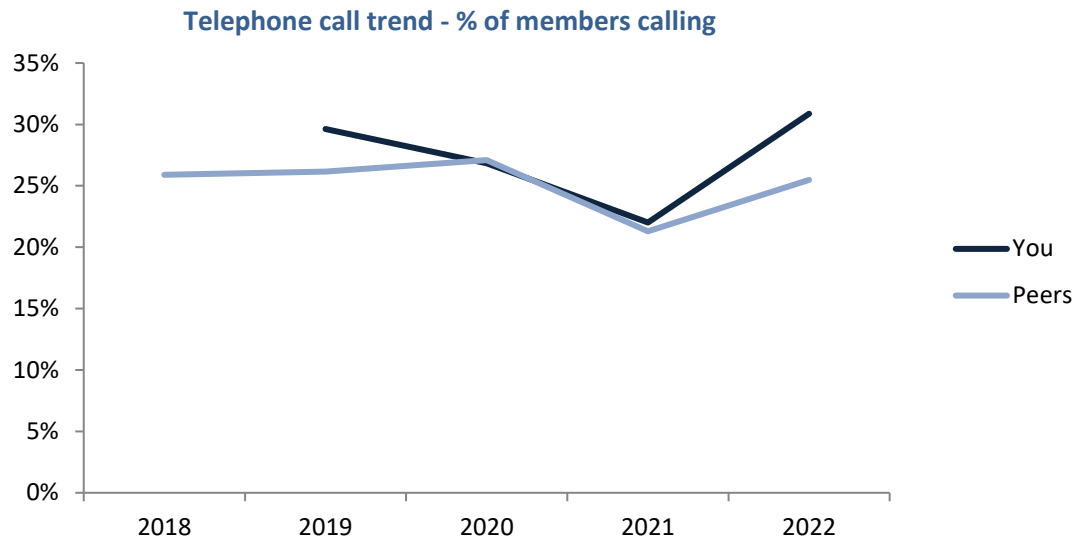
Encouraging members to choose the web is an objective for many pension schemes, with an expectation that on-line solutions will improve efficiency. It is helpful therefore to compare channel choice amongst your members and to compare with peers. Your members were more likely to login than call. They were also more likely to login than the members of peer schemes.



It is interesting to observe the channel shift. In the graphs that follow we highlighted how your website logins and telephone call volumes (both as a % of total members) have changed over time.



## Other factors that impact relative cost



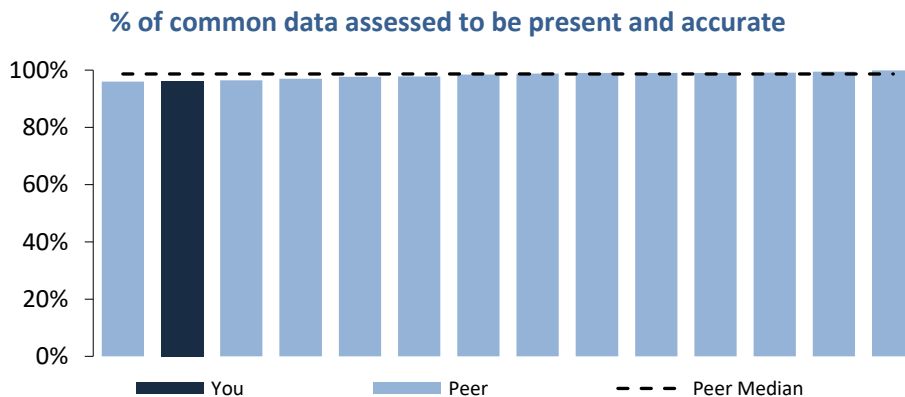
## Data Quality

Data is the lifeblood of pension administration. Having accurate and reliable data in your database enables you to be efficient and effective. It's a prerequisite for moving member service into an on-line environment and making the on-line experience complete and meaningful.

The Pensions Regulator (TPR) has standardised definitions for data quality and asks for analysis on data quality in annual returns. Here is how your 'Common Data' compares with peers, based on data submitted in annual returns.

Common data is defined by TPR as data used to identify scheme members, including names, addresses, national insurance numbers and expected retirement date.

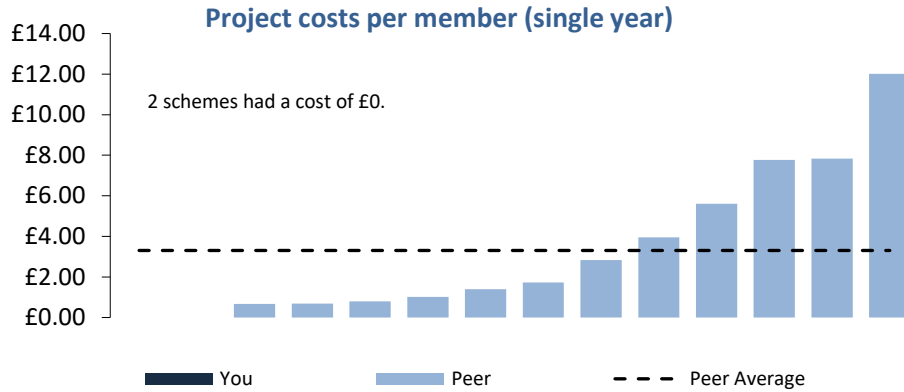
	You	Peers	Count*
Have you measured your common data in the last three years?	Yes	100% Yes	14
% of data assessed as being present and accurate	96.1%	98.1%	



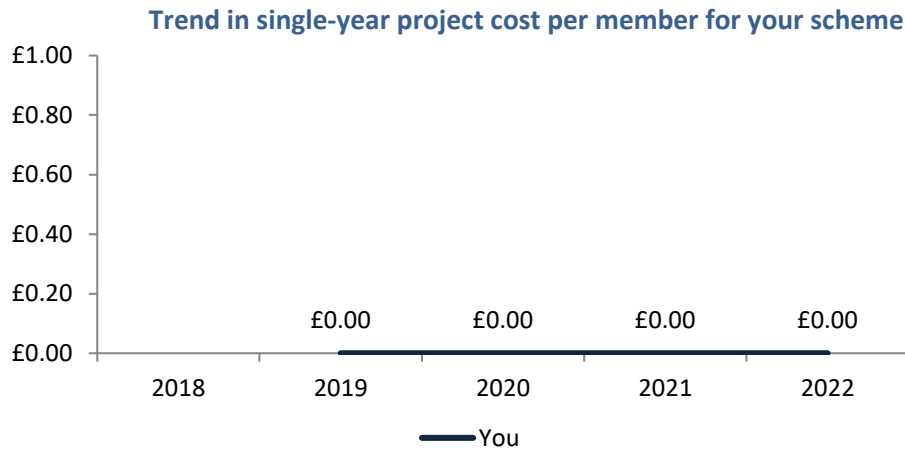
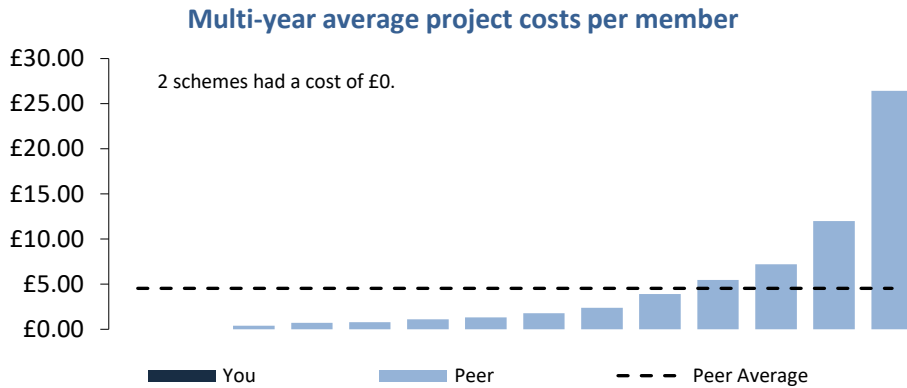
\* Count is the number of participating schemes that answered the question

## Project costs

Your project costs for the year ending March 2022 were £0.00 per member which was below the peer average of £3.31.



Your multi-year average project costs of £0.00 per member were below the peer average of £4.54.



A project is typically defined by the existence of a project team whose roles will terminate at the conclusion of the project. Extra work completed by regular members of staff is not regarded as a project. Project costs in the year include attributions of support costs and amortization for the year plus one-off outsourced fees and the capital cost of projects in the year.

## Calculation of multi-year project costs

Your multi-year average extends over a maximum of 5 years.

### Calculation of your multi-year average project costs

Year ending March	One-off costs / projects <sup>1</sup> £000s	Total members	£ per member
2022	0	297,331	0.00
2021	0	287,644	0.00
2020	0	283,819	0.00
2019	0	279,934	0.00
Average	0		0.00 <sup>2</sup>
Add:			
Current year amortisation on capitalised projects	0	297,331	0.00
2022 attributions of support to projects	0	297,331	0.00
Multi-year average total	0	297,331	0.00

1. Includes attributions of overhead (e.g. accommodation for staff working on projects) but excludes amortisation.

2. Average based on current year membership (i.e. not the average of the numbers above).

Note that peer costs may be averaged over a shorter time period if they have not provided data consistently over time.

## Trend in administration cost

Your administration cost per member has fallen by an average of 3.1% per annum since 2019.

### Trend in administration cost per member



### Trend in administration cost for your scheme

	2022	2021	2020	2019	2018	3-year
Total administration cost per member	£14.45	£15.12	£15.28	£15.89	-	
% change	-4.4%	-1.1%	-3.8%	-		-3.1% p.a.
Administration cost in £000s	4,297	4,349	4,338	4,447	-	
% change	-1.2%	0.3%	-2.5%	-		-1.1% p.a.
% change in CPI						3.5% p.a.
% change in average earnings						5.5% p.a.

Reasons why your cost fell are summarised in the table below.

### Explanation of change in administration cost

Explanation	Cost in £000s	Cost per member
Administration cost for year ending March 2021 <sup>1</sup>	4,349	£15.12
Impact of:		
17.8% increase in FTE <sup>2</sup> (FTE increased by 12.2)	569	£1.98
17.6% fall in salaries per FTE <sup>2</sup>	-620	-£2.15
33.5% fall in support costs per FTE <sup>3</sup>	-82	-£0.28
15.1% fall in IT costs	-124	-£0.43
62.7% increase in third party and other direct costs	204	£0.71
No change in project costs	0	£0.00
3.4% increase in membership	n/a	-£0.49
Total change	-52	-£0.67
Administration cost for year ending March 2022	4,297	£14.45

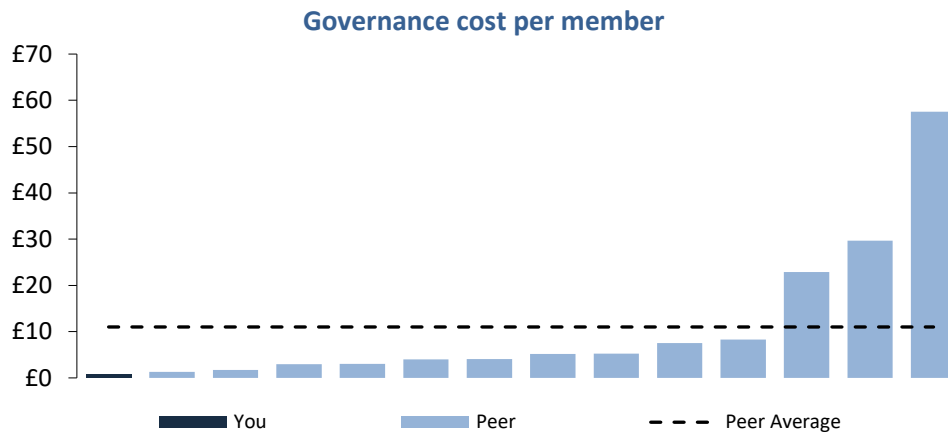
1. When you last benchmarked.

2. For FTEs working on administration.

3. Support costs include accommodation, HR etc.

## Governance costs

Your governance costs were £0.77 per member. This compares to a peer average of £11.01.



A breakdown of your governance cost is set out in the table below:

### Components of governance cost

Function	Cost in £000s		Cost per member (£)		
	You	Peer avg	You	Peer avg	More/less
Board / Trustee fees and expenses	0	206	0.00	0.78	-0.78
CEO, Secretariat, Strategy and Policy <sup>1</sup>	11	1,147	0.04	4.25	-4.21
Legal	9	406	0.03	1.49	-1.46
Actuarial - valuation <sup>2</sup>	8	523	0.03	2.06	-2.03
Actuarial - other	181	364	0.61	2.01	-1.40
External Audit	19	91	0.06	0.42	-0.36
<b>Total</b>	<b>228</b>	<b>2,738</b>	<b>0.77</b>	<b>11.01</b>	<b>-10.24</b>

1. Includes attributions of HR, accommodation and other support costs.
2. The peer average is the average amongst the schemes that have a valuation cost in the year.

Governance costs are very difficult to compare systematically because the issues facing each scheme are so different. Factors that influence governance costs include:

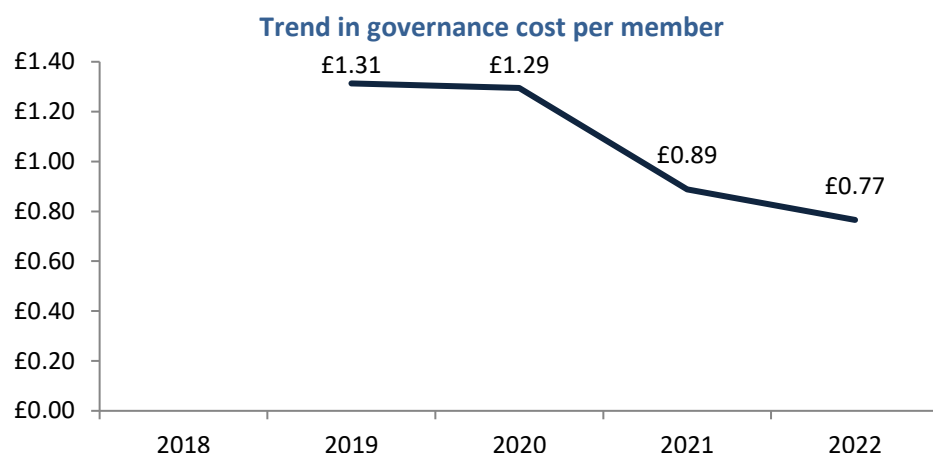
- The nature of the scheme, e.g., corporate, industry-wide or public sector.
- The structure and complexity of the scheme and the nature of benefit changes in the year.
- Number, scale, complexity and timing of mergers and acquisitions.
- Funding position and the strength of the employer’s covenant.
- Number of committees and frequency of meetings.

The following list highlights activities that you believe may have caused you to spend more than other schemes, internally or externally, on governance in the year:

- No description provided.

## Trend in governance cost

Your governance cost per member has fallen by an average of 16.5% per annum since 2019.



## Trend in governance cost for your scheme

	2022	2021	2020	2019	2018	3-year
Governance cost per member	£0.77	£0.89	£1.29	£1.31	-	
% change	-13.8%	-31.4%	-1.4%	-	-	-16.5% p.a.
Governance cost in £000s	228	256	368	368	-	
% change	-10.9%	-30.5%	0.0%	-	-	-14.8% p.a.
% change in CPI						3.5% p.a.
% change in average earnings						5.5% p.a.

Your governance cost per member fell by 13.8% since 2021 when you last benchmarked with CEM.

## Explanation of change in governance cost

Explanation of change in cost	Cost in £000s	Cost per member
Governance cost for year ending March 2021	256	£0.89
Impact of:		
0.0% increase in Board / Trustee fees and expenses <sup>1</sup>	0	£0.00
14.5% fall in CEO, Secretariat, Strategy and Policy costs <sup>1</sup>	-2	-£0.01
64.2% fall in your Legal fees and costs <sup>1</sup>	-15	-£0.05
£8,000 increase in Actuarial - valuation fees and costs <sup>1</sup>	8	£0.03
11.0% increase in Actuarial - other fees and costs <sup>1</sup>	18	£0.06
66.2% fall in External Audit fees <sup>1</sup>	-37	-£0.13
3.4% increase in membership	n/a	-£0.03
<b>Total change</b>	<b>-28</b>	<b>-£0.12</b>
Governance cost for year ending March 2022	228	£0.77

1. Includes attributions of IT, accommodation, HR costs etc. where there were internal FTEs.



## Breakdown and attribution of costs

The table below shows the FTE and cost data you provided. It also shows how costs are attributed between administration, governance and projects.

Functions	Internal FTE	Direct Costs			Basis of attribution	Amount attributed to:		
		Staff salaries & benefits £000s	Third party fees & other £000s	Total £000s		Admin £000s	Gov £000s	Projects £000s
<b>Administration</b>								
1. Oversight of an outsourced administrator					100% Admin			
2. Outsourced administration - regular fees					100% Admin			
3. In-house administration	80.9	2,904	530	3,434	100% Admin	3,434		
<b>Total administration</b>	<b>80.9</b>	<b>2,904</b>	<b>530</b>	<b>3,434</b>		<b>3,434</b>		
<b>Projects</b>								
10. Amortisation of capitalised projects					100% Proj.			
11. Projects (if you don't capitalise)					100% Proj.			
12. Outsourced administration - irregular fees					100% Proj.			
<b>Total projects</b>								
Adjusted to reflect the multi year average <sup>2</sup>								
<b>Governance</b>								
4. Board / Trustee fees and expenses					100% Gov			
5. CEO, Secretariat, Strategy and Policy	0.3	9	2	11	100% Gov		11	
6. Legal			9	9	100% Gov		9	
7. Actuarial - valuation related			8	8	100% Gov		8	
8. Actuarial - other			181	181	100% Gov		181	
9. External Audit			19	19	100% Gov		19	
<b>Total governance</b>	<b>0.3</b>	<b>9</b>	<b>218</b>	<b>227</b>			<b>227</b>	
<b>Support Services</b>								
13. Accommodation			152	152	Pro-rata using FTE <sup>1</sup>	152	0	
14. HR and Training			16	16	Pro-rata using FTE <sup>1</sup>	16	0	
15. IT/IS (excluding projects)	2.6	92	603	695	100% Admin	695		
16. Other Support Services					Pro-rata using FTE <sup>1</sup>			
<b>Total support services</b>	<b>2.6</b>	<b>92</b>	<b>771</b>	<b>863</b>		<b>862</b>	<b>1</b>	<b>0</b>
<b>Total Cost (Admin, Proj, Gov &amp; Support)</b>	<b>83.7</b>	<b>3,005</b>	<b>1,519</b>	<b>4,524</b>		<b>4,297</b>	<b>228</b>	<b>0</b>
Adjusted to reflect the multi year average <sup>2</sup>				4,524				0

1. Accommodation, HR and Training and Other Support Services were attributed pro-rata to Administration, Projects, and Governance based on relative FTE within these three functions (i.e., 100% Administration, 0% Governance and 0% Projects)

2. Fully attributed project costs and irregular fees are averaged over multiple years to improve comparability. Refer to page 11.

## Cost per member by function

Functions	Cost per member			Count <sup>2</sup>
	You	Peer avg	Peer med	
<b>Administration</b>				
1. Oversight of an outsourced administrator		0.16	0.16	1
2. Outsourced administration - regular fees		4.90	4.90	1
3. In-house administration	11.55	17.72	16.48	14
Breakdown (if provided)				
a. Call centre (if you have one)	0.55	0.90	0.80	14
b. Member transactions	6.42	7.76	7.77	14
c. Pensioner payroll <sup>3</sup>	0.78	0.79	0.76	14
d. Mail room / imaging	0.55	0.65	0.46	14
e. Communication	0.51	1.31	0.73	14
f. Scheme-wide processes	0.53	1.31	1.18	14
g. Serving employers	0.96	0.80	0.80	14
h. Finance and accounting	0.72	1.55	1.11	14
i. Technical, risk mgt, compliance, etc.	0.51	1.59	0.82	14
j. Other		0.91	0.61	14
Total in-house (of peers providing detail)	11.55	17.59	17.39	14
Total administration (1-3 above)	11.55	18.08	16.48	14
Total incl. attributions of support services	14.45	26.54	23.32	14
Adjusted total administration <sup>1</sup>	14.45	25.05	22.54	14
<b>Projects</b>				
10. Amortisation of capitalised projects		1.03	0.00	14
11. Projects (if you don't capitalise)		2.19	1.10	14
12. Outsourced administration - irregular fees		n/a	n/a	0
Total projects		3.23	1.56	14
Total incl. attributions of support services		3.31	1.56	14
Multi-year average		4.54	1.55	14
<b>Governance</b>				
4. Board / Trustee fees and expenses		0.74	0.35	14
5. CEO, Secretariat, Strategy and Policy	0.04	4.01	1.69	14
6. Legal	0.03	1.40	0.36	14
7. Actuarial - valuation related	0.03	2.06	0.18	14
8. Actuarial - other	0.61	1.89	0.90	14
9. External Audit	0.06	0.42	0.25	14
Total governance	0.76	10.53	4.53	14
Total incl. attributions of support services	0.77	11.01	4.63	14
<b>Support Services</b>				
13. Accommodation	0.51	1.65	1.05	14
14. HR and Training	0.05	1.17	0.60	14
15. IT/IS (excluding projects)	2.34	5.65	4.91	14
16. Other Support Services		0.55	0.32	14
Total support services	2.90	9.02	7.34	14
<b>Total Cost (Admin, Proj, Gov &amp; Support)</b>	<b>15.22</b>	<b>40.59</b>	<b>27.78</b>	<b>14</b>

1. The fully loaded costs of peers have been adjusted for differences in economies of scale. Refer to page 5 for details of the adjustments.

2. Number of peers providing data.

3. Your cost for pensioner payroll on a per pensioner basis was £2.22. The peer average was £2.30 and the peer median, £2.22.

## FTE and salaries by function

Functions	FTE			FTE per 10,000 members			Salaries & benefits per FTE			Count <sup>1</sup>
	You	Peer avg	Peer med	You	Peer avg	Peer med	You	Peer avg	Peer med	
<b>Administration</b>										
1. Oversight of an outsourced administrator		0.1	0.0		0.00	0.00		80,000	80,000	1
2. Outsourced administration - regular fees										
3. In-house administration	80.9	113.4	94.9	2.72	4.00	3.78	35,888	37,643	35,390	14
Breakdown (if provided)										
a. Call centre (if you have one)	3.9	8.1	5.1	0.13	0.24	0.17	35,888	28,555	28,529	14
b. Member transactions	45.0	58.4	46.5	1.51	2.15	2.27	35,888	33,311	34,478	14
c. Pensioner payroll <sup>2</sup>	5.5	5.9	4.0	0.18	0.20	0.20	35,888	35,986	35,169	14
d. Mail room / imaging	3.9	3.6	3.2	0.13	0.12	0.11	35,888	30,300	30,561	14
e. Communication	3.6	4.6	3.7	0.12	0.16	0.12	35,888	51,639	44,374	14
f. Scheme-wide processes	3.7	8.8	6.3	0.12	0.34	0.28	35,888	37,406	37,325	14
g. Serving employers	6.7	5.5	4.6	0.23	0.21	0.18	35,888	44,709	37,384	14
h. Finance and accounting	5.1	7.5	6.5	0.17	0.28	0.23	35,888	47,721	42,592	14
i. Technical, risk mgt, compliance, etc.	3.6	9.2	4.4	0.12	0.25	0.15	35,888	51,443	46,179	14
j. Other		1.5	1.0		0.06	0.04		129,321	106,034	14
<b>Total administration (1-3 above)</b>	<b>80.9</b>	<b>113.5</b>	<b>94.9</b>	<b>2.72</b>	<b>4.00</b>	<b>3.78</b>	<b>35,888</b>	<b>37,655</b>	<b>35,390</b>	<b>14</b>
<b>Projects</b>										
10. Amortisation of capitalised projects										0
11. Projects (if you don't capitalise)		3.9	0.0		0.11	0.00		67,745	74,784	4
12. Outsourced administration - irregular fees										0
<b>Total projects</b>		<b>3.9</b>	<b>0.0</b>		<b>0.11</b>	<b>0.00</b>		<b>67,745</b>	<b>74,784</b>	<b>4</b>
<b>Governance</b>										
4. Board / Trustee fees and expenses		2.3	0.0		0.09	0.00		25,370	26,836	4
5. CEO, Secretariat, Strategy and Policy	0.3	7.6	1.8	0.01	0.28	0.10	35,888	151,891	106,213	14
6. Legal		1.7	0.1		0.07	0.01		104,416	99,500	7
7. Actuarial - valuation related		0.1	0.0		0.00	0.00		79,675	79,675	2
8. Actuarial - other		1.0	0.0		0.09	0.00		59,353	61,667	3
9. External Audit										0
<b>Total governance</b>	<b>0.3</b>	<b>12.6</b>	<b>5.4</b>	<b>0.01</b>	<b>0.53</b>	<b>0.17</b>	<b>35,888</b>	<b>97,941</b>	<b>94,610</b>	<b>14</b>
<b>Support Services</b>										
13. Accommodation		0.7	0.0		0.03	0.00		86,520	37,885	5
14. HR and Training		2.7	2.4		0.09	0.06		83,459	58,075	9
15. IT/IS (excluding projects)	2.6	9.6	8.1	0.09	0.40	0.30	35,888	52,875	45,596	13
16. Other Support Services		2.6	0.0		0.06	0.00		53,154	61,473	4
<b>Total support services</b>	<b>2.6</b>	<b>15.6</b>	<b>12.9</b>	<b>0.09</b>	<b>0.58</b>	<b>0.38</b>	<b>35,888</b>	<b>57,059</b>	<b>45,596</b>	<b>13</b>
<b>Total (Admin, Proj, Gov &amp; Support)</b>	<b>83.7</b>	<b>145.6</b>	<b>134.1</b>	<b>2.82</b>	<b>5.22</b>	<b>4.90</b>	<b>35,888</b>	<b>44,858</b>	<b>37,936</b>	<b>14</b>

1. Number of peers providing data. Where applicable, we only compare schemes that provide detailed data.

2. Your cost for pensioner payroll on a per pensioner basis was £0.52. The peer average was £0.56 and the peer median was £0.57.

## Trends in your costs and FTE by function

Functions	Salaries & benefits in £000s				Cmpd % change			Other costs in £000s				Cmpd % change			FTE				Cmpd % change			
	2022	2021	2020	2019	1 yr	2 yr	3 yr	2022	2021	2020	2019	1 yr	2 yr	3 yr	2022	2021	2020	2019	1 yr	2 yr	3 yr	
<b>Administration</b>																						
1. Outsourced administration - regular fees																						
2. Oversight of an outsourced administrator																						
3. In-house administration	2,904	2,992	2,159	3,135	-2.9%	16.0%	-2.5%	530	326	1,323	725	62.7%	-36.7%	-9.9%	81	69	78	66	17.8%	2.1%	7.2%	
Total admin. before attrib. of support services	2,904	2,992	2,159	3,135	-2.9%	16.0%	-2.5%	530	326	1,323	725	62.7%	-36.7%	-9.9%	81	69	78	66	17.8%	2.1%	7.2%	
<b>Projects</b>																						
10. Amortisation of capitalised projects																						
11. Projects (if you don't capitalise)																						
12. Outsourced administration - irregular fees																						
Total projects																						
<b>Governance</b>																						
4. Board / Trustee fees and expenses																						
5. CEO, Secretariat, Strategy and Policy	9	11	24	24	-18.0%	-38.0%	-27.3%	2	1		14	14	39.8%	100.0%	100.0%	0	0	1	1	-14.7%	-28.4%	-20.0%
6. Legal								9	24	10	10	-64.2%	-7.5%	-5.0%								
7. Actuarial - valuation related								8		100	100	100.0%	-71.7%	-56.9%								
8. Actuarial - other								181	163	150	150	11.0%	10.0%	6.6%								
9. External Audit								19	55	69	69	-66.2%	-47.8%	-35.1%								
Total gov. before attrib. of support services	9	11	24	24	-18.0%	-38.0%	-27.3%	218	244	342	342	-10.5%	-20.2%	-13.9%	0	0	1	1	-14.7%	-28.4%	-20.0%	
<b>Support Services</b>																						
13. Accommodation																						
14. HR and Training																						
15. IT/IS (excluding projects)	92	137	103	271	-33.1%	-5.7%	-30.3%	603	677	471	63	-11.0%	13.1%	112.4%	3	3	4	6	-20.0%	-17.0%	-23.4%	
16. Other Support Services																						
Total support services	92	137	103	271	-33.1%	-5.7%	-30.3%	771	895	753	319	-13.9%	1.2%	34.3%	3	3	4	6	-20.0%	-17.0%	-23.4%	
<b>Total (Admin, Proj, Gov &amp; Support)</b>	<b>3,005</b>	<b>3,140</b>	<b>2,287</b>	<b>3,430</b>	<b>-4.3%</b>	<b>14.6%</b>	<b>-4.3%</b>	<b>1,519</b>	<b>1,465</b>	<b>2,418</b>	<b>1,385</b>	<b>3.7%</b>	<b>-20.7%</b>	<b>3.1%</b>	<b>84</b>	<b>72</b>	<b>82</b>	<b>72</b>	<b>16.0%</b>	<b>1.1%</b>	<b>5.2%</b>	
<b>Members</b>															<b>FTE per 10,000 members</b>							
Total per member	£10.11	£10.92	£8.06	£12.25	-7.4%	12.0%	-6.2%	£5.11	£5.09	£8.52	£4.95	0.4%	-22.6%	1.1%	2.8	2.5	2.9	2.6	12.2%	-1.2%	3.1%	

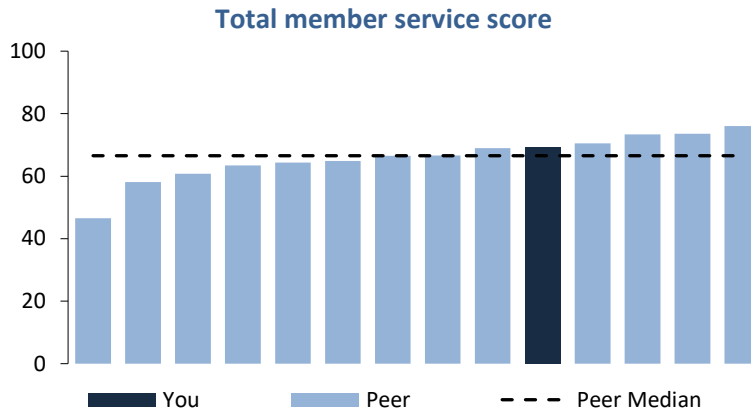
# 3

## Total member service score

Total member service score	2
Trend in your total member service score	3
Rationale for the service score weights	4
Service Standards - Turnaround Times	5

## Total member service score

Your total service score was 69 out of 100. This was above the peer median of 67.



Your total service score is the weighted average of the service scores for each of your three member types (actives, deferreds, and pensioners). The weighting for you and your peers<sup>1</sup> is based on your ratio of actives, deferreds, and pensioners as follows:

	Weight = % of Members	Service Score
Actives	36%	61
Deferreds	29%	66
Pensioners	35%	80
Weighted total	100%	69

The detailed calculation of the service score for each member type is shown in sections 4, 5 and 6.

A higher service score is not necessarily better because:

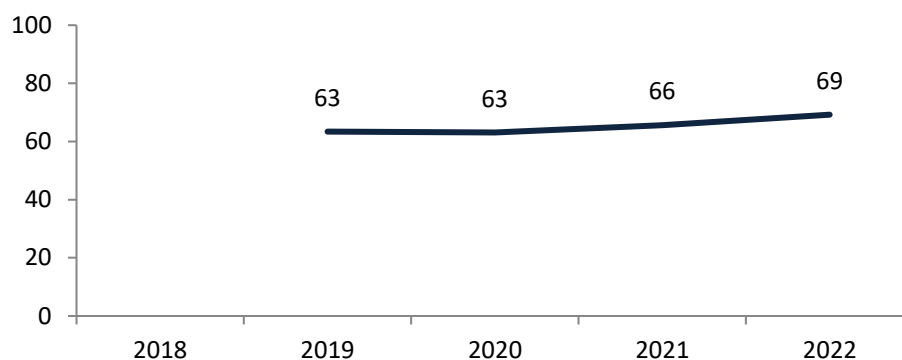
- High service may not always be cost effective or optimal. For example, it is clearly higher service for your members to have telephone access 24 hours a day but few schemes would be able to justify the cost.
- The service measures are most useful for identifying what you are doing differently than your peers. Understanding these differences can give you ideas on how you may want to improve, or reduce, the service you provide to your members.
- Our 'weights' are an approximation of the importance of an individual service element. The weights will not always reflect the relative importance that you or your members attach to an individual service element.

1. For your peers with no active members we have added a default active member service score equal to your own active member service score.

## Trend in your total member service score

Your total service score has increased by 3 points since you last benchmarked.

Trend in total member service



Trend in member service for your scheme

	Your service score					Change	
	2022	2021	2020	2019	2018	1-Yr	3-Yr
Actives	61	59	55	57		2	4
Deferreds	66	59	58	56		7	10
Pensioners	80	78	76	76		2	4
Weighted Total	69	66	63	63		3	6

Historic scores have been restated to reflect changes in the methodology. If any question was not asked in a prior year we used your response from the year when the question was first asked as a default. Where defaults are used, those defaults are applied historically to ensure year-on-year consistency.

## Rationale for the service score methodology

The scoring methodology used to calculate the service scores for each of active members, deferred members and pensioners (shown in detail in the next three sections of this report) has been developed over many years by CEM in discussion with participating pension schemes. We actively seek the input of participants at meetings, workshops and peer conferences. We also complete regular research on topics of interest – and that research helps us refresh the model and reflect new working practices.

The following list reflects the thinking that drives the scoring methodology and the weights:

### Service is about more than just Service Level Agreements (SLAs)

Many UK pension schemes focus too narrowly on performance against designated service standards (timescales for performing certain activities). SLAs are important, but are a very limited measure of the members' service experience in their own right. Our scoring system reflects the rounded experience, seen from the members' perspective.

### Different member groups have different needs

The services you provide for pensioners are clearly different to the services you provide for active members. The scoring system reflects your unique member profile (and peer scores are adjusted to reflect your membership mix).

### Relative volume of each activity

The average UK participant processes 15 pension set-ups and receives over 300 member calls for every 1,000 members. So, based solely on volume, calls are 20 times more important than pension set-ups.

### Expectations based on external experience

Members have various external points of reference to compare some activities, e.g., experience on the telephone where they can compare with their bank, utility providers etc. They rarely have any experience of having a pension set-up though.

### Personalised human contact

Research shows that human contact provides the greatest opportunity for generating customer satisfaction. So, based solely on personalised human contact, meeting members is much more important than 'no contact' activities such as the website or paying pensions.

### About members' money

Nothing gets a member's attention faster than their own money so things like benefit calculators linked to member data and paying pensions are much more important than your booklet.

### Mission critical

Paying pensions is mission critical. Producing newsletters is not.

### Volume is a good indicator of quality

If you do a lot of something then you are more likely to be good at it. For example, the more members you meet, the more likely you are to invest in making the experience as complete as possible.



### Focus on what is material

We could ask a thousand questions about service – but we really want to produce a good indicator of overall service levels without getting 'bogged down' in detail (and without involving your team in a substantial amount of work). We try to get the balance right and focus on what is material.

### What gets measured gets managed ....

... and what doesn't get measured doesn't get managed. So measure what matters. We penalise schemes in the scoring system for failing to measure some things we think are important to members.

### Content matters

Your members need to make financial decisions based on all the facts – having relevant information is helpful.

### Different members prefer different channels

Members are used to different channels (e.g., web, telephone, face-to-face, print) so offering a range of services across all will help to satisfy more members.

### Members will complain

Every customer centric organisation gets complaints. We don't seek to penalise low-level complaint 'noise'. We really want to highlight spikes in complaints or those organisations that have consistently high levels of complaints. For this reason, we have a complaint volume 'floor' below which there is no deduction.

We also think that complaints that turn into IDR cases are both substantive and measureable on a more consistent basis. For this reason, IDR cases are afforded more importance than non-IDR complaints.

### **What we don't capture directly:**

#### The results of feedback from members

We don't ask the members how they feel about the service you provide – but we do believe that you should – so if you get regular, focused and actionable feedback then you will score higher.

#### Quality of the human interaction

We don't try to compare the quality of personal contact – but again member satisfaction surveying should provide insights on this aspect of service (and give you the data you need to work on the quality of the human interaction). We also think you should monitor your staff. If you monitor them then you are more likely to work with the data to improve their skills and performance.

#### Engagement

We don't try to quantify the extent to which members value the benefits or have an affinity with the scheme or the team/organisation that serves them.

#### Presentation of printed material

Whilst we do ask questions about content, we don't evaluate the quality or readability of printed material.

## Service Standards - Turnaround Times

Turnaround times on standard and repeatable tasks are often used to measure the performance of administration teams. We believe that they have a role but time measures are only part of the total experience. Turnaround times are difficult to compare consistently across schemes (because each scheme has a different approach). Our preferred measure is actual average turnaround. We believe that measuring actual average turnaround captures the impact of outlying cases and accurately reflects the experience of the member. We recognise however that not all schemes measure actual average turnaround. Some only measure the % of cases completed inside their target. Our methodology is flexible to incorporate both approaches.

In any event, the information provided here helps participants to understand how their outcomes compare with others and what data has been used in the SLA service scores in the sections that follow.

Actual average turnaround time from the point at which all necessary data was available	You (# days)	Peer Avg. (# days)	Peer Med. (# days)	Count
<i>Active members:</i>				
Contact an old scheme to request a transfer value	n/a	4	3	6
Generate a transfer in quotation	3	6	3	10
Generate an ill-health early retirement quotation	Unknown	6	5	7
Make and communicate an ill-health retirement decision	n/a	2	2	4
Pay lump sum on death	5	9	5	10
<i>Deferred members:</i>				
Send a notification of entitlement to a leaver	8	10	7	10
Generate a transfer value quotation	13	9	5	12
Process a transfer out (make the payment)	13	12	6	12
<i>Pensioners:</i>				
Pay lump sums on death (within any guarantee period)	4	6	3	11
Respond to tax queries	Unknown	2	2	8
<i>Multiple member groups:</i>				
Set up a new pension	1	4	4	10
Pay a Pension Commencement Lump Sum	1	3	3	11
Send a written estimate	3	6	2	11
Initial response to someone notifying you of a death	2	3	2	11
Switching accumulated balances between investment options	n/a	2	2	6

Your target turnaround time				% of cases inside target	Adjusted performance (Used to calculate your score)	
	You	Peer Avg. (# days)	Peer Med. (# days)	You (%)	You (# days)	Peer Med. (# days)
	A			B	A/B	

Percentage of cases within target

*Active members:*

Contact an old scheme to request a transfer value	n/a	8	10	3	n/a	n/a	3
Generate a transfer in quotation	n/a	4	4	2	n/a	3	3
Generate an ill-health early retirement quotation	n/a	6	5	4	n/a	n/a	5
Make and communicate an ill-health retirement decision	n/a	5	5	2	n/a	n/a	2
Pay lump sum on death	n/a	4	4	4	n/a	5	5

*Deferred members:*

Send a notification of entitlement to a leaver	n/a	20	15	4	n/a	8	9
Generate a transfer value quotation	n/a	9	10	4	n/a	13	6
Process a transfer out (make the payment)	n/a	8	8	4	n/a	13	6

*Pensioners:*

Pay lump sums on death (within any guarantee period)	n/a	5	5	4	n/a	4	3
Respond to tax queries	n/a	8	8	4	n/a	n/a	3

*Multiple member groups:*

Set up a new pension	n/a	6	5	4	n/a	1	4
Pay a Pension Commencement Lump Sum	n/a	5	5	4	n/a	1	3
Send a written estimate	n/a	8	10	4	n/a	3	3
Initial response to someone notifying you of a death	n/a	5	4	4	n/a	2	2
Switching accumulated balances between investment options	n/a	4	4	2	n/a	n/a	2

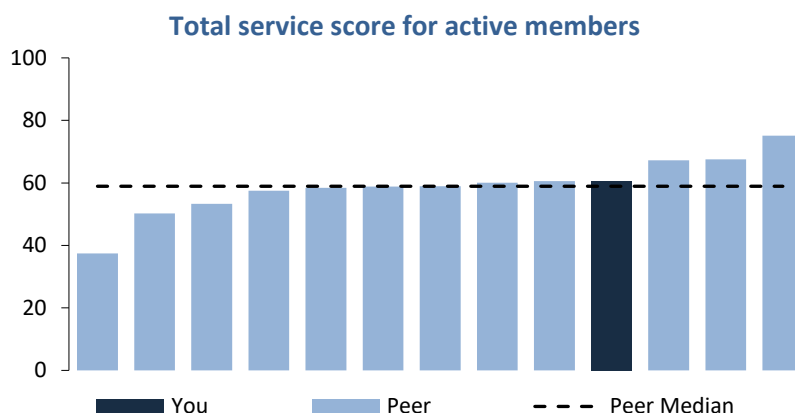
# 4

## Service for active members

Total service score for active members	2
Trend	3
Components of the active member:	
• Pension set up service score	4
• Benefit statement service score	5
• Estimates service score	6
• Newsletters and campaigns service score	7
• Meeting members (individuals) service score	8
• Meeting members (groups) service score	9
• Telephone - pre-connection service score	10
• Telephone - capability service score	11
• Telephone - outcomes service score	12
• Digital (public) service score	13
• Digital (secure - use) service score	14
• Digital (secure - functionality) service score	15
• Digital (social media) service score	16
• SLA service score	17
• DC/AVCs score	18
• Feedback service score	19
• Vulnerable members service score	20
• Complaints deduction	21
• Data breaches deduction	22

## Total service score for active members

Your total service score for active members was 61 out of 100. This was above the peer median of 59.



Your service score for active members is a weighted total of scores at an activity level, as follows:

Activity	Weight	Service score		
		You	Peer median <sup>1</sup>	Higher/ -lower <sup>2</sup>
Pension Set Ups	10%	91	52	39
Benefit Statements	8%	69	57	12
Estimates	7%	25	95	-70
Newsletters and Campaigns	4%	65	40	25
Meeting Members - Individuals	4%	0	20	-20
Meeting Members - Groups	5%	40	40	0
Telephone - Pre-Connection	7%	32	43	-10
Telephone - Capability	4%	90	87	3
Telephone - Outcomes	3%	66	64	2
Digital - Public	5%	62	62	0
Digital - Secure Website Use	10%	90	87	3
Digital - Secure Website Function	9%	39	53	-14
Digital - Social Media	4%	50	50	0
SLA	7%	89	84	5
DC and AVCs	5%	37	57	-20
Feedback	4%	68	68	0
Vulnerable Members	4%	88	78	10
<i>Deductions</i>				
Complaints (up to 6 pts)	n/a	0	0	0
Data Breaches (up to 20 pts)	n/a	0	0	0
<b>Weighted Total</b>	<b>100%</b>	<b>61</b>	<b>59</b>	<b>2</b>

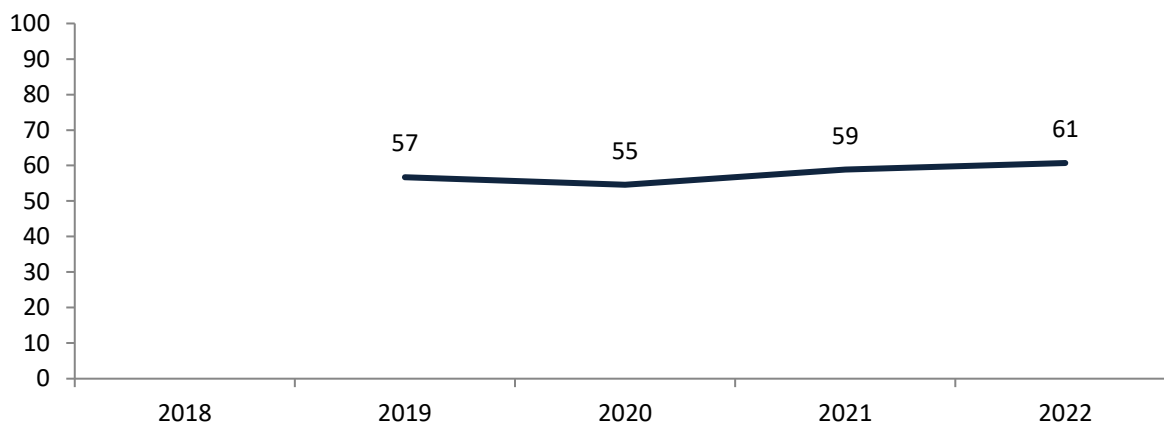
1. The weighted total peer median service score for active members is the median of the weighted total for each peer. It will not equal the weighted sum of the peer median scores for each activity.

2. Any minor differences are due to rounding.

## Trend

Your service score for active members has increased by 2 points since you last benchmarked.

Trend in active member service score

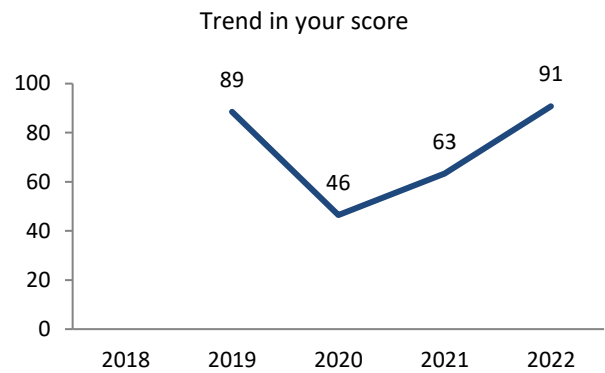
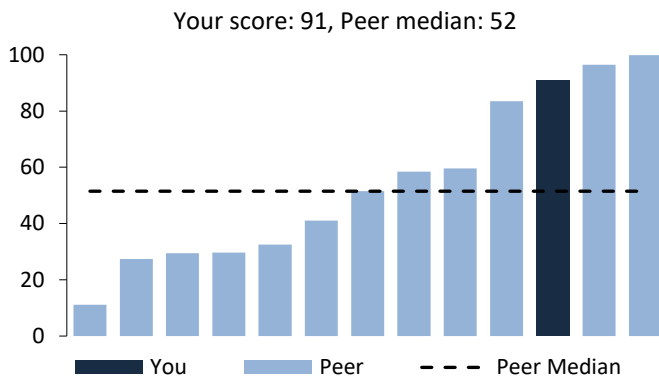


Trend in service score for active members by activity

Activity	Weight	Your service score					Change	
		2022	2021	2020	2019	2018	1-Yr	3-Yr
Pension Set Ups	10%	91	63	46	89		27	2
Benefit Statements	8%	69	69	69	69		0	0
Estimates	7%	25	20	20	20		5	5
Newsletters and Campaigns	4%	65	45	45	45		20	20
Meeting Members - Individuals	4%	0	0	19	25		0	-25
Meeting Members - Groups	5%	40	84	61	23		-43	18
Telephone - Pre-Connection	7%	32	58	58	59		-26	-27
Telephone - Capability	4%	90	90	90	87		0	3
Telephone - Outcomes	3%	66	66	66	66		0	0
Digital - Public	5%	62	62	62	62		0	0
Digital - Secure - Use	10%	90	71	50	46		18	43
Digital - Secure - Functionality	9%	39	39	37	37		0	2
Digital - Social Media	4%	50	50	50	50		0	0
SLA	7%	89	88	89	89		2	0
DC and AVCs	5%	37	37	37	37		0	0
Feedback	4%	68	68	68	68		0	0
Vulnerable Members	4%	88	88	88	88		0	0
<i>Deductions</i>								
Complaints (up to 6 pts)	n/a	0	0	0	0		0	0
Data Breaches (up to 20 pts)	n/a	0	0	0	0		0	0
<b>Total</b>	<b>100%</b>	<b>61</b>	<b>59</b>	<b>55</b>	<b>57</b>		<b>2</b>	<b>4</b>

Historic scores have been restated to reflect changes in the methodology. If any question was not asked in a prior year then we used your response from the year when the question was first asked as a default. Where defaults are used, those defaults are applied historically to ensure year-on-year consistency. Any minor differences are due to rounding.

## Pension set up service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Pension Set up

+50 If 100% of your new pensions were paid without a cashflow interruption greater than 1 month, otherwise 50 X percent of first pension installment paid within 1 month of final pay cheque  
*Score 12.5 if unknown.*

97.8%	73.6%	48.9	36.8	60.0%
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-5 If a new pension set-up is based on estimates:  
 -5 X percent of new pensions based on estimates  
 X average number of months to finalise / 3  
 [Subject to a maximum deduction of 5]

No	No			31%
n/a	n/a			29%
n/a	n/a	0.0	0.0	2

#### Pension Commencement Lump Sum (PCLS)

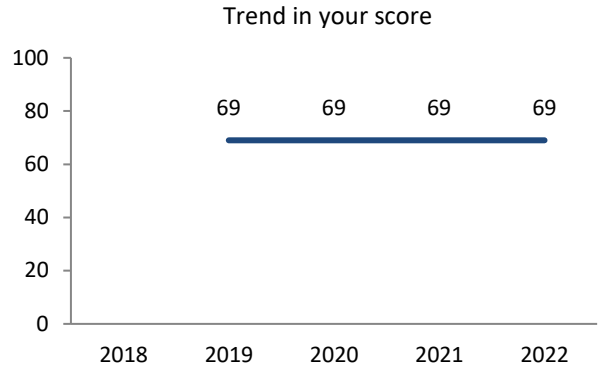
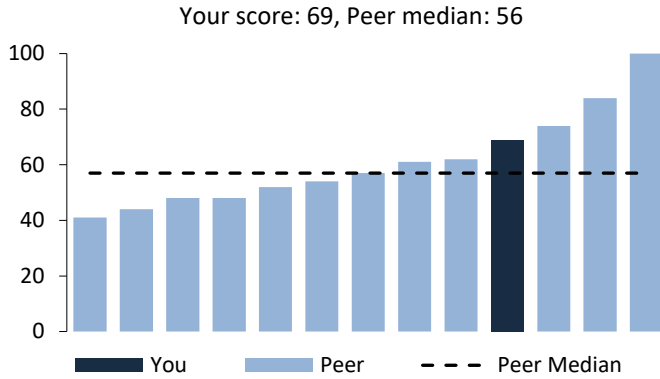
+50 if 100% of pension commencement lump sum payments were paid within one week of the individual's retirement date, otherwise 50 X % paid within a week  
*Score of 12.5 if unknown.*

83.7%	53.0%	41.8	26.5	36.0%
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*Your total score is subject to an overall minimum of 0*

100	Total			90.8	63.3	51.5
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## Benefit statement service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

**Timeliness**

+46 If data in your annual statement is current to 1 month, otherwise 46 - 4 for each month in excess of 1 month out of date (subject to a minimum of 0)	2.0 mths	2.0 mths	42.0	42.0	4.5 mths
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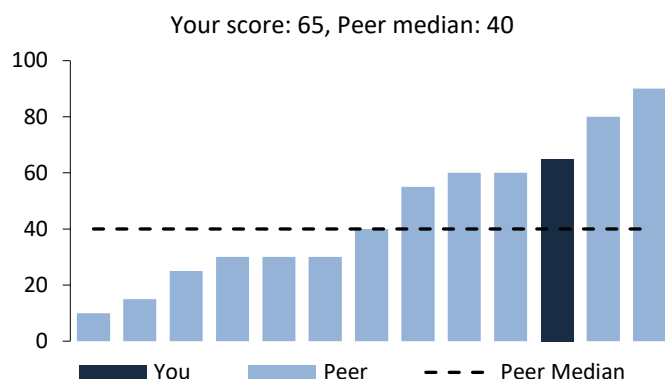
**Content**

+27 If your member statements fully incorporate DC or AVC data, 18 if DC/AVC statements were sent alongside member statements, 0 if sent separately	Separate	Separate	0.0	0.0	22% Integrated
+9 If the statement shows pensionable earnings	Yes	Yes	9.0	9.0	92% Yes
+9 If the statement shows accumulated pensionable service	Yes	Yes	9.0	9.0	62% Yes
+9 If a comparison with the annual / lifetime allowance is provided	Yes	Yes	9.0	9.0	69% Yes
100 Total			69.0	69.0	55.5





## Newsletters and campaigns service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

### Newsletters

#### Availability

Did you send newsletters to active members in the year?

Yes Yes 86%Yes

#### Frequency

+20 If you send newsletters 4 or more times per year, 15 if 3 times, 10 if 2 times or 5 if once

2 2 10.0 10.0 1  
times times time

#### Customisation

+15 If active members receive a different newsletter from pensioners (or deferreds)

Yes Yes 15.0 15.0 83%Yes

+15 If newsletters are further customised for different groups of active members (e.g., women, young people, married members etc.)

No No 0.0 0.0 17%Yes

### Campaigns

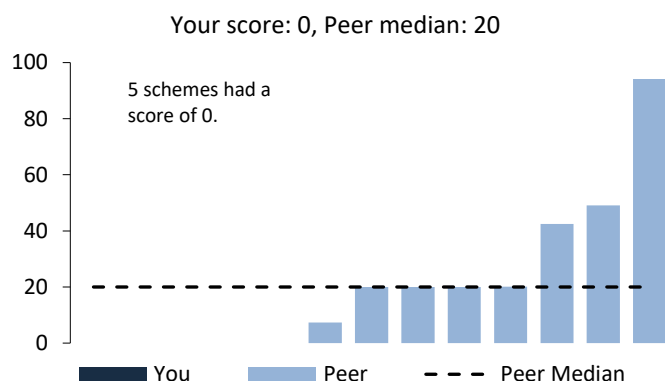
+50 If you had campaigns for all of the following, otherwise # of 'yes' responses X 10

40.0 20.0

- Targeting members approaching retirement Yes No 62%Yes
- Encouraging members to pay AVCs/buy additional service No Yes 23%Yes
- Targeting members with missing beneficiary information Yes Yes 38%Yes
- Targeting members with missing email addresses Yes No 46%Yes
- Other Yes No 77%Yes

100 Total 65.0 45.0 40.0

## Meeting members (individuals) service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Availability

Did you meet individually with active members in the year?

No No 62%Yes

*Your service score for Meeting members (individuals) will be 0 if you didn't meet any members or if you didn't meet a material number of*

Number of members you met at your premises

Number of members you met away from your premises

Number of members you met via the internet (e.g. Skype or Zoom)

Total number of individual meetings

Number of active members

Meetings as a percent of active member

0.01%

+80 If the number of members you met individually was 5% or more of active members, otherwise 2000 X # of members you met individually as a % of active members

n/a n/a 0.0 0.0 0.01%

#### Capability

+14 If you have real-time access to the member's data when meeting individually

n/a n/a 0.0 0.0 88%Yes

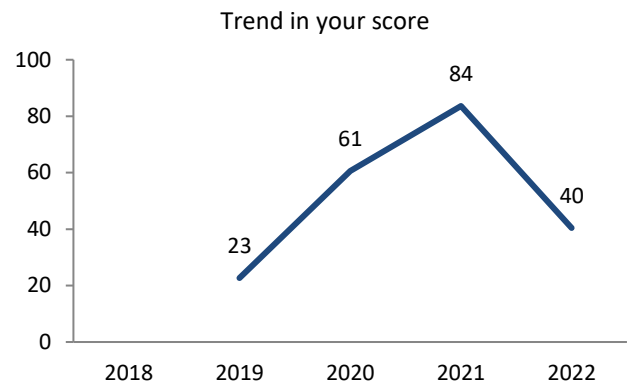
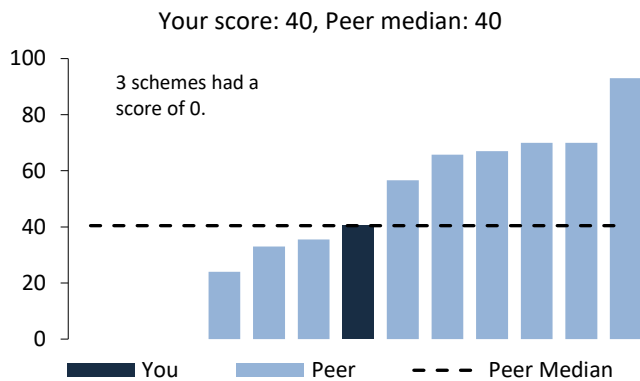
+6 If you can provide a retirement estimate for a member that requests one in the meeting

n/a n/a 0.0 0.0 100%Yes

100 Total

0.0 0.0 20.0

## Meeting members (groups) service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Availability

Did you meet with active members in groups in the year (i.e., delivering presentations)?

Yes Yes 77%Yes

Your service score for Meeting members (groups) will be 0 if you didn't do any presentations

Number of presentations about benefits changes, scheme changes or M&A activity

0 0

Number of presentations for other educational or informative purposes

40 38

Total number of presentations

40 38

Educational presentations as a percent of total presentations

100% 100% 100%

Total number of attendees

0 785

Number of members attending webinars

395 1,150

Total number of attendees, including webinars

395 1,935

Number of active members

105,964 101,079

Attendees as a percent of active members

0.37% 1.91% 1.24%

+70 If the total number of attendees was 2.5% or more of active members, otherwise 2800 X attendees as percent of active members (including those attending webinars)

0.37% 1.91% 10.4 53.6 1.24%

#### Type

+23 If more than 50% of your member presentations were solely to educate and inform your members (rather than being driven by changes to benefits or M&A activity, i.e., you did them because you wanted to rather than because you needed to).

100% 100% 23.0 23.0 100%\*

+7 If you held an AGM (giving members the opportunity to meet with and question executives and Board members)

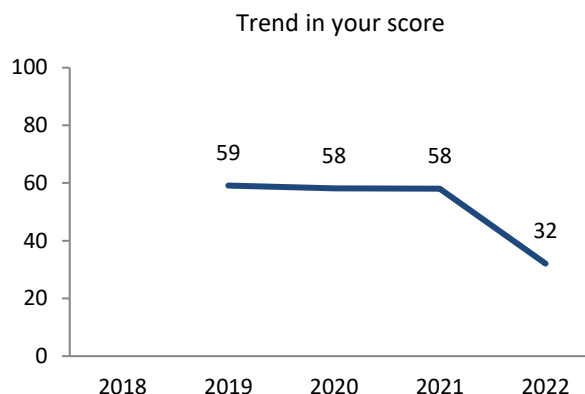
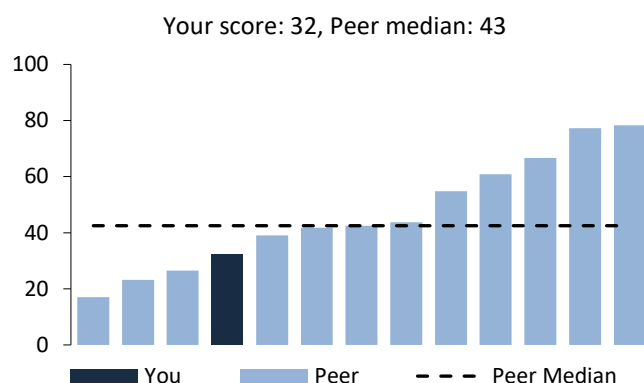
Yes Yes 7.0 7.0 31%Yes

100 Total

40.4 83.6 40.4

\* Peer median percentage of presentations that were solely to educate.

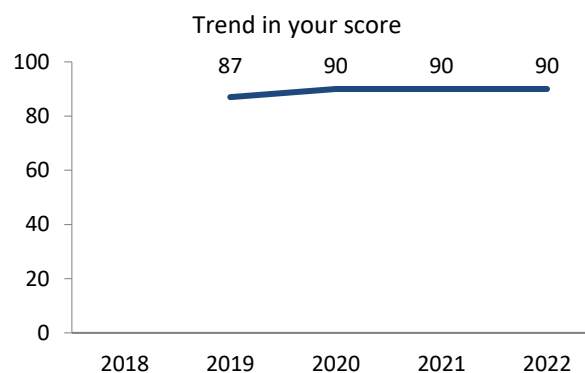
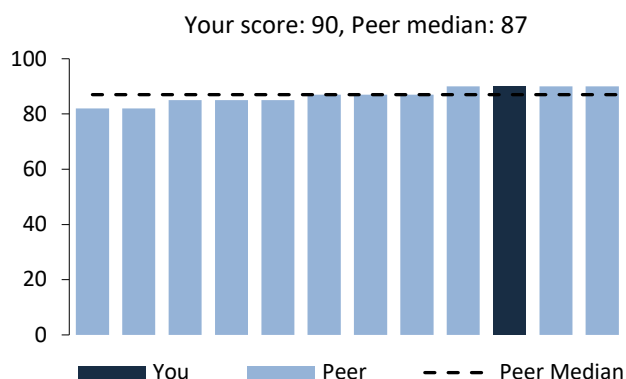
## Telephone - pre-connection service score



### Scoring methodology

	Your Data	Your Score	Peer Med.
	2022	2021	2022
<b>Access</b>			
+5 If you have a free-phone number (or a low cost call number)	No	No	57%Yes
+10 10 X (# hrs your team is available to take calls each week / 60). (Max. 10)	42.5	42.5	41.5
+5 If your administrators provide their full name and contact number on cover letters when responding to specific requests from members	Yes	Yes	64%Yes
<b>Failure to connect (e.g., engaged, unanswered or answering machine)</b>			
+20 If 100% of calls connected, 20 - [100 X (1.0 - % of connected calls)] if at least 90% of calls connected, or 10 - [100 X (0.9 - % of connected calls)] if at least 70% of calls connected, otherwise 0. <i>Your score will be 5 if unknown</i>	100.0%	100.0%	100.0%
<b>Menu layers and wait times</b>			
+20 If there are no menu layers, otherwise 10 if 1 layer, 5 if 2 or 0 if 3 plus	1	1	1.0
+20 If the time it takes a member to reach a person is 30 secs or less, otherwise 20 - ((secs to reach a live person - 30) X 0.2 per sec), (Min. 0)			
Time listening to messages/navigating menus (A)	45	30	43
Is the menu system by-passed if a service representative is available?	No	Yes	
If yes, what percentage of calls is the menu system by-passed? (B)	n/a	83.0%	
Adjusted time listening to messages/navigating menus (A X (100-B)) = (C)	45	30	43
Average time queuing (0 if no queue) (D)	180	90	122
Total time to reach a live person (seconds) (C+D)	225	95	105
<b>Abandonment</b>			
+20 If the abandonment rate in queue was 0%, otherwise 20 - (2 X % calls abandoned) (Min. 0). You will score 20 if you don't have a queuing system and 0 if the abandonment rate is unknown	15.0%	0.5%	4.5%
<b>Deductions</b>			
-10 If a contact centre operator is the first point of contact	Yes	Yes	50%Yes
100 Total		32.1	42.5

## Telephone - capability service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

+40 If you have security routines that allow staff to discuss a member's personal data, such as salary and service history, on the phone Yes Yes 40.0 40.0 100%Yes

### Basic capability

+27 If you have immediate computer access to each of the following whilst on a call with members, otherwise (# of 'yes' responses / # applicable) X 27 27.0 27.0

- Record of the member's previous calls Yes Yes 86%Yes
- Copies of recent correspondence on-line Yes Yes 100%Yes
- A knowledge-sharing help system for use by the administrator Yes Yes 71%Yes
- Pensionable salary Yes Yes 100%Yes
- Salary history Yes Yes 100%Yes
- Pensionable service Yes Yes 100%Yes
- Pensionable service history Yes Yes 100%Yes
- Home address Yes Yes 100%Yes
- Real-time access to a workflow system Yes Yes 100%Yes

# yes answers / # applicable 9 / 9 9 / 9

### High value adding capability

+20 If you have immediate computer access to each of the following whilst on a call with members (and can convey the information whilst on the call), otherwise (# of 'yes' responses / # applicable) X 20 10.0 10.0

- Most recent member statement (or the data from the statement) Yes Yes 100%Yes
- Transfer value No No 21%Yes
- A pension estimate Yes Yes 29%Yes
- Amounts payable on death No No 21%Yes

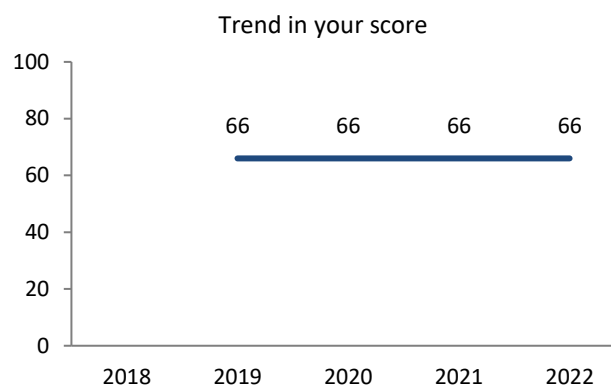
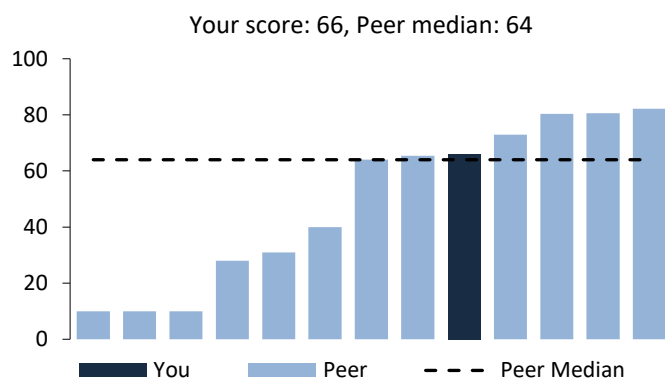
# yes answers / # applicable 2 / 4 2 / 4

### Change of address

+13 If members can notify you of a change of address over the telephone Yes Yes 13.0 13.0 100%Yes

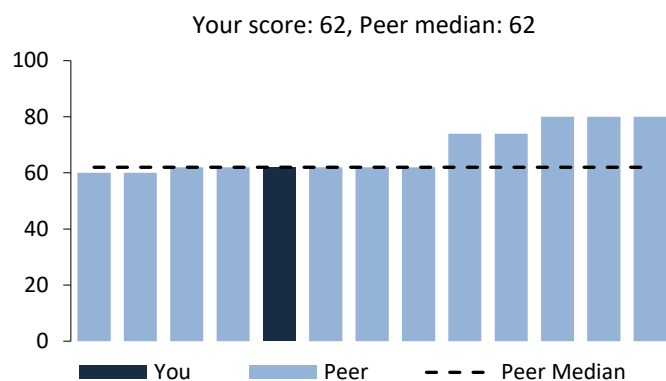
100 Total 90.0 90.0 87.0

## Telephone - outcomes service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+30 If you monitor what happens to calls <u>after</u> they connect	Yes	Yes	30.0	30.0	64%Yes
<b>First contact resolution</b>					
+40 If 100% of calls were resolved by their first contact, otherwise 40 - (80 X (1 - % satisfied by first contact)) (subject to a minimum of 0). <i>Your score will be 10 if not measured or unknown</i>	95.0%	95.0%	36.0	36.0	89.0%
<b>Deductions from first contact resolution score</b>					
-9 If you include calls that were transferred	No	No	0.0	0.0	13%Yes
-9 If you include calls where the member needs a call back	Yes	Yes	-9.0	-9.0	13%Yes
-9 If you include calls that might create a new task in the 'back-office' (Subject to a minimum score for first contact resolution of 0)	Yes	Yes	-9.0	-9.0	75%Yes
<b>Quality monitoring</b>					
+24 If you review your staff's responses to member calls for coaching purposes 4 or more times per month, otherwise 6 X # of times per month you review	Yes	Yes			64% Yes
	3	3	18.0	18.0	6.0
+6 If the review is based on listening in on a recording (versus a live call)	Live	Live	0.0	0.0	80% Recording
100 Total			66.0	66.0	64.0

## Digital - public service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Availability

+10	If you have a website accessible by active members	Yes	Yes	10.0	10.0	100%Yes
<i>Your service score for Digital - Public will be 0 if you don't have a website</i>						
+20	If you have a mobile version of your website	Yes	Yes	20.0	20.0	86%Yes
+20	If you have a mobile app	No	No	0.0	0.0	0%Yes

### Content

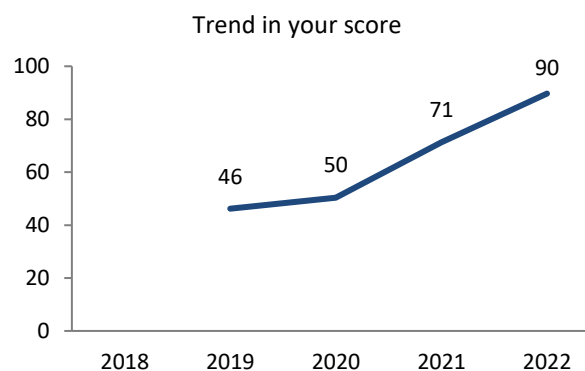
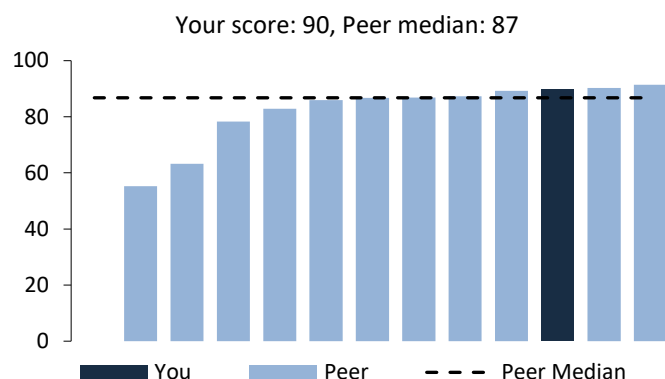
+20	If forms used by active members are available for download	Yes	Yes	20.0	20.0	100%Yes
+18	If you have a benefit calculator in the public (non-secure) area <sup>1</sup>	No	No	0.0	0.0	50%Yes
+6	If member booklets are available to view or download	Yes	Yes	6.0	6.0	100%Yes
+6	If educational videos are available online	Yes	Yes	6.0	6.0	86%Yes

100	Total			62.0	62.0	62.0
-----	-------	--	--	------	------	------

1. Points for a calculator are also given in the service score for estimates



## Digital - secure - use service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Active member access

Can your active members access their own data via a secure website? Yes Yes 86%Yes

### Registered users

Number of active member registered users (A) 51,343 13,680

Number of active members (B) 105,964 101,079

% of active members that are registered users (A/B) 48.5% 13.5% 35.3%

+20 20 x the percentage of members that are registered users 9.7 2.7

### Number of members actually using your secure area

Number of actives that accessed the secure area in the year (A) 39,582 8,179

Number of active members (B) 105,964 101,079

% of actives that accessed the secure area in the year (A/B) 37.4% 8.1% 30.7%

+60 If 10% or more of your active members accessed the secure area in the past year, otherwise 600 X % of active members that accessed the secure area 37.4% 8.1% 60.0 48.6

### Multiple logins

Number of total visits by active members<sup>1</sup> (C) 200,299 41,466

Number of active members that accessed the secure area in the year (A) 39,582 8,179

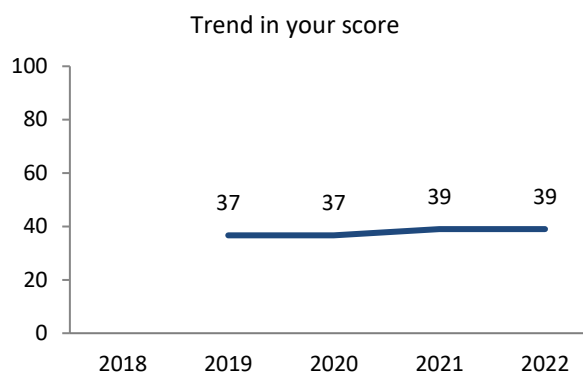
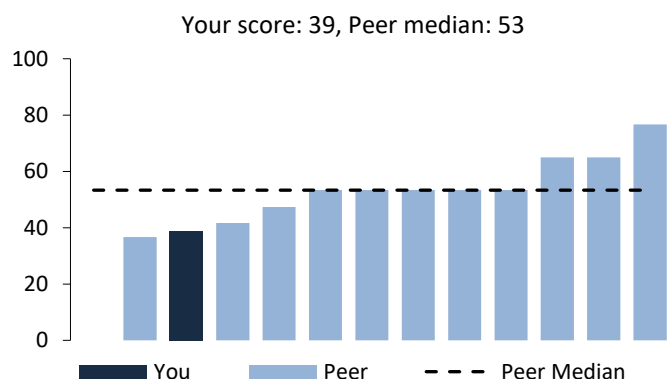
Average number of visits made by each member that logged in (C/A) = D 5.1 5.1 4.1

+20 If the average user accessed the secure area at least 2 times in the year, otherwise (D/2) X 20. Your score will be 10 if the total number of logins was unknown. 20.0 20.0

100 Total 89.7 71.3 86.8

1. CEM does not have the split of registered users, members logging in and total logins between active, deferred and pensioners for every scheme. If a scheme can provide the split on one of the elements (eg. registered users), but not on the other elements, then we will use the split as a proxy. For example, if we know that 20% of registered users were active members, then we assume that 20% of all logins were made by actives (unless, of course, an accurate split is provided). If no split is provided then we use the scheme's membership mix as the basis for the split.

## Digital - secure - functionality service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Basic functionality

+30 If your website allows members to do all of the following in the secure area of your website, otherwise (# of 'yes' responses / # applicable) X 30

• Automated password reset facility	Yes	Yes	25.0	25.0	100%Yes
• Create or change a nomination of beneficiaries	Yes	Yes			92%Yes
• View pensionable service and salary data	Yes	Yes			100%Yes
• Change address	Yes	Yes			92%Yes
• Change email address	Yes	Yes			100%Yes
• Calculator (not linked to data)	No	No			85%Yes

# yes answers

5 5

# applicable

6 6

#### High value-adding functionality

+70 If your website allows members to do all of the following in the secure area of your website, otherwise (# of 'yes' responses / # applicable) X 70

• View the current status of requests	No	No	14.0	14.0	8%Yes
• View items sent to / received from a secure mailbox	No	No			8%Yes
• Apply for retirement	No	No			8%Yes
• Download a copy of a benefit statement (or view equivalent)	Yes	Yes			100%Yes
• Obtain a current transfer value	No	No			8%Yes
• Calculator (linked to data)	n/a	n/a			82%Yes

# yes answers

1 1

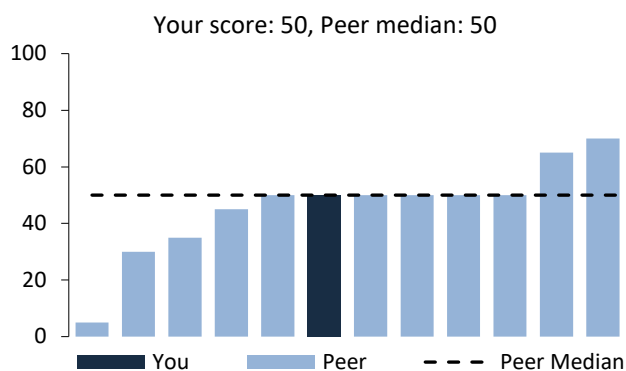
# applicable

5 5

100 Total

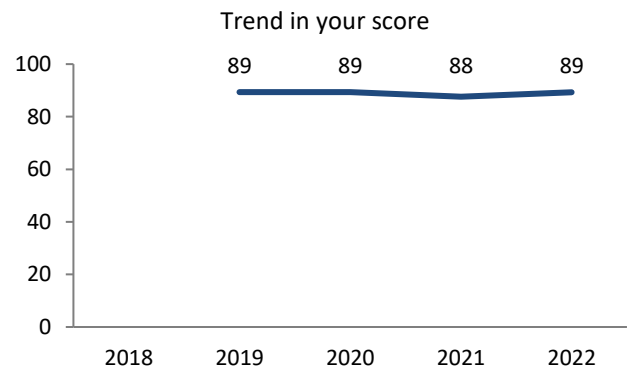
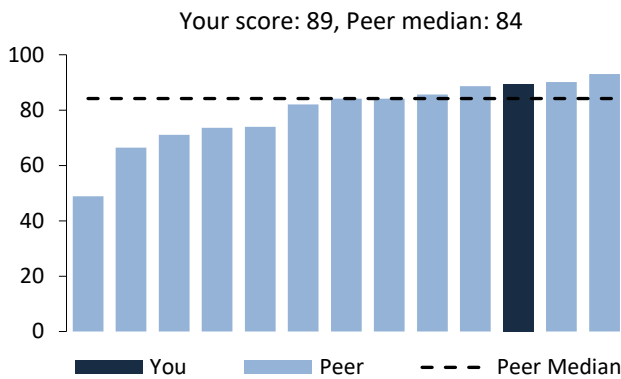
39.0 39.0 53.3

## Digital - social media service score



Scoring methodology		Your Data		Your Score		Peer Med.
		2022	2021	2022	2021	2022
<b>Platforms</b>						
+15	If your scheme has a page on 3 or more social media platforms, 10 if 2 platforms, 5 if 1 platform	2	New	10	10	1.7
<b>Frequency</b>						
+60	If your scheme posts on average 10 times or more per month, 40 if posted 5 times or more per month, 20 if more than once a month	7	New	40	40	13.3
<b>Member interactions</b>						
+25	If your scheme responds to member interactions via social media on average within 1 hour, otherwise (25-5x) for each hour in excess of 1 hour (subject to a minimum of 0)	48	New	0	0	18.4
100	Total			50.0	50.0	50.0

## SLA service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

### Processing times

Days Days

+90 9.7 - 0.7 for each day that it takes you to complete the task (Min. 0)

Task	2022	2021	2022	2021	Peer Med. 2022
• Contact an old scheme to request a transfer value	n/a	n/a	n/a	n/a	4
• Generate a transfer in quotation	3	3	7.6	7.6	6
• Generate an ill-health early retirement quotation	n/a	3	n/a	7.6	6
• Make and communicate an ill-health retirement decision	n/a	n/a	n/a	n/a	3
• Pay lump sum on death	5	4	6.2	6.9	8
• Set up a new pension	1	1	9.0	8.8	4
• Pay a Pension Commencement Lump Sum	1	1	8.7	8.8	3
• Send a written estimate	3	3	7.7	7.6	6
• Initial response to someone notifying you of a death	2	4	8.4	7.1	3
• Switching accumulated balances between investment options	n/a	n/a	n/a	n/a	3

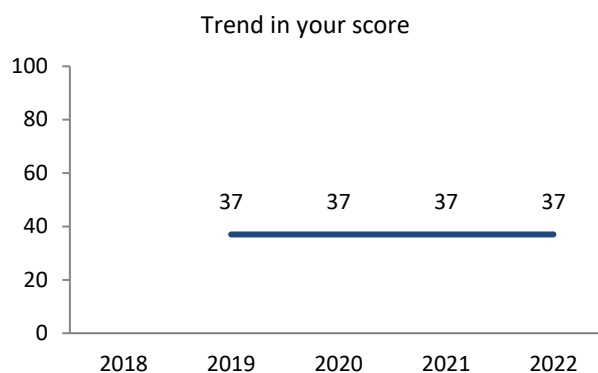
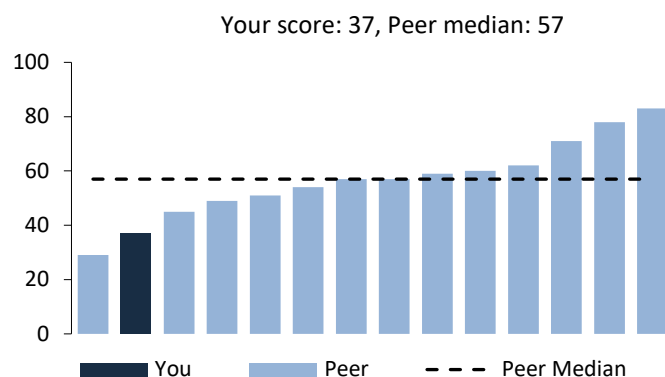
Total score (A)	47.6	54.3
# applicable (B)	6	7
# potential (C)	10	10
Adjusted total score (A x (C/B))	79.3	77.6

+10 If you communicate delays / status updates to members Yes Yes 10.0 10.0 100%Yes

100 Total 89.3 87.6 84.2

\* Where a scheme was unable to supply actual average turnaround times, we have substituted a calculated turnaround based on target and % of cases processed inside the target: Refer to Section 3 - Total Service - Pages 7 and 8 for more details.

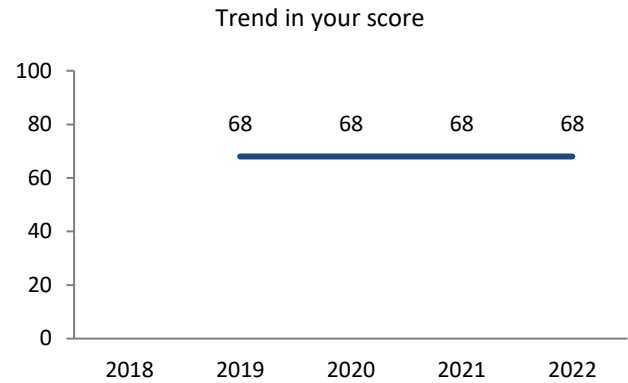
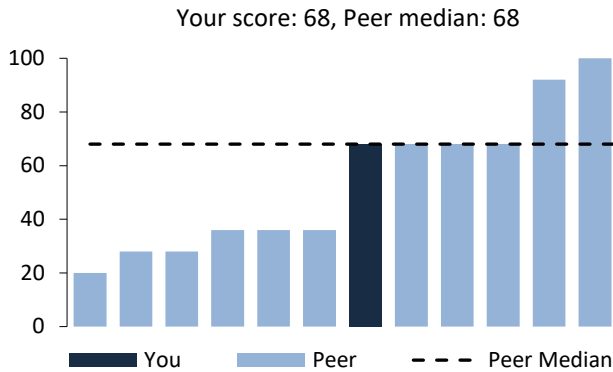
## DC/AVCs service score



### Scoring methodology

	Your Data	Your Score	Peer Med.			
	2022	2021	2022			
<b>Member statement - timeliness</b>						
+18	18 - 3 for each month that the data in your statements is out of date (Min. 0)	3.0	3.0	9.0	9.0	3.1
<b>Member statement - content</b>						
If your DC/AVC statement contains:						
+2	A summary of all account activity for the statement period	Yes	Yes	2.0	2.0	57%Yes
+2	A beginning and end of period market values	Yes	Yes	2.0	2.0	93%Yes
+2	Rates of return for investment options over multiple time periods	No	No	0.0	0.0	21%Yes
+2	A comparison of fund option returns to benchmark indices	No	No	0.0	0.0	14%Yes
+2	A personal rate of return for the member's account	No	No	0.0	0.0	14%Yes
+2	An estimates of the future account balance at retirement	Yes	Yes	2.0	2.0	93%Yes
+2	Options selected for investment of new contributions	No	No	0.0	0.0	71%Yes
+2	The charges deducted from the members account (in £)	Yes	Yes	2.0	2.0	86%Yes
<b>Estimates</b>						
+16	If you can incorporate DC/AVC information alongside DB benefits	No	No	0.0	0.0	21%Yes
<b>Digital - secure - access</b>						
If members can access their data in a secure area:						
+20	Via the secure area on your website (i.e., they can see both main scheme entitlement and any DC component in one place), or	No	No	0.0	0.0	21%Yes
+10	Via the secure area of a third-party provider's website (e.g., AVC provider)	Yes	Yes	10.0	10.0	79%Yes
<b>Digital - secure - functionality</b>						
+5	If you can view the current market value of the account	No	No	0.0	0.0	86%Yes
+5	If you can view a summary of account activity for any time period	No	No	0.0	0.0	79%Yes
+5	If you can apply to join / start contributing	Yes	Yes	5.0	5.0	71%Yes
+5	If you can change contribution levels	Yes	Yes	5.0	5.0	71%Yes
+5	If you can change the options selected for new contributions	No	No	0.0	0.0	79%Yes
+5	If you can switch accumulated balances between investment options	No	No	0.0	0.0	86%Yes
100	Total			37.0	37.0	57.0

## Feedback service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

+12 If you survey members to find out how they felt about your services in the year? (Your score for feedback will be 0 if you didn't)

Yes	Yes	12.0	12.0	100%	Yes
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#### Satisfaction - single activity focus

+40 If you conducted activity specific surveying on each of the following activities, otherwise (# of 'yes' responses / # applicable) X 40

Website	Yes	Yes			54%	Yes
Telephone calls	Yes	Yes			69%	Yes
Retirement	Yes	Yes			92%	Yes
Benefit statements	No	No			54%	Yes
New entrant	Yes	Yes			64%	Yes
# yes answers / # applicable	4/5	4/5				

#### Customer Effort - single activity focus

+24 If you measure customer effort for each of the following, otherwise (# of 'yes' responses / number applicable) X 24

Website	Yes	Yes			50%	Yes
Telephone calls	Yes	Yes			36%	Yes
Retirement from active	Yes	Yes			62%	Yes
# yes answers / # applicable	3/3	3/3				

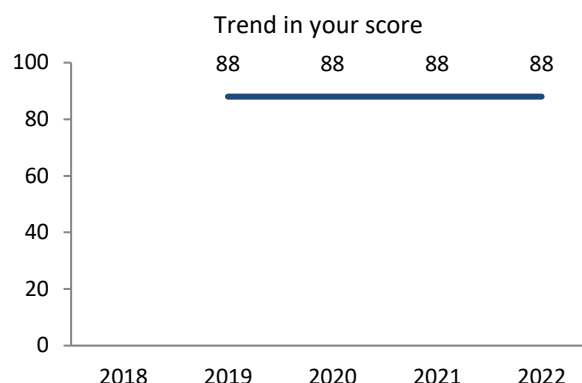
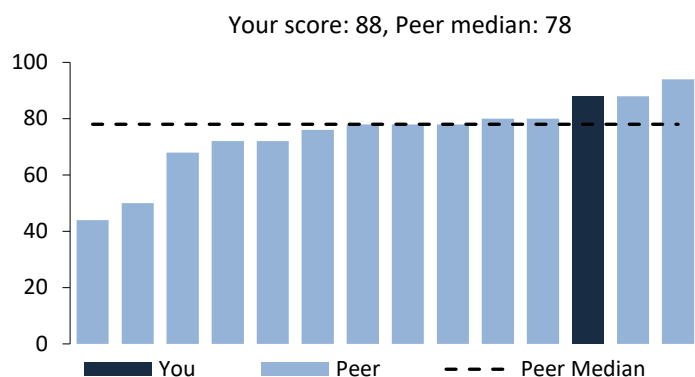
#### Measuring levels of understanding

+24 If you surveyed members during the year to measure their level of understanding of the scheme.

No	No	0.0	0.0	43%	Yes
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100	Total			68.0	68.0	68.0
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## Vulnerable members service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
88	88	78

### Flag

+4 If you, with the agreement of the member, place flags on a member's record to suggest a vulnerability/need for special care. Yes Yes 4.0 4.0 93%Yes

If you flag the following vulnerabilities specifically:

+2	a) Financial vulnerability	No	No	0.0	0.0	57%Yes
+2	b) Visual impairment	Yes	Yes	2.0	2.0	79%Yes
+2	c) Hearing impairment	Yes	Yes	2.0	2.0	71%Yes
+2	d) Speech impairment	No	No	0.0	0.0	50%Yes
+2	e) Mobility and physical impairments	No	No	0.0	0.0	14%Yes
+2	f) Reading or writing impairment	No	No	0.0	0.0	57%Yes
+2	g) Speaking/reading English as a second language	No	No	0.0	0.0	57%Yes
+2	h) Others	No	No	0.0	0.0	29%Yes

### Telephone

+30 If you accept help for members with hearing and speech difficulties over the phone from specialist agencies. Yes Yes 30.0 30.0 100%Yes

### Website

If your website:

+6	a) Meets level AA of the Web Content Accessibility Guidelines (WCAG 2.1)	Yes	Yes	6.0	6.0	64%Yes
+6	b) Includes screen magnifiers	Yes	Yes	6.0	6.0	29%Yes
+6	c) Includes screen readers and/or speech recognition tools	Yes	Yes	6.0	6.0	29%Yes
+6	d) Includes tools that change the screen colour	Yes	Yes	6.0	6.0	21%Yes
+6	e) Has an accessibility statement	Yes	Yes	6.0	6.0	93%Yes

### Printed material

If you produce the following printed materials in Braille and/or large or plain text (including digitally):

+10	a) Members' booklet	Yes	Yes	10.0	10.0	93%Yes
+10	b) Benefit statement	Yes	Yes	10.0	10.0	93%Yes

100	Total			88.0	88.0	78.0
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## Complaints deduction



Scoring methodology	Your Data		Your Deduction		Peer Med.
	2022	2021	2022	2021	2022

### Complaints

Total service related complaints (A)	95	134			
Total members (active, deferred, and pensioners) (B)	297,331	287,644			
Number of service related complaints per 1000 members ((A/B)/1000)	0.32	0.47			0.15

-2 If service related complaints exceeded 2 per 1000 members, otherwise -1 X # of service related complaints that exceeded 1 per 1000 members. Your deduction will be -1.5 if 'unknown'.			0.00	0.00	0.00
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### Internal Dispute Resolution

Total IDR cases relating to service initiated in the year (C)	2	5			
Total members (actives, deferreds, and pensioners) (B)	297,331	287,644			
Number of service related IDR cases per 1000 members ((C/B)/1000) (D)	0.01	0.02			0.03

-2 If service related IDR cases exceeded 1 per 1000 members, otherwise -1 X # of service related complaints that exceeded 0.5 per 1000 members. Your deduction will be 1.5 if 'unknown'.			0.00	0.00	0.00
--	--	--	------	------	------

% of IDR cases that were upheld	0%	80%			18%
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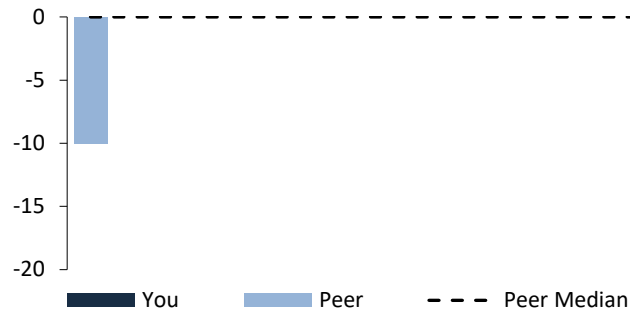
-2 If the number of IDR cases was less than 0.05 per 1000 members then there is no deduction, otherwise -2 x % of IDR cases upheld with a maximum deduction of 2.			0.00	0.00	0.00
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<b>Total deduction</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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## Data breaches deduction

Your deduction: 0, Peer median: 0



Scoring methodology		Your Data		Your Deduction		Peer Med.
		2022	2021	2022	2021	2022
<b>Data breaches</b>						
-10	If one or more data breaches involving member data were reported to the Information Commissioners Office (ICO) or other supervisory authority.	No	No	0.00	0.00	0.00
	Total number of active members affected by a data breach (A)	0	New			
	Total active members (B)	105,964	101,079			
	Percentage of members affected by a data breach ((A/B)*100)	0.00	0.00			
-10	-1 x % of members affected by a data breach with a maximum deduction of 10.			-10.00	0.00	0.00
Total deduction				0.0	0.0	0.0

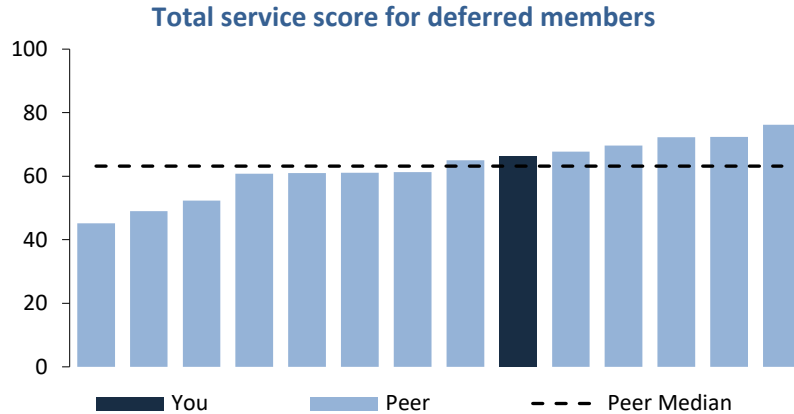
# 5

## Service for deferred members

Total service score for deferred members	2
Trend	3
Components of deferred members:	
• Pension set up service score	4
• Benefit statement service score	5
• Estimates service score	6
• Newsletters and campaigns service score	7
• Meeting members (individuals) service score	8
• Meeting members (groups) service score	9
• Tracing members service score	10
• Telephone - pre-connection service score	11
• Telephone - capability service score	12
• Telephone - outcomes service score	13
• Digital (public) service score	14
• Digital (secure - use) service score	15
• Digital (secure - functionality) service score	16
• Digital (social media) service score	17
• SLA service score	18
• DC and AVCs service score	19
• Feedback service score	20
• Vulnerable members service score	21
• Complaints deduction	22
• Data breaches deduction	23

## Total service score for deferred members

Your total service score for deferred members was 66 out of 100. This was above the peer median of 63.



Your service score for deferred members is a weighted total of scores at an activity level, as follows:

Activity	Weight	Service score		
		You	Peer median <sup>1</sup>	Higher/lower <sup>2</sup>
Pension Set Ups	10%	96	66	30
Benefit Statements	4%	68	58	10
Estimates	8%	45	100	-55
Newsletters and Campaigns	4%	59	59	0
Tracing Members	15%	88	91	-2
Meeting Members - Individuals	1%	0	0	0
Meeting Members - Groups	1%	0	23	-23
Telephone - Pre-Connection	7%	32	43	-11
Telephone - Capability	4%	90	87	3
Telephone - Outcomes	3%	66	65	1
Digital - Public	4%	78	78	0
Digital - Secure - Use	7%	86	85	2
Digital - Secure - Functionality	7%	29	72	-43
Digital - Social Media	4%	50	50	0
SLA	7%	65	68	-3
DC and AVCs	4%	27	56	-29
Feedback	4%	100	66	34
Vulnerable Members	6%	88	78	10
<i>Deductions</i>				
Complaints (up to 6 pts)	n/a	0	0	0
Data Breaches (up to 20 pts)	n/a	0	0	0
<b>Weighted Total</b>	<b>100%</b>	<b>66</b>	<b>63</b>	<b>3</b>

1. The weighted total peer median service score for deferred members is the median of the weighted total for each peer. It will not equal the weighted sum of the peer median scores for each activity.

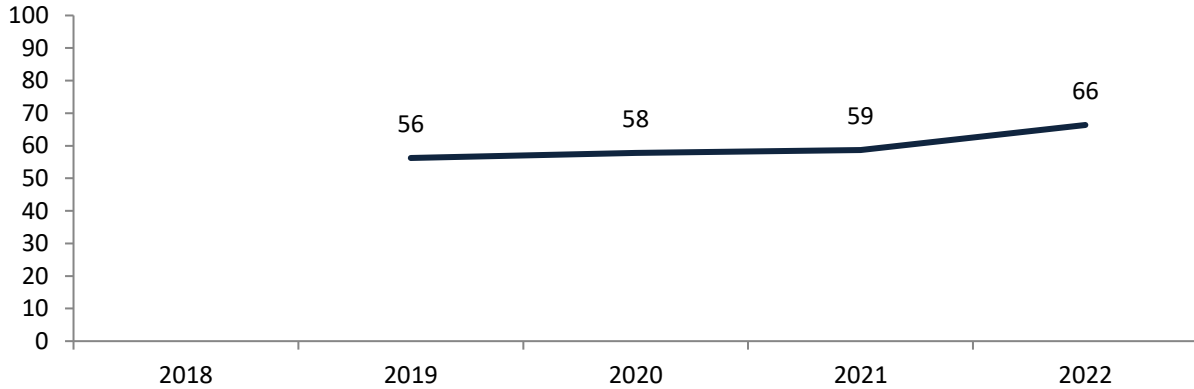
2. Any minor differences are due to rounding.

A full explanation of the scoring for each activity is contained in the pages that follow.

## Trend

Your service score for deferred members has increased by 7 points since you last benchmarked.

**Trend in deferred member service score**

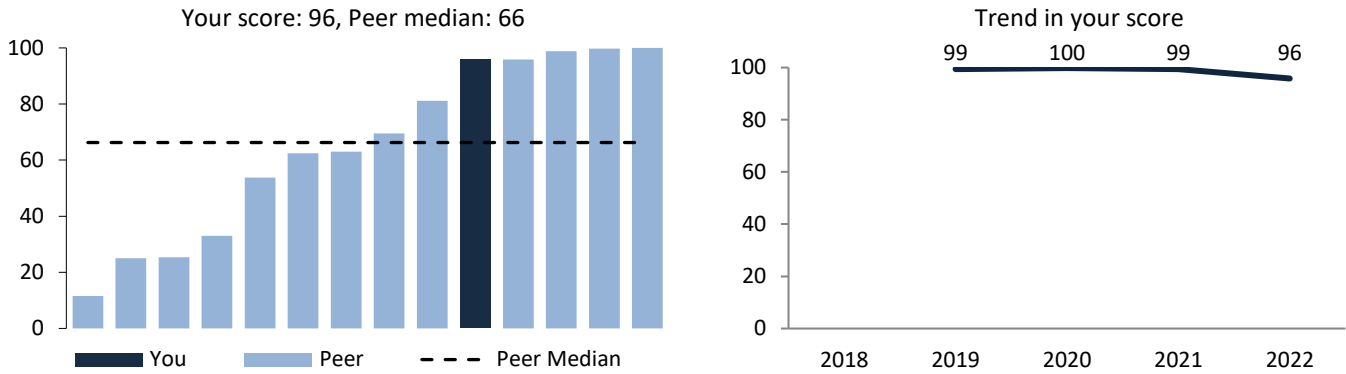


**Trend in deferred member service scores by activity**

Activity	Weight	Your service score					Change	
		2022	2021	2020	2019	2018	1-Yr	3-Yr
Pension Set Ups	10%	96	99	100	99		-4	-4
Benefit Statements	4%	68	68	68	68		0	0
Estimates	8%	45	65	65	45		-20	0
Newsletters and Campaigns	4%	59	59	59	59		0	0
Tracing Members	15%	88	33	24	24		56	64
Meeting Members - Individuals	1%	0	0	0	0		0	0
Meeting Members - Groups	1%	0	0	0	0		0	0
Telephone - Pre-Connection	7%	32	58	58	59		-26	-27
Telephone - Capability	4%	90	90	90	87		0	3
Telephone - Outcomes	3%	66	66	66	66		0	0
Digital - Public	4%	78	78	78	78		0	0
Digital - Secure - Use	7%	86	39	31	36		48	51
Digital - Secure - Functionality	7%	29	31	31	29		-3	0
Digital - Social Media	4%	50	50	50	50		0	0
SLA	7%	65	65	79	79		0	-14
DC and AVCs	4%	27	27	27	27		0	0
Feedback	4%	100	100	100	100		0	0
Vulnerable Members	6%	88	88	88	88		0	0
<i>Deductions</i>								
Complaints (up to 6 pts)	n/a	0	0	0	0		0	0
Data Breaches (up to 20 pts)	n/a	0	0	0	0		0	0
<b>Weighted total</b>	<b>100%</b>	<b>66</b>	<b>59</b>	<b>58</b>	<b>56</b>		<b>7</b>	<b>10</b>

Historic scores have been restated to reflect changes in the methodology. If any question was not asked in a prior year then we used your response from the year when the question was first asked as a default. Where defaults are used, those defaults are applied historically to ensure year-on-year consistency. Any minor differences are due to rounding.

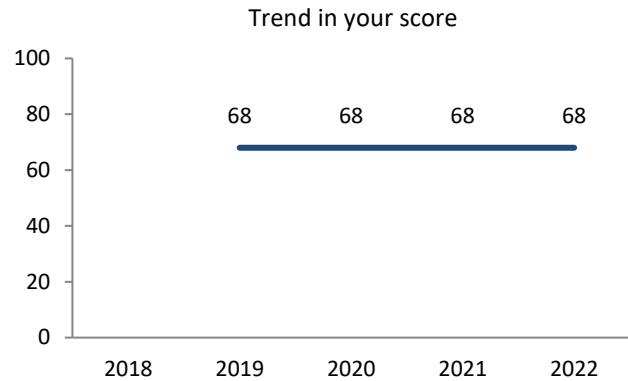
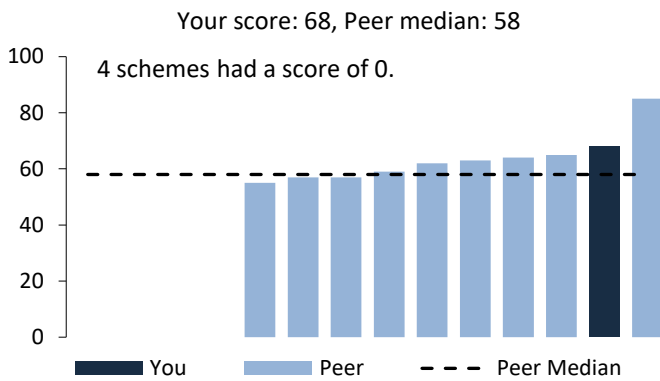
## Pension set up service score



### Scoring methodology

	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
<b>Pensions Set up</b>					
+50	If 100% of your new pensions were paid without a cashflow interruption greater than 1 month, otherwise 50 X percent of first pension installment paid within 1 month of the member's intended retirement date <i>Score 12.5 if unknown.</i>				
	99.3%	99.0%	49.6	49.5	91.3%
<b>Pension Commencement Lump Sum (PCLS)</b>					
+50	if 100% of pension commencement lump sum payments were paid within one week of the individual's intended retirement date, otherwise 50 X % paid within a week <i>Score 12.5 if unknown</i>				
	92.3%	99.9%	46.2	50.0	68.0%
100	<b>Total</b>		95.8	99.5	66.3

## Benefit statement service score

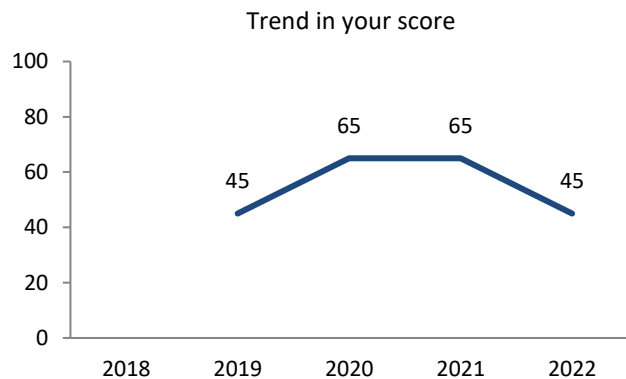
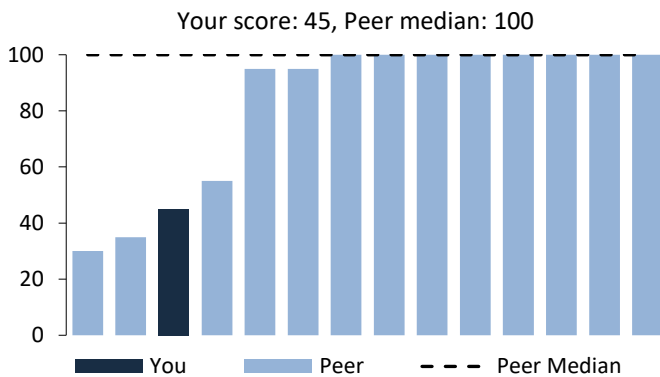


### Scoring methodology

	Your Data	Your Score	Peer Med.
	2022	2021	2022 <sup>1</sup>
<b>Availability</b>			
+35 If you send member (benefit) statements to all deferred members each year <sup>1</sup> . <i>Your service score for benefit statements will be 0 if you don't.</i>	Yes	Yes	71%Yes
<b>Timeliness</b>			
+25 If data is current to 1 month, otherwise 25 - 2 X # of months in excess of 1 month out of date (subject to a minimum of 0)	2	2	4.5 mths
<b>Content</b>			
+15 If your member statements fully incorporate DC or AVC data, 15 if DC/AVC statements were sent alongside member statements, 0 if sent separately	Separate	Separate	22% Integrated
+15 If the statement provides the transfer value at the statement date	No	No	0%Yes
+5 If the statement describes the effect of inflation since leaving	Yes	Yes	100%Yes
+5 If the statement describes the future effects of inflation on the benefit	Yes	Yes	60%Yes
100 Total			58.0
		68.0	68.0

1. Peer median is the median amongst those that send benefit statements to deferred members.

## Estimates service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Printed estimates

+25	If you produce printed estimates on request from deferred members (as opposed to simply sending them a copy of their last benefit statement)	Yes	Yes	25.0	25.0	93%Yes
-----	--	-----	-----	------	------	--------

#### Content of printed estimates

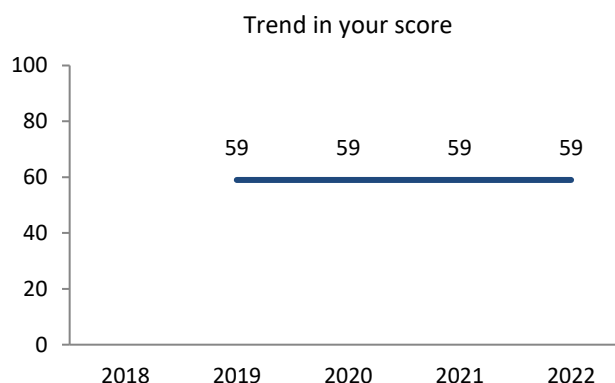
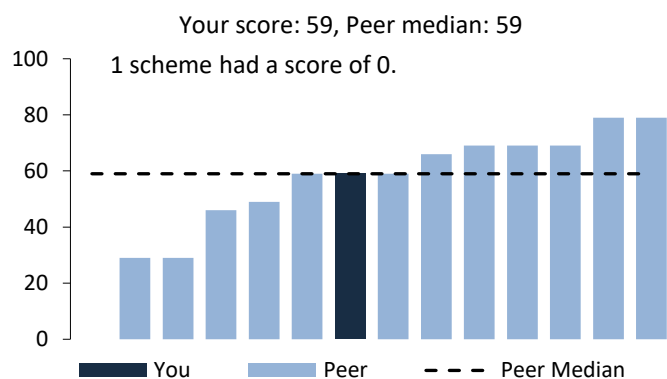
+5	If you clearly address how the pension is inflation protected	Yes	Yes	5.0	5.0	85%Yes
+5	If you can show the benefits payable at different retirement ages	Yes	Yes	5.0	5.0	85%Yes
+5	If you can show Pension Commencement Lump Sum options as well as the full, uncommuted pension	Yes	Yes	5.0	5.0	100%Yes
+5	If you can incorporate AVC information alongside main scheme benefits	Yes	Yes	5.0	5.0	77%Yes

#### On-line estimates (calculators)

+20	If you have an on-line calculator accessible by deferred members	No	Yes	0.0	20.0	79%Yes
+35	If the calculator is linked to the member's personal data (in a secure area)	n/a	No	0.0	0.0	100%Yes

100	Total			45.0	65.0	100.0
-----	-------	--	--	------	------	-------

## Newsletters and campaigns service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

### Newsletters

#### Availability

Did you send newsletters to deferred members in the year? Yes Yes 93%Yes

#### Frequency

+30 If you send newsletters 4 or more times per year, 23 if 3 times, 16 if 2 times or 9 if once

1 time	1 time	9.0	9.0	1 time
--------	--------	-----	-----	--------

#### Customisation

+20 If deferred members receive a different newsletter from active members Yes Yes 20.0 20.0 77%Yes

### Campaigns

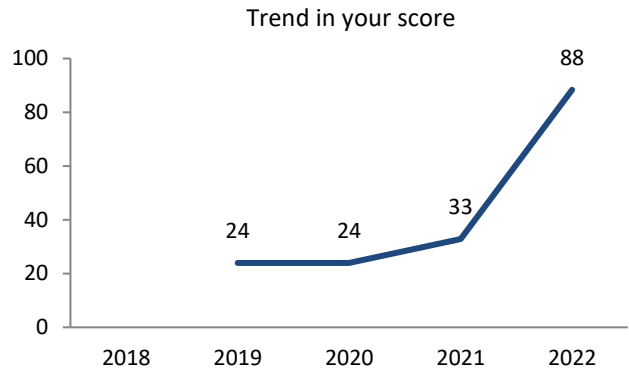
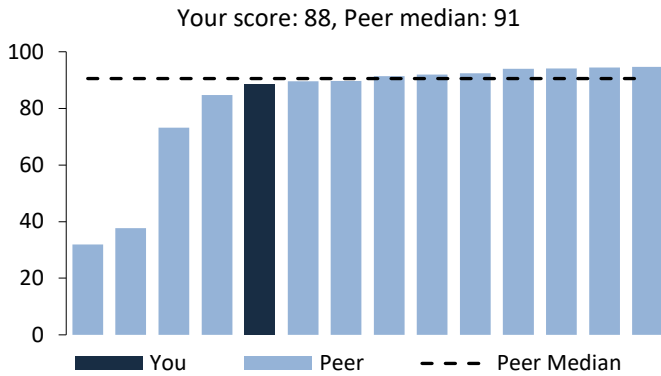
+50 If you had campaigns for all of the following, otherwise # of 'yes' responses X 10 30.0 30.0

- Targeting members approaching retirement Yes Yes 86%Yes
- Targeting members with missing beneficiary information Yes Yes 36%Yes
- Targeting members with missing email addresses No No 57%Yes
- Targeting members with missing addresses or to update addresses Yes Yes 79%Yes
- Other No No 50%Yes

100 Total 59.0 59.0 59.0



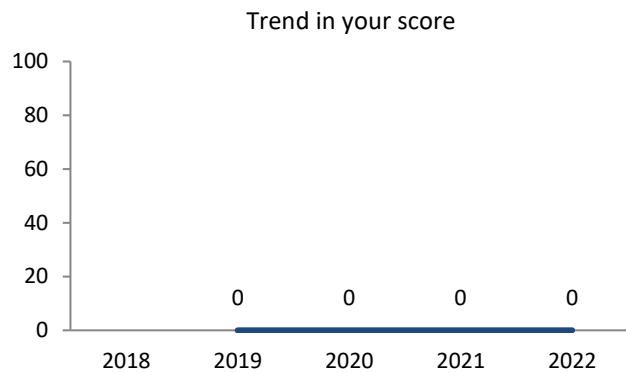
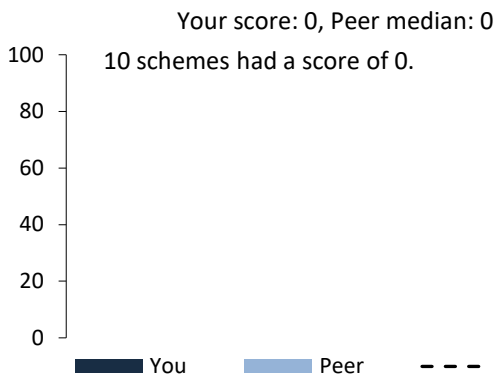
## Tracing members service score



### Scoring methodology

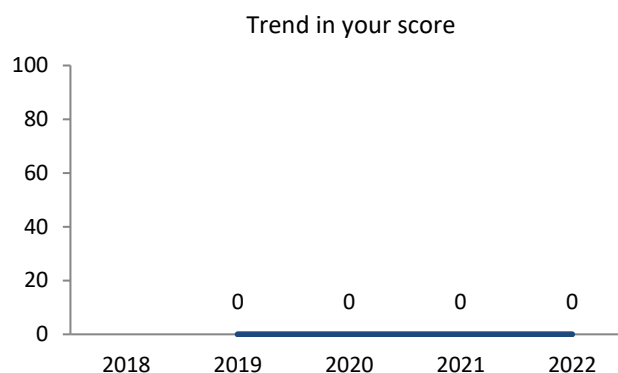
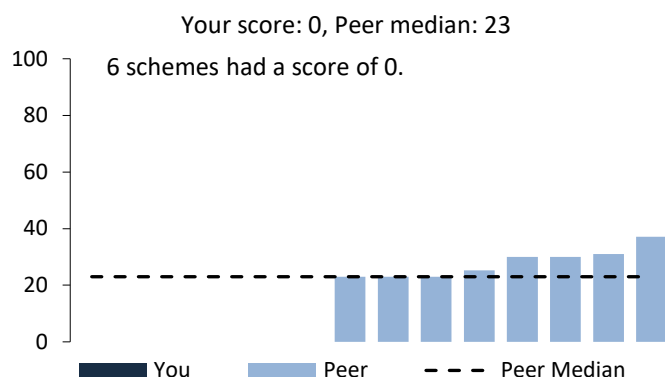
		Your Data	Your Score	Peer Med.
		2022	2021	2022
<b>Current year</b>				
+75	75 - 75 X % of deferred members that reached their normal retirement age in the year that have not received any benefits yet because mail has been returned and the member has been recorded as 'gone away' (subject to a minimum of 0). <i>Your score will be 18 if unknown</i>	0.1%	Unknown	74.9
				18.0
				1.1%
+10	10 x % of deferred members that you hold current email addresses for. <i>Your score will be 2.5 if unknown.</i>	0.3%	17.8%	0.0
				1.8
				42.6%
+10	10 x % of deferred members that you hold current home addresses for. <i>Your score will be 2.5 if unknown.</i>	90.6%	87.4%	9.1
				8.7
				94.2%
+5	5 x % of Common Data assessed to be present and accurate for deferred members. <i>Your score will be 1 if unknown.</i>	86.5%	86.3%	4.3
				4.3
				97.3%
100	<b>Total</b>			88.4
				32.8
				90.5

## Meeting members (Individuals) service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
<b>Availability</b>					
Did you meet individually with deferred members in the year? <i>Your service score for Meeting members (individuals) will be 0 if you didn't meet any members or if you didn't meet a material number of members</i>	No	New			29%Yes
Number of members you met at your premises	n/a	n/a			
Number of members you met away from your premises	n/a	n/a			
Number of members you met via the internet (e.g. Skype or Zoom)	n/a	n/a			
Total number of individual meetings	0	0			
Number of deferred members	86,657	85,696			
Meetings as a percent of deferred member	0.0%	0.0%			0.0%
<b>+80</b> If the number of members you met individually was 5% or more of deferred members, otherwise 1600 X # of members you met individually as a % of deferred members	0.0%	0.0%	0.0	0.0	0.0%
<b>Capability</b>					
<b>+14</b> If you have real-time access to the member's data when meeting individually	Yes	New	14.0	14.0	100%Yes
<b>+6</b> If you can provide a retirement estimate for a member that requests one in the meeting	Yes	New	6.0	6.0	100%Yes
<b>100 Total</b>			0.0	0.0	0.0

## Meeting members (groups) service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Availability

Did you meet with deferred members in groups in the year (i.e., delivering presentations)?

No No 57%Yes

*Your service score for Meeting members (groups) will be 0 if you didn't do any presentations*

Number of presentations about benefits changes, scheme changes or M&A activity

Number of presentations for other educational or informative purposes

Total number of presentations

Educational presentations as a percent of total presentations

100%

Total number of attendees

Number of members attending webinars

Total number of attendees, including webinars

Number of deferred members

Attendees as a percent of deferred members

0.21%

+70 If the total number of attendees was 2.5% or more of deferred members, otherwise 2800 X attendees as percent of deferred members (including those attending webinars)

0.0 0.0 0.21%

### Type

+23 If more than 50% of your member presentations were solely to educate and inform your members (rather than being driven by changes to benefits or M&A activity, i.e., you did them because you wanted to rather than because you needed to).

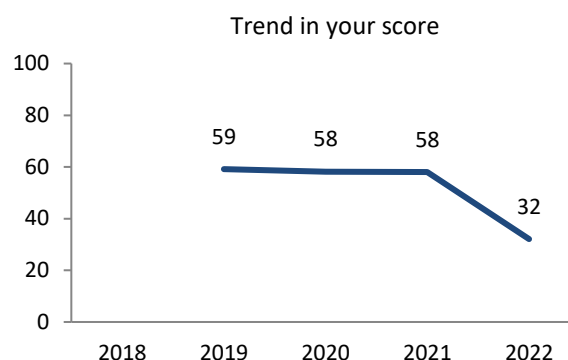
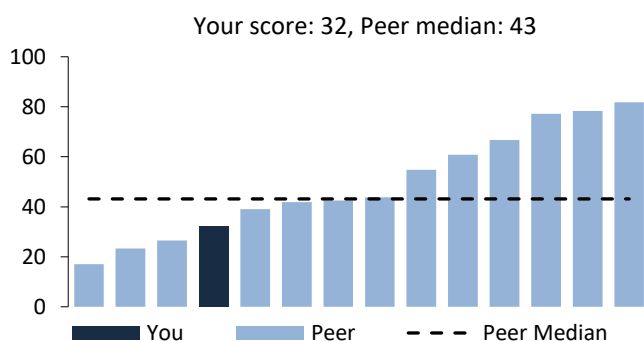
0.0 0.0 n/a

+7 If you held an AGM (giving members the opportunity to meet with and question executives and Board members)

0.0 0.0 31%Yes

100 Total 0.0 0.0 23.0

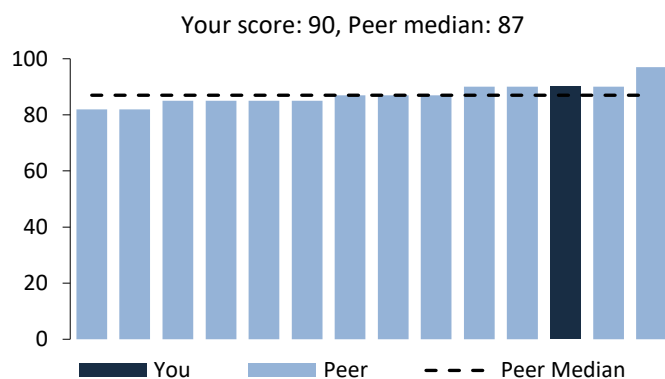
## Telephone - pre-connection service score



### Scoring methodology

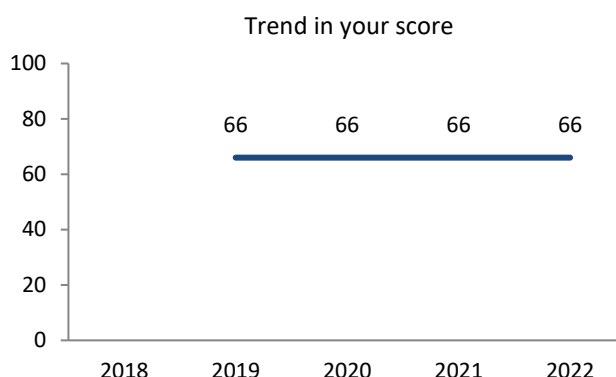
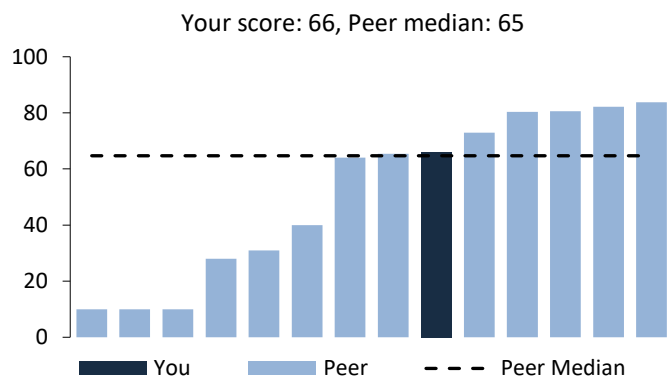
	Your Data	Your Score	Peer Med.
	2022	2021	2022
<b>Access</b>			
+5 If you have a free-phone number (or a low cost call number)	No	No	57%Yes
+10 10 X (# hrs your team is available to take calls each week / 60). (Max. 10)	42.5	42.5	41.5
+5 If your administrators provide their full name and contact number on cover letters when responding to specific requests from members	Yes	Yes	64%Yes
<b>Failure to connect (e.g., engaged, unanswered or answering machine)</b>			
+20 If 100% of calls connected, 20 - [100 X (1.0 - % of connected calls)] if at least 90% of calls connected, or 10 - [100 X (0.9 - % of connected calls)] if at least 70% of calls connected, otherwise 0. <i>Your score will be 5 if unknown</i>	100.0%	100.0%	100.0%
<b>Menu layers and wait times</b>			
+20 If there are no menu layers, otherwise 10 if 1 layer, 5 if 2 or 0 if 3 plus	1	1	1.0
+20 If the time it takes a member to reach a person is 30 secs or less, otherwise 20 - (( secs to reach a live person - 30) X 0.2 per sec), (Min. 0)			
Time listening to messages/navigating menus (0 if no messages/menus) (A)	45	30	42.5
Is the menu system by-passed if a service representative is available?	No	Yes	
If yes, what percentage of calls is the menu system by-passed? (B)	n/a	83%	
Adjusted time listening to messages/navigating menus (A X (100-B)) = (C)	45	30	42.5
Average time queuing (0 if no queue) (D)	<u>180</u>	<u>90</u>	121.5
Total time to reach a live person (seconds) (C+D)	225	95	104.5
<b>Abandonment</b>			
+20 If the abandonment rate in queue was 0%, otherwise 20 - (2 X % calls abandoned) (Min. 0). You will score 20 if you don't have a queuing system and 0 if the abandonment rate is unknown	15.0%	0.5%	4.5%
<b>Deductions</b>			
-10 If a contact centre operator is the first point of contact	Yes	Yes	50%Yes
100 Total			43.1
			32.1
			58.1

## Telephone - capability service score



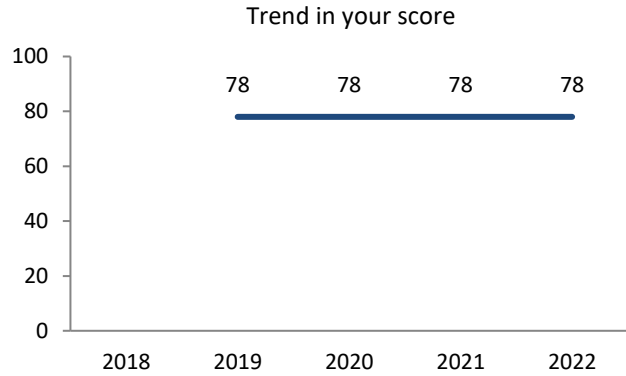
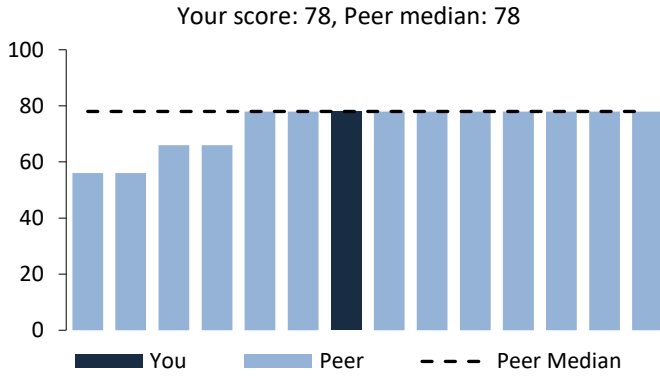
Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+40 If you have security routines that allow staff to discuss a member's personal data, such as salary and service history, on the phone	Yes	Yes	40.0	40.0	100%Yes
<b>Basic capability</b>					
+27 If you have immediate computer access to each of the following pieces of information, otherwise (# of 'yes' responses / # applicable) X 26			27.0	27.0	
• Record of the member's previous calls	Yes	Yes			86%Yes
• Copies of recent correspondence on-line	Yes	Yes			100%Yes
• A knowledge-sharing help system for use by the administrator	Yes	Yes			71%Yes
• Pensionable salary	Yes	Yes			100%Yes
• Salary history	Yes	Yes			100%Yes
• Pensionable service	Yes	Yes			100%Yes
• Pensionable service history	Yes	Yes			100%Yes
• Home address	Yes	Yes			100%Yes
• Real-time access to a workflow system	Yes	Yes			100%Yes
# yes answers / # applicable	9 / 9	9 / 9			
<b>High value adding capability</b>					
+20 'If you have immediate computer access to each of the following whilst on a call with members (and can convey the information whilst on the call), otherwise (# of 'yes' responses / # applicable) X 20			10.0	10.0	
• Most recent member statement (or the data from the statement)	Yes	Yes			100%Yes
• Transfer value	No	No			21%Yes
• A pension estimate	Yes	Yes			29%Yes
• Amounts payable on death	No	No			21%Yes
# yes answers / # applicable	2 / 4	2 / 4			
<b>Change of address</b>					
+13 If members can notify you of a change of address over the telephone	Yes	Yes	13.0	13.0	100%Yes
100 Total			90.0	90.0	87.0

## Telephone - outcomes service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+30 If you monitor what happens to calls <u>after</u> they connect	Yes	Yes	30.0	30.0	64%Yes
<b>First contact resolution</b>					
+40 If 100% of calls were resolved by their first contact, otherwise 40 - (80 X (1 - % satisfied by first contact)) (subject to a minimum of 0). Your score will be 10 if not measured or unknown	95.0%	95.0%	36.0	36.0	89.0%
<b>Deductions from first contact resolution score</b>					
-9 If you include calls that were transferred	No	No	0.0	0.0	13%Yes
-9 If you include calls where the member needs a call back	Yes	Yes	-9.0	-9.0	13%Yes
-9 If you include calls that might create a new task in the 'back-office' (Subject to a minimum score for first contact satisfaction of 0)	Yes	Yes	-9.0	-9.0	75%Yes
<b>Quality monitoring</b>					
+24 If you review your staff's responses to member calls for coaching purposes 4 or more times per month, otherwise 2 X # of times per month	Yes	Yes	3	3	18.0 18.0 6
+6 If the review is based on listening in on a recording (versus a live call)	Live	Live	0.0	0.0	80% Recording
100 Total			66.0	66.0	64.7

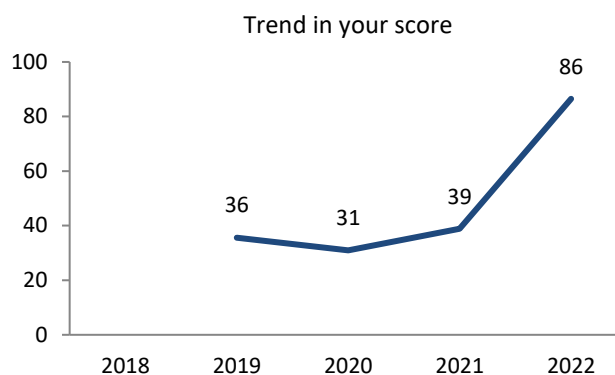
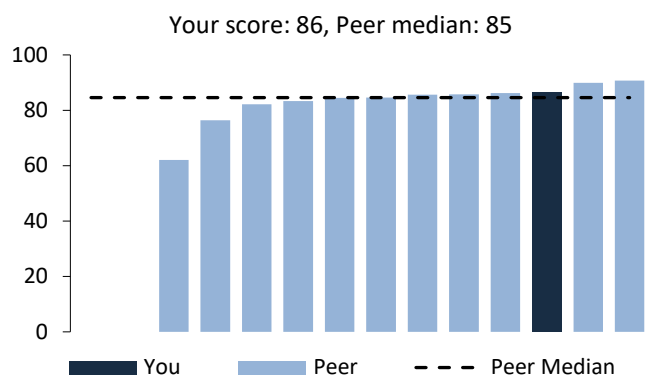
## Digital - public service score



### Scoring methodology

	Your Data		Your Score		Peer Med.	
	2022	2021	2022	2021	2022	
<b>Availability</b>						
+10	If you have a website accessible by deferred members	Yes	Yes	10.0	10.0	100%Yes
	<i>Your service score for Digital - Public will be 0 if you don't have a website</i>					
+22	If you have a mobile version of your website	Yes	Yes	22.0	22.0	86%Yes
+22	If you have a mobile app	No	No	0.0	0.0	0%Yes
<b>Content</b>						
+22	If all forms used by deferred members are available for download	Yes	Yes	22.0	22.0	100%Yes
+12	If member booklets are available to view or download	Yes	Yes	12.0	12.0	100%Yes
+12	If educational videos are available online	Yes	Yes	12.0	12.0	86%Yes
100	Total			78.0	78.0	78.0

## Digital - secure - use service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Deferred member access

Can your deferred members access their own data via a secure website? Yes Yes 86%Yes

### Registered users

Number of deferred member registered users (A) 28,077 5,214  
 Number of deferred members (B) 86,657 85,696  
 % of deferred members that are registered users (A/B) 32.4% 6.1% 30.1%

+20 20 x the percentage of members that are registered users 6.5 1.2

### Number of members actually using your secure area

Number of deferreds that accessed the secure area in the year (A) 13,844 2,517  
 Number of deferred members (B) 86,657 85,696  
 % of deferreds that accessed the secure area in the past year (A/B) 16.0% 2.9% 15.1%

+60 If 10% or more of your deferred members accessed the secure area in the past year, otherwise 600 X % of deferred members that accessed the secure area 16.0% 2.9% 60.0 17.6

### Multiple logins

Number of total visits by deferred members<sup>1</sup> (C) 54,962 9,706  
 Number of deferred members that accessed the secure area in the year 13,844 2,517  
 Average number of visits made by each member that logged in (C/A) = D 4.0 3.9 3.7

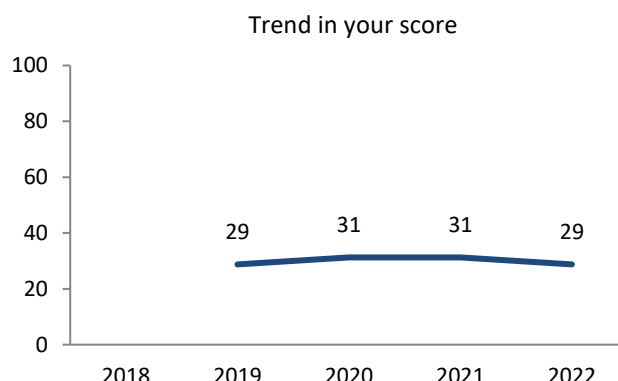
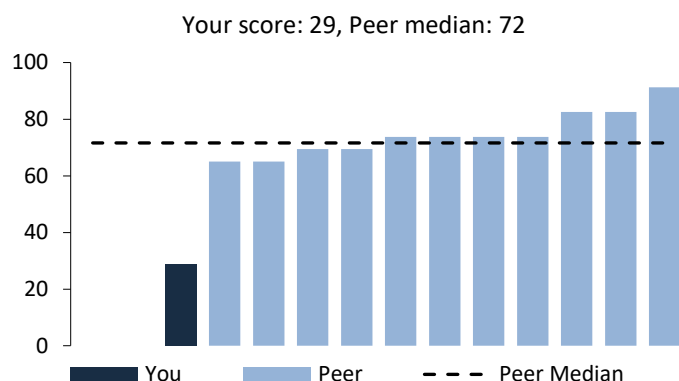
+20 If the average user accessed the secure area 2 times in the year, otherwise (D/2) X 20. Your score will be 10 if the total number of logins was unknown. 20.0 20.0

100 Total 86.5 38.8 84.6

1. CEM does not have the split of registered users, members logging in and total logins between active, deferred and pensioners for every scheme. If a scheme can provide the split on one of the elements (eg. registered users), but not on the other elements, then we will use the split as a proxy. For example, if we know that 20% of registered users were active members, then we assume that 20% of all logins were made by actives (unless, of course, an accurate split is provided). If no split is provided then we use the scheme's membership mix as the basis for the split.



## Digital - secure - functionality service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Deferred member access

Can deferred members access their own data online? Yes Yes 86%Yes

### Basic functionality

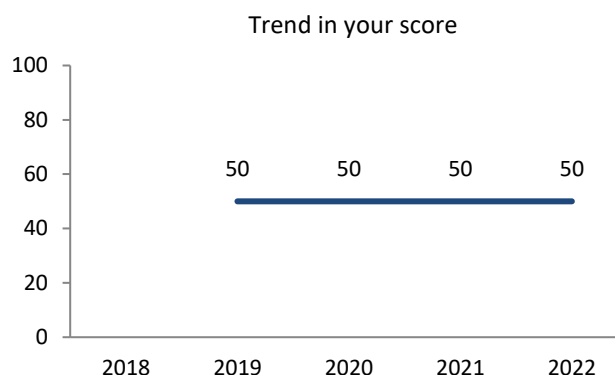
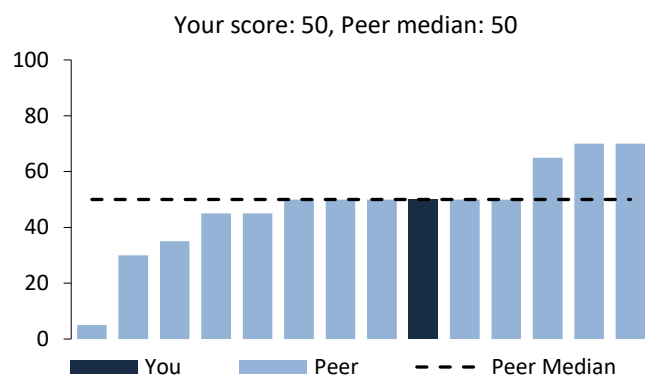
Weight	Description	2022	2021	Score	Peer Med.
+30	If your website allows members to do all of the following in the secure area of your website, otherwise (# of 'yes' responses / # applicable) X 30			18.8	22.5
	• Automated password reset facility	Yes	Yes	100%	Yes
	• Create or change a nomination of beneficiaries	Yes	Yes	92%	Yes
	• View pensionable service and salary data	Yes	Yes	100%	Yes
	• Change address	Yes	Yes	100%	Yes
	• Change email address	Yes	Yes	100%	Yes
	• Calculator (not linked to data)	No	Yes	79%	Yes
	• View the current market value of the account (AVCs)	No	No	92%	Yes
	• View a summary of account activity for any time period (AVCs)	No	No	85%	Yes
	# yes answers	5	6		
	# applicable	8	8		

### High value-adding functionality

Weight	Description	2022	2021	Score	Peer Med.
+70	If your website allows members to do all of the following in the secure area of your website, otherwise (# of 'yes' responses / # applicable) X 70			10.0	8.8
	• View the current status of requests	No	No	15%	Yes
	• View items sent to / received from a secure mailbox	No	No	15%	Yes
	• Apply for retirement	No	No	69%	Yes
	• Download a copy of a benefit statement (or view equivalent)	Yes	Yes	100%	Yes
	• Obtain a current transfer value	No	No	15%	Yes
	• Calculator (linked to data)	No	No	100%	Yes
	• Change the options selected for the investment of new contributions	No	No	85%	Yes
	• Switch accumulated balances between investment options	No	No	92%	Yes
	# yes answers	1	1		
	# applicable	7	8		

100 Total 28.8 31.3 71.6

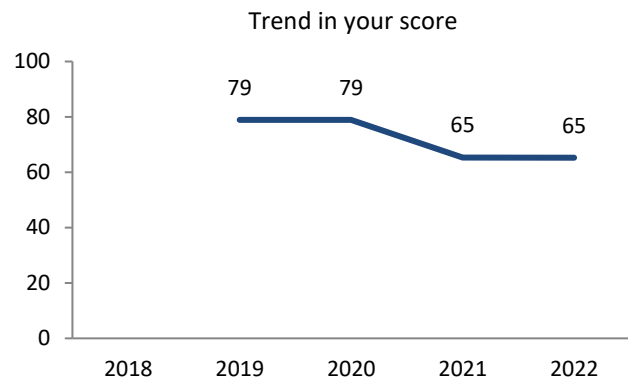
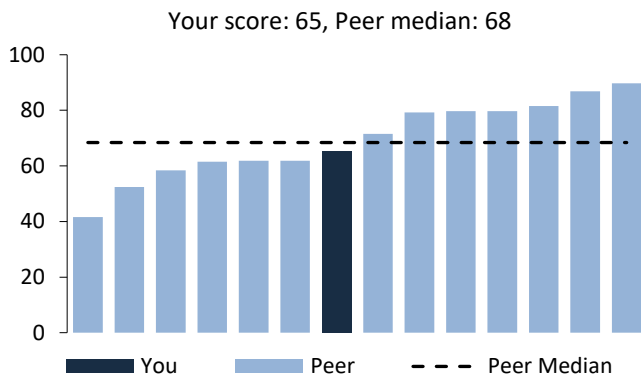
## Digital - social media service score



### Scoring methodology

		Your Data	Your Score	Peer Med.
		2022	2021	2022
<b>Platforms</b>				
+15	If your scheme has a page on 3 or more social media platforms, 10 if 2 platforms, 5 if 1 platform	2	New	10
				10
				2
<b>Frequency</b>				
+60	If your scheme posts on average 10 times or more per month, 40 if posted 5 times or more per month, 20 if more than once a month	7	New	40
				40
				13
<b>Member interactions</b>				
+25	If your scheme responds to member interactions via social media on average within 1 hour, otherwise (25-5x) for each hour in excess of 1 hour (subject to a minimum of 0)	48	New	0
				0
				18
100	Total			50.0
				50.0
				50.0

## SLA service score

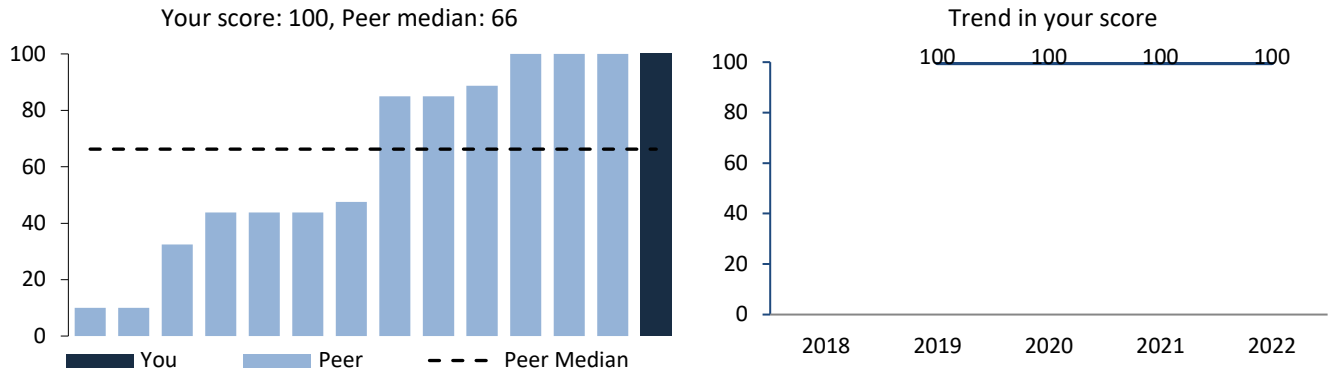


### Scoring methodology

	Your Data	Your Score	Peer Med.
	2022	2021	2022
<b>Processing times</b>	Days	Days	
+88 11.9 - 0.9 for each day that it takes you to complete the task (Min. 0)			
• Send a notification of entitlement to a leaver	8	6	4.9
• Generate a transfer value quotation	13	13	0.2
• Process a transfer out (make the payment)	13	13	0.3
• Set up a new pension	1	1	11.0
• Pay a Pension Commencement Lump Sum	1	1	10.6
• Send a written estimate	3	3	9.3
• Initial response to someone notifying you of a death	2	4	10.3
• Switching accumulated balances between investment options	n/a	n/a	n/a
Total score (A)			46.6
# applicable (B)			7.0
# potential (C)			8.0
Adjusted total score (A x (C/B))			53.2
+12 If you communicate delays / status updates to members	Yes	Yes	12.0
			12.0
			100%
100 Total			65.2
			65.3
			68.4

\* Where a scheme was unable to supply actual average turnaround times, we have substituted a calculated turnaround based on target and % of cases processed inside the target: Refer to Section 3 - Total Service - Pages 7 and 8 for more details.

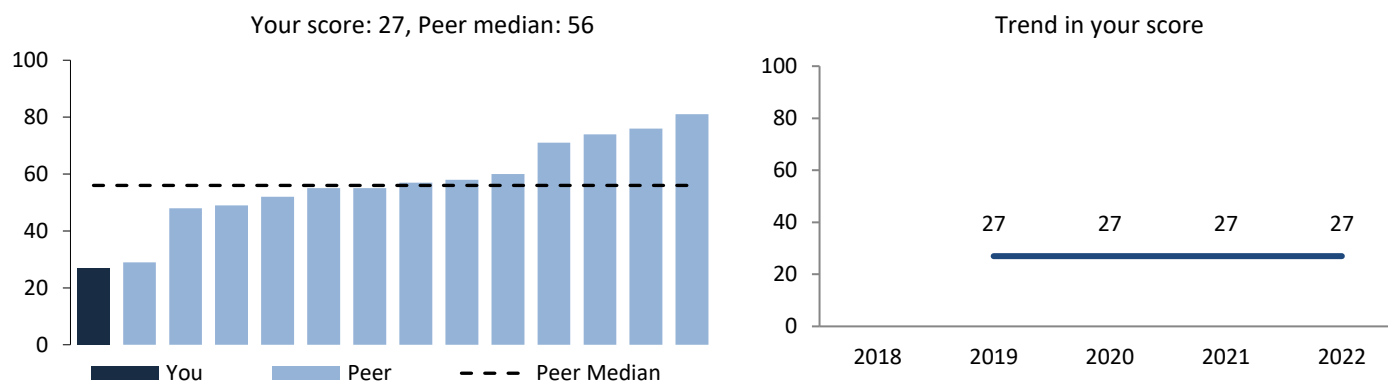
## Feedback service score



### Scoring methodology

	Your Data	Your Score	Peer Med.
	2022	2021	2022
+10 If you survey members to find out how they felt about your services in the year? (Your score for feedback will be 0 if you didn't survey in the year)	Yes	Yes	10.0 10.0 100%Yes
<b>Satisfaction - single activity focus</b>			
+45 If you conducted activity specific surveying on each of the following activities, otherwise (# of 'yes' responses / # applicable) X 60			45.0 45.0
• Website	Yes	Yes	54%Yes
• Telephone calls	Yes	Yes	69%Yes
• Retirement	Yes	Yes	85%Yes
• Leaver - exit to deferred	Yes	Yes	69%Yes
# yes answers	4	4	
# applicable	4	4	
<b>Customer Effort- single activity focus</b>			
+45 If you measure customer effort for each of the following, otherwise (# of 'yes' responses / number applicable) X 45			45.0 45.0
• Website	Yes	Yes	50%Yes
• Telephone calls	Yes	Yes	36%Yes
• Retirement	Yes	Yes	57%Yes
# yes answers	3	3	
# applicable	3	3	
<b>100 Total</b>			<b>100.0 100.0 66.3</b>

## DC/AVCs service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Member statement - timeliness

+18 18 - 3 for each month that the data in your statements is out of date (Min. 0)

3.0	3.0	9.0	9.0	3.1
-----	-----	-----	-----	-----

#### Member statement - content

If your DC/AVC statement contains:

+2 A summary of all account activity for the statement period

Yes	Yes	2.0	2.0	57%Yes
-----	-----	-----	-----	--------

+2 A beginning and end of period market values

Yes	Yes	2.0	2.0	93%Yes
-----	-----	-----	-----	--------

+2 Rates of return for investment options over multiple time periods

No	No	0.0	0.0	21%Yes
----	----	-----	-----	--------

+2 A comparison of fund option returns to benchmark indices

No	No	0.0	0.0	14%Yes
----	----	-----	-----	--------

+2 A personal rate of return for the member's account

No	No	0.0	0.0	14%Yes
----	----	-----	-----	--------

+2 An estimate of the future account balance at retirement

Yes	Yes	2.0	2.0	93%Yes
-----	-----	-----	-----	--------

+2 The charges deducted from the members account (in £)

#### Estimates

+16 If you can incorporate DC/AVC information alongside DB benefits

No	No	0.0	0.0	21%Yes
----	----	-----	-----	--------

#### Digital - secure - access

If members can access their data in a secure area:

+22 Via the secure area on your website (i.e., they can see both main scheme entitlement and any DC component in one place), or

No	No	0.0	0.0	21%Yes
----	----	-----	-----	--------

+10 Via the secure area of a third-party provider's website (e.g., AVC provider)

Yes	Yes	10.0	10.0	79%Yes
-----	-----	------	------	--------

#### Digital - secure - functionality

+10 If you can view the current market value of the account

No	No	0.0	0.0	86%Yes
----	----	-----	-----	--------

+10 If you can view a summary of account activity for any time period

No	No	0.0	0.0	79%Yes
----	----	-----	-----	--------

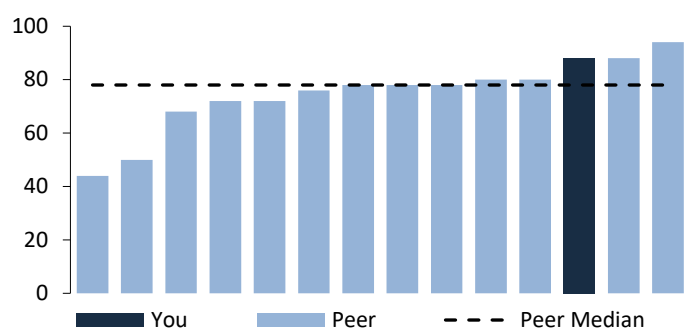
+10 If you can switch accumulated balances between investment options

No	No	0.0	0.0	86%Yes
----	----	-----	-----	--------

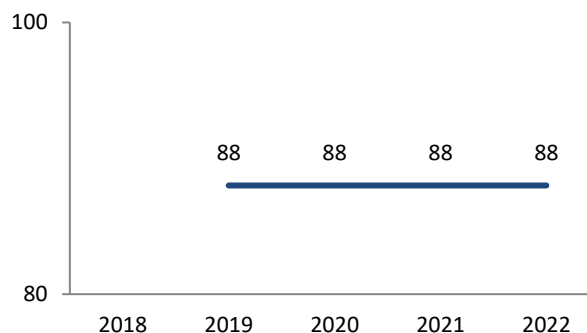
100	Total			27.0	27.0	56.0
-----	-------	--	--	------	------	------

## Vulnerable members service score

Your score: 88, Peer median: 78



Trend in your score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Flag

+4 If you, with the agreement of the member, place flags on a member's record to suggest a vulnerability/need for special care. Yes Yes 4.0 4.0 93%Yes

If you flag the following vulnerabilities specifically:

- +2 a) Financial vulnerability No No 0.0 0.0 57%Yes
- +2 b) Visual impairment Yes Yes 2.0 2.0 79%Yes
- +2 c) Hearing impairment Yes Yes 2.0 2.0 71%Yes
- +2 d) Speech impairment No No 0.0 0.0 50%Yes
- +2 e) Mobility and physical impairments No No 0.0 0.0 14%Yes
- +2 f) Reading or writing impairment No No 0.0 0.0 57%Yes
- +2 g) Speaking/reading English as a second language No No 0.0 0.0 57%Yes
- +2 h) Others No No 0.0 0.0 29%Yes

#### Telephone

+30 If you accept help for members with hearing and speech difficulties over the phone from specialist agencies. Yes Yes 30.0 30.0 100%Yes

#### Website

If your website:

- +6 a) Meets level AA of the Web Content Accessibility Guidelines (WCAG 2.1) Yes Yes 6.0 6.0 64%Yes
- +6 b) Includes screen magnifiers Yes Yes 6.0 6.0 29%Yes
- +6 c) Includes screen readers and/or speech recognition tools Yes Yes 6.0 6.0 29%Yes
- +6 d) Includes tools that change the screen colour Yes Yes 6.0 6.0 21%Yes
- +6 e) Has an accessibility statement Yes Yes 6.0 6.0 93%Yes

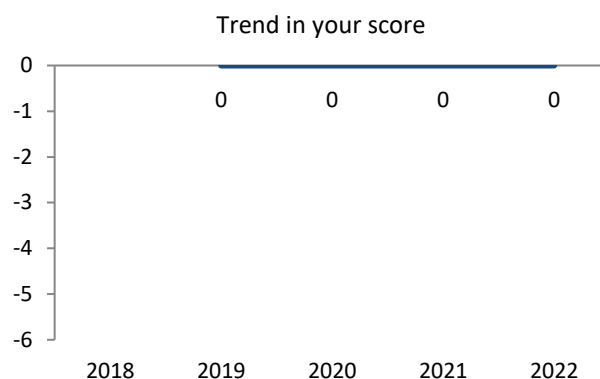
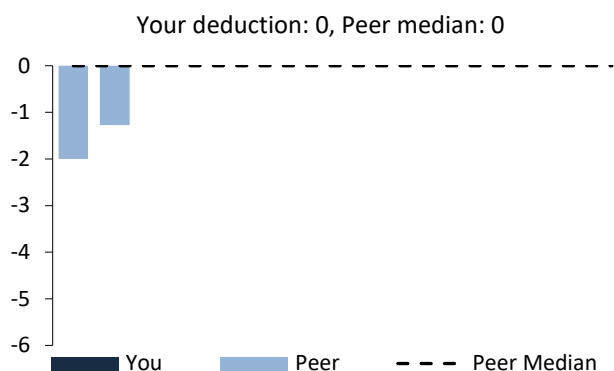
#### Printed material

If you produce the following printed materials in Braille and/or large or plain text (including digitally):

- +10 a) Members' booklet Yes Yes 10.0 10.0 93%Yes
- +10 b) Benefit statement Yes Yes 10.0 10.0 93%Yes

100 Total			88.0	88.0	78.0
-----------	--	--	------	------	------

## Complaints deduction



Scoring methodology	Your Data	Your Deduction	Peer Med.
	2022	2021	2022

### Complaints

Total service related complaints (A)	95	134		
Total members (active, deferred, and pensioners) (B)	297,331	287,644		
Number of service related complaints per 1000 members ((A/B)/1000)	0.32	0.47		0.15

-2 If service related complaints exceeded 2 per 1000 members, otherwise -1 X # of service related complaints that exceeded 1 per 1000 members. Your deduction will be -1.5 if 'unknown'.	0.00	0.00	0.00
---	------	------	------

### Internal Dispute Resolution

Total IDR cases relating to service initiated in the year (C)	2	5		
Total members (active, deferred, and pensioners) (B)	297,331	287,644		
Number of service related IDR cases per 1000 members ((C/B)/1000) (D)	0.01	0.02		0.03

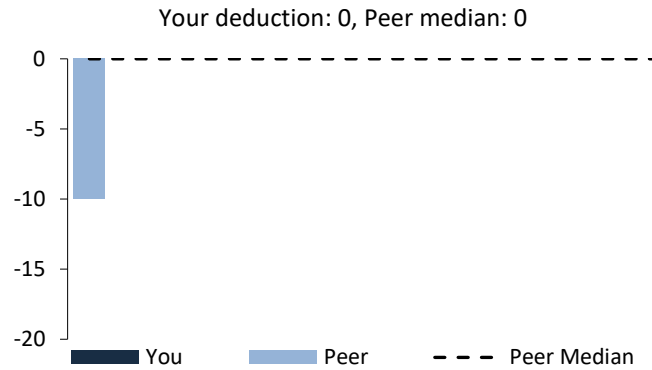
-2 If service related IDR cases exceeded 1 per 1000 members, otherwise -1 X # of service related complaints that exceeded 0.5 per 1000 members. Your deduction will be 1.5 if 'unknown'.	0.00	0.00	0.00
---	------	------	------

% of IDR cases that were upheld	0%	80%	18%
---------------------------------	----	-----	-----

-2 If the number of IDR cases was less than 0.05 per 1000 members then there is no deduction, otherwise -2 x % of IDR cases upheld with a maximum deduction of 2.	0.00	0.00	0.00
---	------	------	------

Total deduction	0.0	0.0	0.0
-----------------	-----	-----	-----

## Data breaches deduction



Scoring methodology	Your Data		Your Deduction		Peer Med.
	2022	2021	2022	2021	2022
<b>Data breaches</b>					
-10 If one or more data breaches involving member data were reported to the Information Commissioners Office (ICO) or other supervisory authority.	No	No	0.00	0.00	0.00
Total number of deferred members affected by a data breach (A)	0	New			
Total deferred members (B)	86,657	85,696			
Percentage of members affected by a data breach ((A/B)*100)	0.28	New			
-10 -1 x % of members affected by a data breach with a maximum deduction of 10.			0.00	0.00	0.00
<b>Total deduction</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>



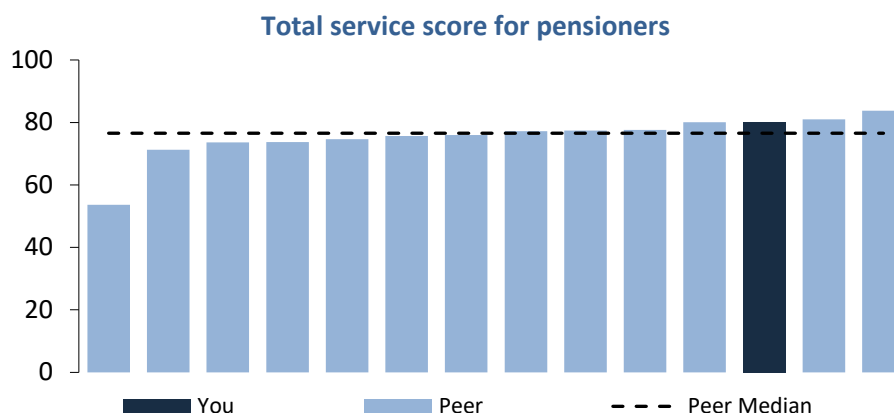
# 6

## Service for pensioners

Total service score for pensioners	2
Trend	3
Components of pensioner:	
• Pension increases service score	4
• P60s service score	5
• Newsletters and campaigns service score	6
• Meeting members (Individuals) service score	7
• Meeting members (Groups) service score	8
• Telephone - pre-connection service score	9
• Telephone - capability service score	10
• Telephone - outcomes service score	11
• Digital (public) service score	12
• Digital (secure - use) service score	13
• Digital (secure - functionality) service score	14
• Digital (social media) service score	15
• SLA service score	16
• Feedback service score	17
• Vulnerable members service score	18
• Complaints deduction	19
• Data breaches deduction	20
• Missing payment deduction	21

## Total service score for pensioners

Your total service score for pensioners was 80 out of 100. This was above the peer median of 77.



Your service score for pensioners is a weighted total of scores at an activity level, as follows:

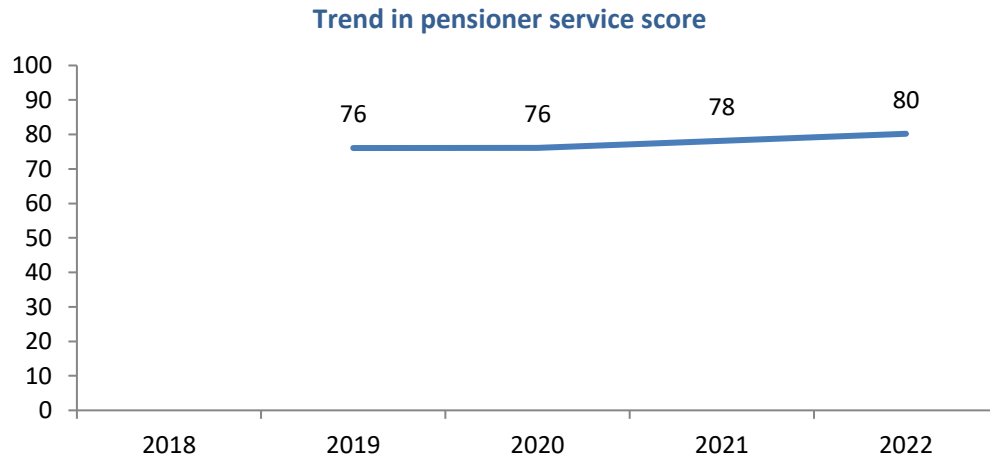
Activity	Weight	Service score		
		You	Peer median <sup>1</sup>	Higher/-lower <sup>2</sup>
Pension Increases	20%	100	100	0
P60s	10%	100	100	0
Newsletters and Campaigns	4%	84	52	32
Meeting Members - Individuals	1%	21	0	21
Meeting Members - Groups	1%	0	0	0
Telephone - Pre-Connection	8%	32	43	-11
Telephone - Capability	4%	80	80	0
Telephone - Outcomes	3%	66	65	1
Digital - Public	5%	80	80	0
Digital - Secure - Use	10%	89	85	4
Digital - Secure - Functionality	9%	65	83	-18
Digital - Social Media	4%	50	50	0
SLA	7%	88	87	1
Feedback	4%	100	40	60
Vulnerable Members	10%	82	73	9
<i>Deductions</i>				
Complaints (up to 6 pts)	n/a	0	0	0
Data Breaches (up to 20 pts)	n/a	0	0	0
Missed Payments (up to 65 pts)	n/a	0	0	0
<b>Total</b>	<b>100%</b>	<b>80</b>	<b>77</b>	<b>3</b>

1. The weighted total peer median service score for pensioners is the median of the weighted total for each peer. It will not equal the weighted sum of the peer median scores for each activity.

2. Any minor differences are due to rounding.

## Trend

Your service score for pensioners has increased by 2 points since you last benchmarked.

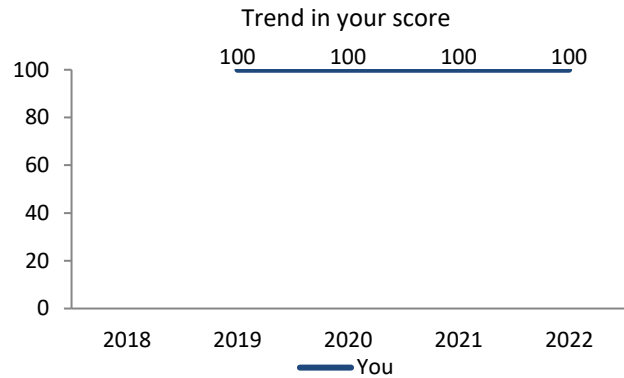
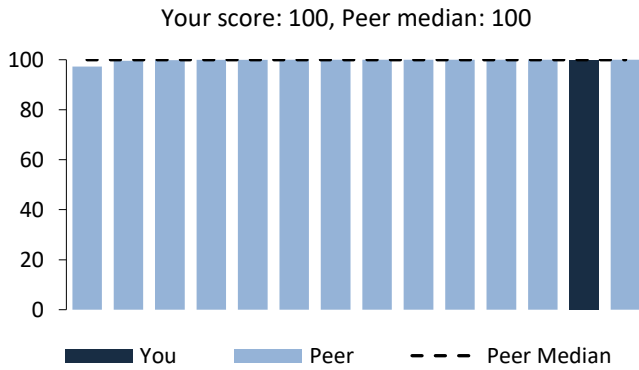


### Trend in pensioner service scores by activity

Activity	Weight	Your service score					Change	
		2022	2021	2020	2019	2018	1-Yr	3-Yr
Pension Increases	20%	100	100	100	100		0	0
P60s	10%	100	100	100	100		0	0
Newsletters and Campaigns	4%	84	72	52	52		12	32
Telephone - Pre-Connection	8%	32	58	58	59		-26	-27
Telephone - Capability	4%	80	80	80	75		0	5
Telephone - Outcomes	3%	66	66	66	66		0	0
Digital - Public	5%	80	80	80	80		0	0
Digital - Secure - Use	10%	89	52	40	41		37	48
Digital - Secure - Functionality	9%	65	65	65	65		0	0
Digital - Social Media	4%	50	50	50	50		0	0
SLA	7%	88	89	88	88		-1	0
Feedback	4%	100	100	100	100		0	0
Vulnerable Members	10%	82	82	82	82		0	0
<i>Deductions</i>								
Complaints (up to 6 pts)	n/a	0	0	0	0		0	0
Data Breaches (up to 20 pts)	n/a	0	0	0	0		0	0
Missed Payments (up to 65 pts)	n/a	0	0	0	0		0	0
<b>Weighted Total</b>	<b>98%</b>	<b>80</b>	<b>78</b>	<b>76</b>	<b>76</b>		<b>2</b>	<b>4</b>

Historic scores have been restated to reflect changes in the methodology. If any question was not asked in a prior year then we used your response from the year when the question was first asked as a default. Where defaults are used, those defaults are applied historically to ensure year-on-year consistency. Any minor differences are due to rounding.

## Pension increases service score



Scoring methodology	Your Data	Your Score	Peer Med.
	2022	2021	2022

### Increasing pensions at the right time

Were any pension increases late in the year (i.e., after the date the increase should have taken effect)? No    No                      29%Yes

+50 If there were no late pension increases in the year, otherwise 50 - (% of pensioners affected X average number of months late) 50.0    50.0

How many pensioners were affected? (A)	n/a	n/a	
Total number of pensioners? (B)	104,710	100,869	
% of pensioners affected (A/B)	0%	0%	0%
On average, how many months late were the increases?	n/a	n/a	2

### Increasing pensions by the right amount

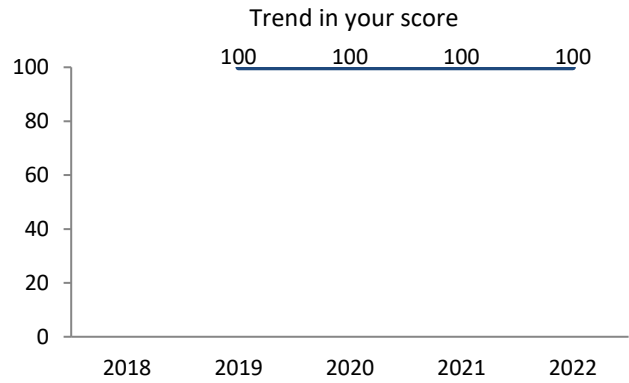
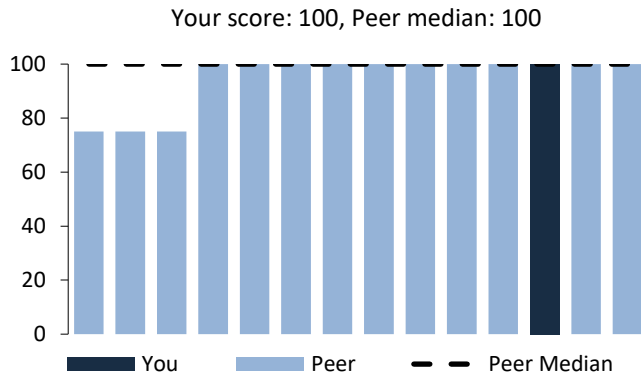
+50 If no pensions were increased by the wrong amount in the year, otherwise 50 - (% of pensioners affected X average number of months to correct the error) 50.0    50.0

How many pensioners were affected? (A)	n/a	n/a	449.5
Total number of pensioners? (B)	104,710	100,869	100,523
% of pensioners affected (A/B)	0%	0%	0%
How long on average, in months, did it take you to correct the errors?	n/a	n/a	2

---

100 Your total score	100.0	100.0	100.0
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## P60 service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022

### Timeliness

On what date were the bulk of your P60s issued in the year?

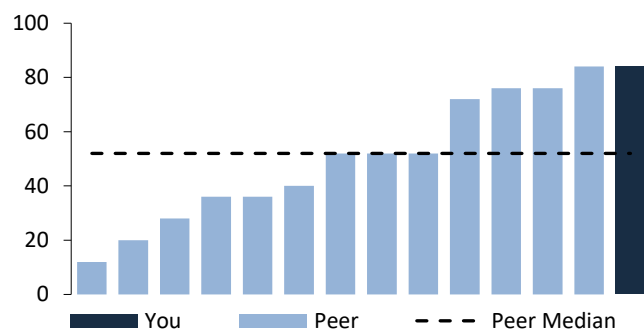
05/04 16/04

+100 if issued before 30th April	100	100	79%Yes
+75 if issued between 1 <sup>st</sup> and 31 <sup>st</sup> May			21%Yes
+0 Otherwise 0			0%Yes

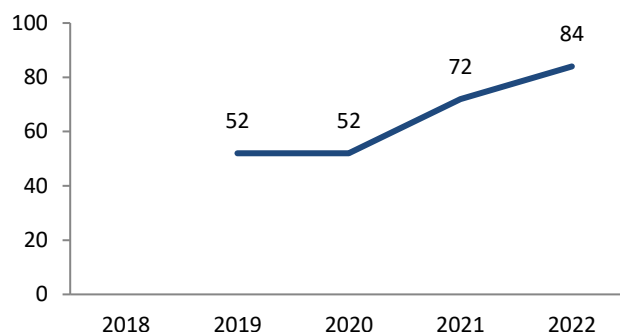
100 Your total score			100	100	100
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## Newsletters and campaigns service score

Your score: 84, Peer median: 52



Trend in your score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Availability

Did you send newsletters to pensioners in the year?

Yes Yes 93%Yes

#### Frequency

+32 If you send newsletters 4 or more times per year, 24 if 3 times, 16 if 2 times or 8 if once

2 2 16.0 16.0 1  
times times time

#### Customisation

+20 If pensioners receive a different newsletter from active or deferred members

Yes Yes 20.0 20.0 92%Yes

#### Campaigns

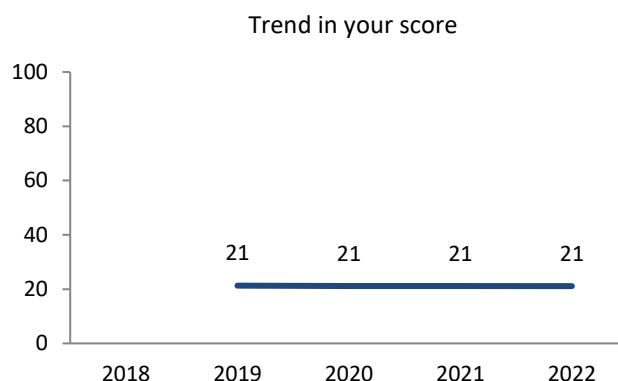
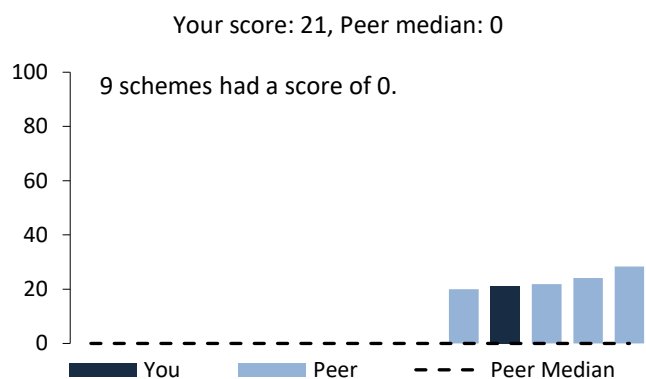
+48 If you had campaigns for all of the following, otherwise # of 'yes' responses X 12

48.0 36.0

- Targeting members with missing beneficiary information Yes Yes 36%Yes
- Targeting members with missing email addresses Yes No 36%Yes
- Targeting members with missing addresses or to update addresses Yes Yes 64%Yes
- Other Yes Yes 50%Yes

100 Total 84.0 72.0 52.0

## Meeting members (individuals) service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
2022	2021	2022

#### Availability

Did you meet individually with pensioner members in the year? **Yes** **New** **36%Yes**  
 Your service score for *Member members* (individuals) will be 0 if you didn't meet any members or if you didn't meet a material number of

Number of members you met at your premises	0	New			
Number of members you met away from your premises	0	New			
Number of members you met via the internet (e.g. Skype or Zoom)	72	New			
Total number of individual meetings	72	72			
Number of pensioner members	104,710	100,869			
Meetings as a percent of pensioner member	0.1%	0.1%			0.1%

+80 If the number of members you met individually was 5% or more of pensioner members, otherwise 1600 X # of members you met individually as a % of pensioner members **0.1%** **0.1%** **1.1** **1.1** **0.1%**

#### Campaigns

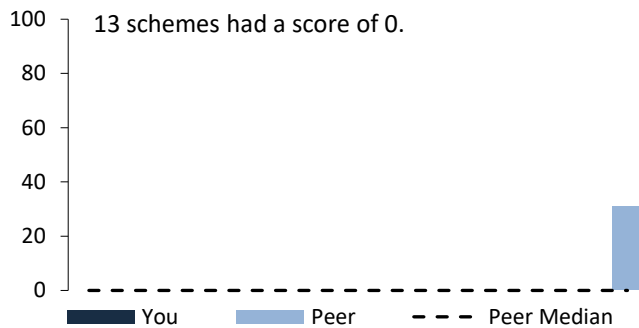
+20 If you have real-time access to the member's data when meeting individually **Yes** **New** **20.0** **20.0** **100%Yes**

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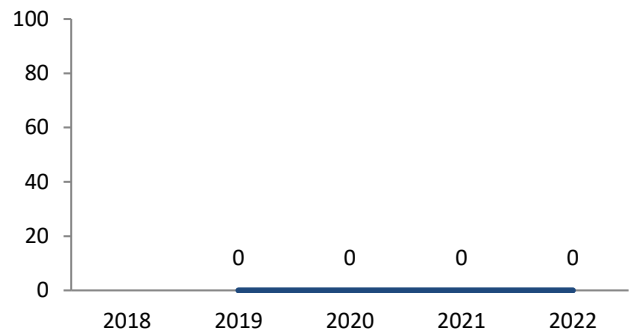
100 Total **21.1** **21.1** **0.0**

## Meeting members (groups) service score

Your score: 0, Peer median: 0



Trend in your score



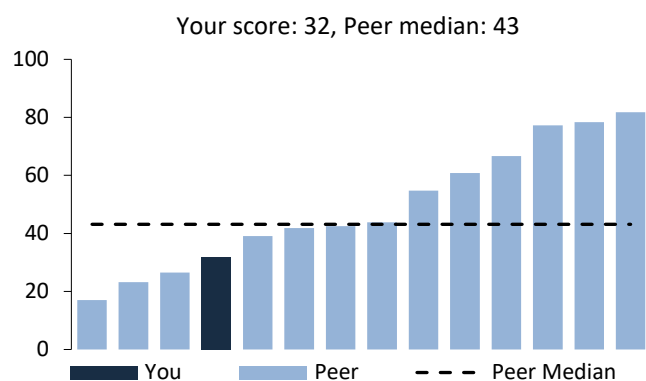
### Scoring methodology

	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
<b>Availability</b>					
Did you meet with pensioner members in groups in the year (i.e., delivering presentations)?	No	No			7%Yes
<i>Your service score for Meeting members (groups) will be 0 if you didn't do any presentations</i>					
Number of presentations about benefits changes, scheme changes or M&A activity					
Number of presentations for other educational or informative purposes					
Total number of presentations					
Educational presentations as a percent of total presentations					100%
Total number of attendees					
Number of members attending webinars					
Total number of attendees, including webinars					
Number of pensioner members					
Attendees as a percent of pensioner members					0.29%
+70 If the total number of attendees was 2.5% or more of pensioner members, otherwise 2800 X attendees as percent of pensioner members (including those attending webinars)	n/a	n/a	0.0	0.0	0.29%
<b>Type</b>					
+23 If more than 50% of your member presentations were solely to educate and inform your members (rather than being driven by changes to benefits or M&A activity, i.e., you did them because you wanted to rather than because you needed to).			0.0	0.0	100%*
+7 If you held an AGM (giving members the opportunity to meet with and question executives and Board members)	n/a	n/a	0.0	0.0	31%Yes
<b>100 Total</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

\* Peer median percentage of presentations that were solely to educate.



## Telephone - pre-connection service score

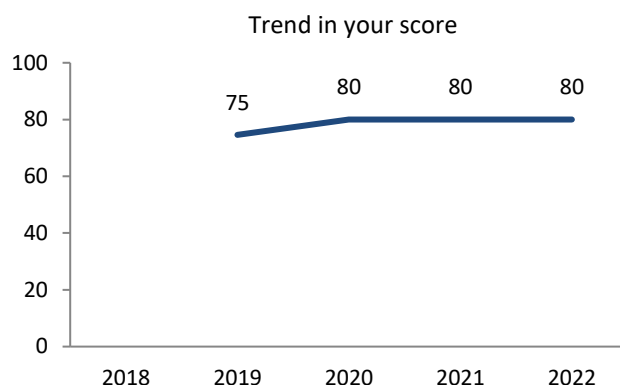
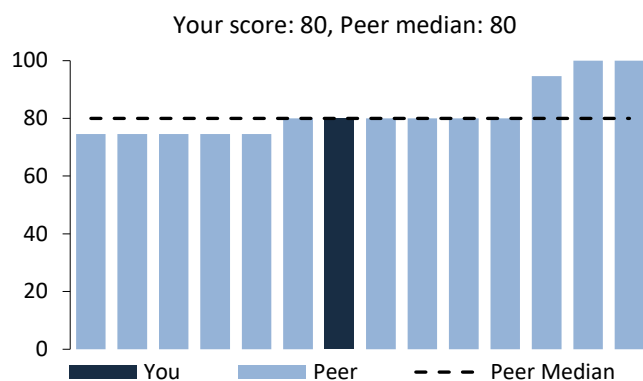


### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022

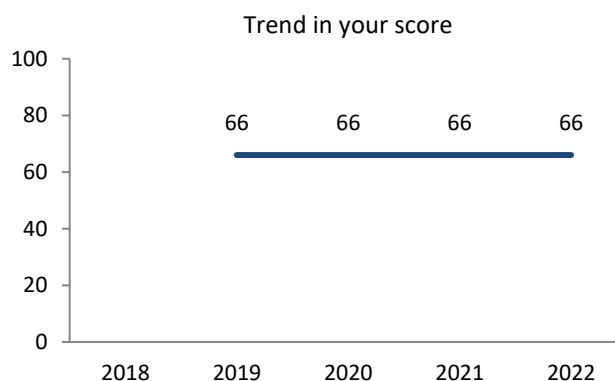
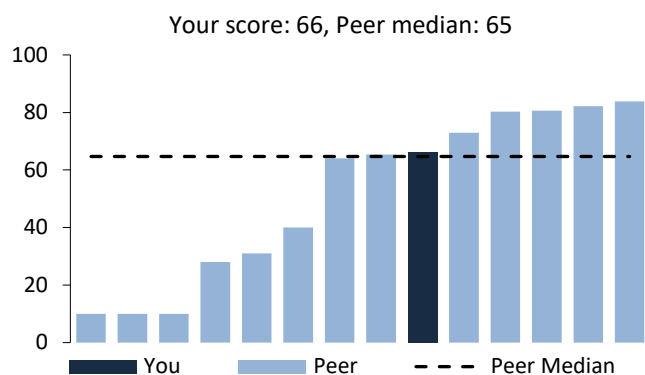
	Your Data	Your Score	Peer Med.		
<b>Access</b>					
+5 If you have a free-phone number (or a low cost call number)	No	No	0.0	0.0	57%Yes
+10 10 X (# hrs your team is available to take calls each week / 60). (Max. 10)	42.5	42.5	7.1	7.1	41.5
+5 If your administrators provide their full name and contact number on cover letters when responding to specific requests from members	Yes	Yes	5.0	5.0	64%Yes
<b>Failure to connect (e.g., engaged, unanswered or answering machine)</b>					
+20 If 100% of calls connected, 20 - 100 X (1.0 - % of connected calls) if at least 90% of calls connented, 10 - 100 X (0.9 - % of connented calls) if at least 70% of calls connented, otherwise 0. <i>Your score will be 5 if unknown</i>	100.0%	100.0%	20.0	20.0	100.0%
<b>Menu layers and wait times</b>					
+20 If there are no menu layers, otherwise 10 if 1 layer, 5 if 2 or 0 if 3 plus	1	1	10.0	10.0	1.0
+20 If the time it takes a member to reach a person is 30 secs or less, otherwise 20 – (( secs to reach a live person – 30) X 0.2 per sec), (Min. 0)					
Time listening to messages/navigating menus (0 if no messages/menus) (A)	45	30			42.5
Is the menu system by-passed if a service representative is available?	No	Yes			
If yes, what percentage of calls is the menu system by-passed? (B)	n/a	83.0%			
Adjusted time listening to messages/navigating menus (A X (100-B)) = (C)	45	5			42.5
Average time queuing (0 if no queue) (D)	<u>180</u>	<u>90</u>			121.5
Total time to reach a live person (seconds) (C + D)	225	95	0.0	7.0	104.5
<b>Abandonment</b>					
+20 If the abandonment rate in queue was 0%, otherwise 20 - (2 X % calls abandoned). (Min. 0) You will score 20 if you don't have a queuing system and 0 if the abandonment rate is unknown	15.0%	0.5%	0.0	19.0	4.5%
<b>Deductions</b>					
-10 If a contact centre operator is the first point of contact	Yes	Yes	-10.0	-10.0	50%Yes
100 Total			32.1	58.1	43.1

## Telephone - capability service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+40 If you have security routines that allow staff to discuss a member's personal data, such as salary and service history, on the phone	Yes	Yes	40.0	40.0	100%Yes
<b>Basic capability</b>					
+27 If you have immediate computer access to each of the following pieces of information, otherwise (# of 'yes' responses / # applicable) X 30			27.0	27.0	
• Record of the member's previous calls	Yes	Yes			86%Yes
• Copies of recent correspondence on-line	Yes	Yes			100%Yes
• A knowledge-sharing help system for use by the administrator	Yes	Yes			71%Yes
• Home address	Yes	Yes			100%Yes
• Real-time access to a workflow system	Yes	Yes			100%Yes
# yes answers / # applicable	5 / 5	5 / 5			
+20 <b>High value adding capability</b>					
• Amounts payable on death	No	No	0.0	0.0	21%Yes
<b>Change of address</b>					
+13 If members can notify you of a change of address over the telephone	Yes	Yes	13.0	13.0	100%Yes
100 Total			80.0	80.0	80.0

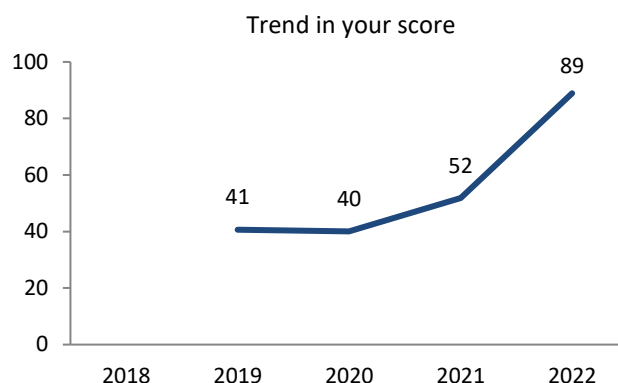
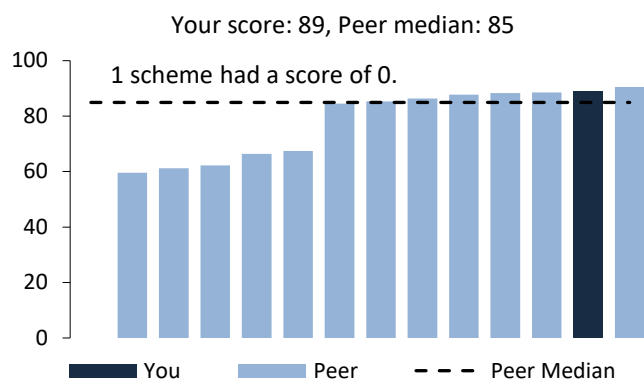
## Telephone - outcomes service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+30 If you monitor what happens to calls <u>after</u> they connect	Yes	Yes	30.0	30.0	64%Yes
<b>First contact resolutions</b>					
+40 If 100% of calls were resolved by their first contact, otherwise 40 - (80 X (1 - % satisfied by first contact)) (subject to a minimum of 0). <i>Your score will be 10 if not measured or unknown</i>	95.0%	95.0%	36.0	36.0	89.0%
<b>Deductions from first contact resolution score</b>					
-9 If you include calls that were transferred	No	No	0.0	0.0	13%Yes
-9 If you include calls where the member needs a call back	Yes	Yes	-9.0	-9.0	13%Yes
-9 If you include calls that might create a new task in the 'back-office' (e.g., a transfer quote) (Subject to a minimum score for first contact satisfaction of 0)	Yes	Yes	-9.0	-9.0	75%Yes
+24 If you review your staff's responses to member calls for coaching purposes 4 or more times per month; otherwise 2 X # of times per month	3	3	18.0	18.0	6.0
+6 If the review is based on listening in on a recording (versus a live call)	Live	Live	0.0	0.0	80% Recording
100 Total			66.0	66.0	64.7



## Digital - secure - use service score

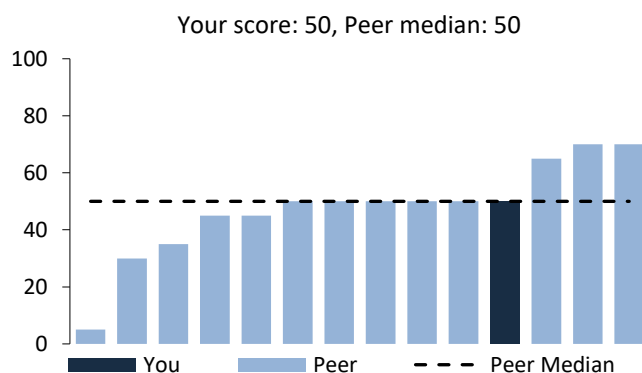


Scoring methodology		Your Data	Your Score	Peer Med.
		2022	2021	2022
<b>Pensioner access</b>				
	Can your pensioners access their own data via a secure website?	Yes	Yes	93%Yes
<b>Registered users</b>				
	Number of pensioner registered users (A)	46,624	9,398	
	Number of pensioners (B)	104,710	100,869	
	% of pensioners that are registered users (A/B)	44.5%	9.3%	32.0%
+20	20 x the percentage of members that are registered users		8.9	1.9
<b>Number of members actually using your secure area</b>				
	Number of pensioners that accessed the secure area in the year (A)	26,411	5,033	
	Number of pensioners (B)	104,710	100,869	
	% of pensioners that accessed the secure area in the year (A/B)	25.2%	5.0%	17.5%
+60	If 10% or more of your pensioners accessed the secure area in the past year, otherwise 600 X % of pensioners that accessed the secure area		60.0	29.9
<b>Multiple logins</b>				
	Number of total visits by pensioners <sup>1</sup> (C)	135,163	37,054	
	Number of pensioners that accessed the secure area in the past year (A)	26,411	5,033	
	Average number of visits made by each member that logged in (C/A) = D	5.1	7.4	4.3
+20	If the average user accessed the secure area 2 times in the year, otherwise (D/2) X 20		20.0	20.0
100	Total		88.9	51.8
				84.9

1. CEM does not have the split of registered users and total logins between active, deferred and pensioners for every scheme for every year. We therefore assume that the number of users in each instance is directly proportional to the split of active, deferred and pensioners logging-on. If we do not have the split of logins then we use the split of membership as a proxy.



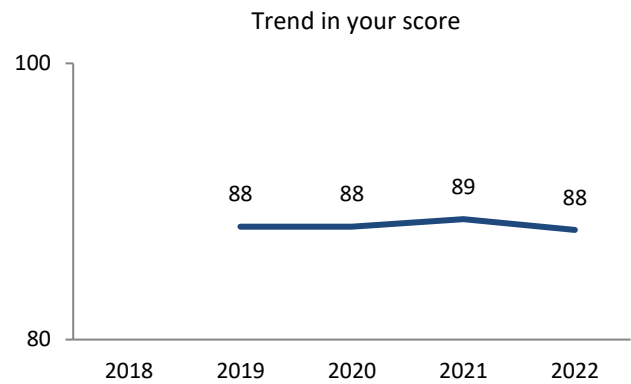
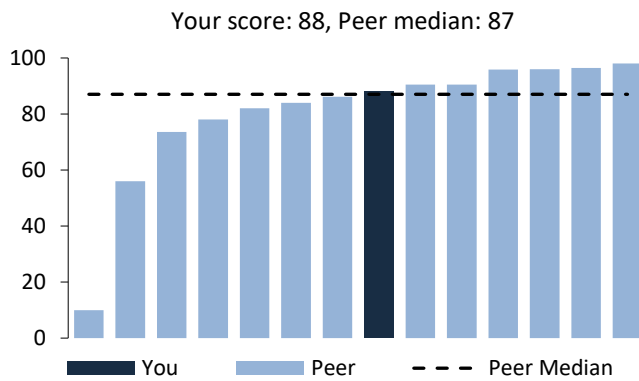
## Digital - social media service score



### Scoring methodology

	Your Data		Your Score		Peer Med.	
	2022	2021	2022	2021	2022	
<b>Platforms</b>						
+15	If your scheme has a page on 3 or more social media platforms, 10 if 2 platforms, 5 if 1 platform	2	New	10	10	1.7
<b>Frequency</b>						
+60	If your scheme posts on average 10 times or more per month, 40 if posted 5 times or more per month, 20 if more than once a month	7	New	40	40	13.3
<b>Member Interaction</b>						
+25	If your scheme responds to member interactions via social media on average within 1 hour, otherwise (25-5x) for each hour in excess of 1 hour (subject to a minimum of 0)	48	New	0	0	18.4
100	Total			50.0	50.0	50.0

## SLA service score

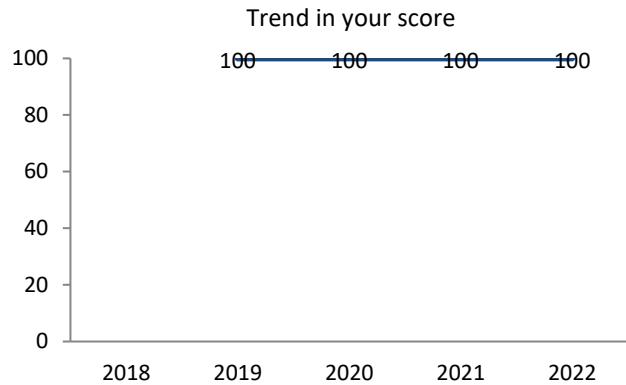
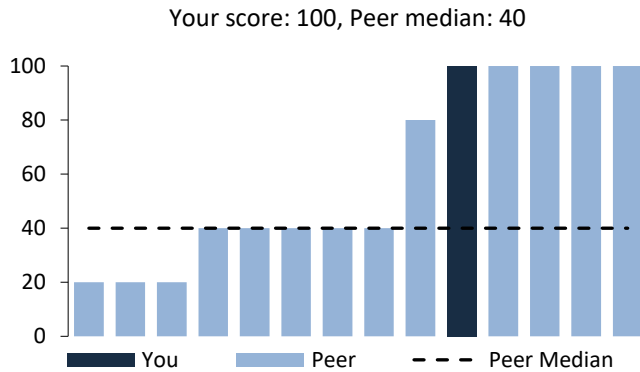


### Scoring methodology

	Your Data	Your Score	Peer Med.
	2022	2021	2022
<b>Number of targets</b>	Days	Days	
+90 32 - 2 for each day that it takes you to complete the task* (min 0)			
• Pay lump sums on death (within any guarantee period)	4	3	23.6 25.5 6
• Respond to tax queries	n/a	2	n/a 28.7 3
• Initial response to someone notifying you of a death claim	2	4	28.3 24.4 3
Total score (A)			52.0 78.7
# applicable (B)			2.0 3.0
# potential (C)			3.0 3.0
Adjusted total score (A x (C/B))			77.9 78.7
+10 If you communicate delays / status updates to members	Yes	Yes	10.0 10.0 100%Yes
<b>100 Total</b>			<b>87.9 88.7 87.0</b>

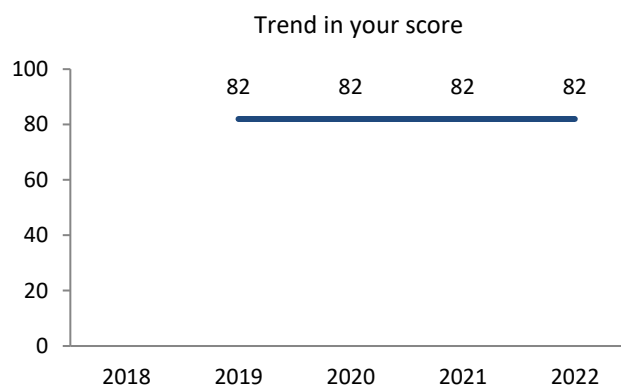
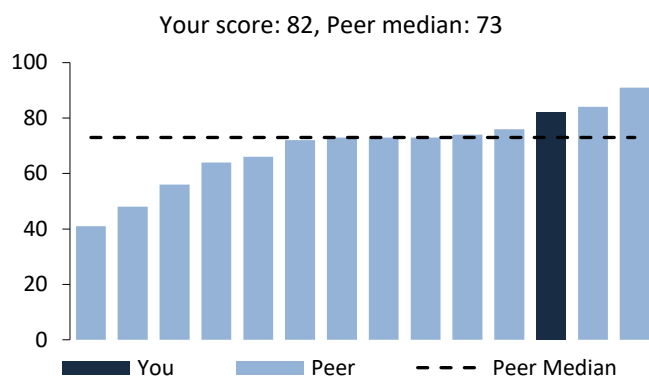


## Feedback service score



Scoring methodology	Your Data		Your Score		Peer Med.
	2022	2021	2022	2021	2022
+20 If you survey members to find out how they felt about your services in the year? <i>Your score for Satisfaction surveying will be 0 if you did not survey in the year</i>	Yes	Yes	20.0	20.0	100%Yes
<b>Satisfaction - single activity focus</b>					
+40 If you conducted activity specific surveying on each of the following activities, otherwise (# of 'yes' responses / # applicable) X 60			40.0	40.0	
• Website	Yes	Yes			54%Yes
• Telephone calls	Yes	Yes			69%Yes
# yes answers	2	2			
# applicable	2	2			
<b>Customer Effort</b>					
+40 If you measure customer effort for each of the following, otherwise (# of 'yes' responses / number applicable) X 24:			40.0	40.0	
• Website	Yes	Yes			50%Yes
• Telephone calls	Yes	Yes			36%Yes
# yes answers	2	2			
# applicable	2	2			
<b>100 Total</b>			<b>100.0</b>	<b>100.0</b>	<b>40.0</b>

## Vulnerable members service score



### Scoring methodology

Your Data	Your Score	Peer Med.
2022	2021	2022
82	82	73

### Flag

+6 If you, with the agreement of the member, place flags on a member's record to suggest a vulnerability/need for special care.

Yes Yes 6.0 6.0 93%Yes

If you flag the following vulnerabilities specifically:

+3 a) Financial vulnerability

No No 0.0 0.0 57%Yes

+3 b) Visual impairment

Yes Yes 3.0 3.0 79%Yes

+3 c) Hearing impairment

Yes Yes 3.0 3.0 71%Yes

+3 d) Speech impairment

No No 0.0 0.0 50%Yes

+3 e) Mobility and physical impairments

No No 0.0 0.0 14%Yes

+3 f) Reading or writing impairment

No No 0.0 0.0 57%Yes

+3 g) Speaking/reading English as a second language

No No 0.0 0.0 57%Yes

+3 h) Others

No No 0.0 0.0 29%Yes

### Telephone

+35 If you accept help for members with hearing and speech difficulties over the phone from specialist agencies.

Yes Yes 35.0 35.0 100%Yes

### Website

If your website:

+7 a) Meets level AA of the Web Content Accessibility Guidelines (WCAG 2.1)

Yes Yes 7.0 7.0 64%Yes

+7 b) Includes screen magnifiers

Yes Yes 7.0 7.0 29%Yes

+7 c) Includes screen readers and/or speech recognition tools

Yes Yes 7.0 7.0 29%Yes

+7 d) Includes tools that change the screen colour

Yes Yes 7.0 7.0 21%Yes

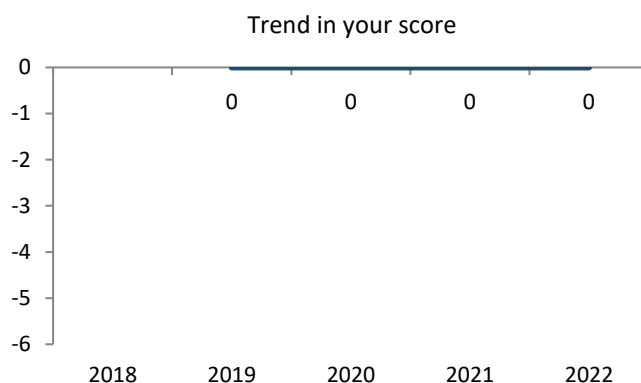
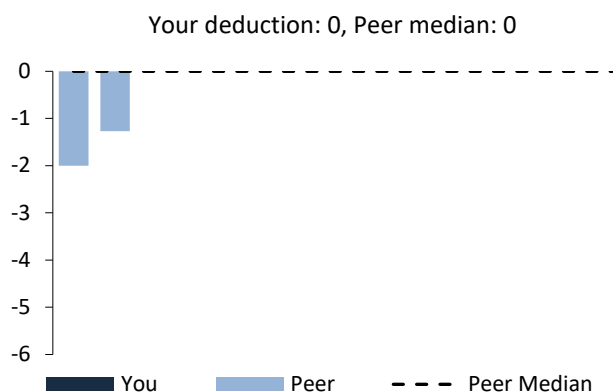
+7 e) Has an accessibility statement

Yes Yes 7.0 7.0 93%Yes

100 Total

82.0 82.0 73.0

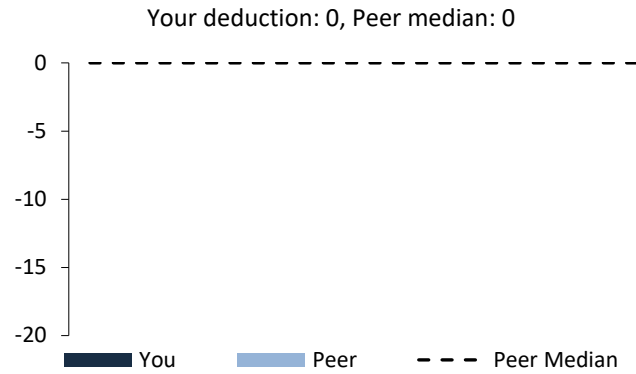
## Complaints deduction



### Scoring methodology

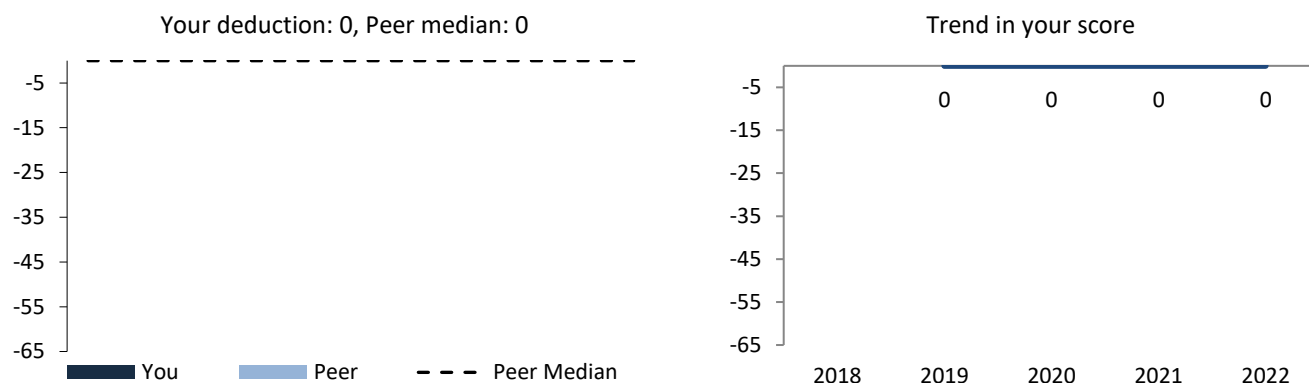
	Your Data		Your Deduction		Peer Med.
	2022	2021	2022	2021	2022
<b>Complaints</b>					
Total service related complaints (A)	95	134			
Total members (active, deferred, and pensioners) (B)	297,331	287,644			
Number of service related complaints per 1000 members ((A/B)/1000)	0.32	0.47			0.15
-2 If service related complaints exceeded 2 per 1000 members, otherwise -1 X # of service related complaints that exceeded 1 per 1000 members. Your deduction will be -1.5 if 'unknown'.			0.00	0.00	0.00
<b>Internal Dispute Resolution</b>					
Total IDR cases relating to service initiated in the year (C)	2	5			
Total members (active, deferred, and pensioners) (B)	297,331	287,644			
Number of service related IDR cases per 1000 members ((C/B)/1000) (D)	0.01	0.02			0.03
-2 If service related IDR cases exceeded 1 per 1000 members, otherwise -1 X # of service related complaints that exceeded 0.5 per 1000 members. Your deduction will be -1.5 if 'unknown'.			0.00	0.00	0.00
% of IDR cases that were upheld	0%	80%			18%
-2 If the number of IDR cases was less than 0.05 per 1000 members then there is no deduction, otherwise -2 x % of IDR cases upheld with a maximum deduction of 2.			0.00	0.00	0.00
<b>Total deduction</b>			<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Data breaches deduction



Scoring methodology		Your Data		Your Deduction		Peer Med.
		2022	2021	2022	2021	2022
<b>Data breaches</b>						
-10	If one or more data breaches involving member data were reported to the Information Commissioners Office (ICO) or other supervisory authority.	No	No	0.00	0.00	0.00
	Total number of pensioners affected by a data breach (A)	0	New			
	Total pensioners (B)	104,710	100,869			
	Percentage of members affected by a data breach $((A/B)*100)$	0.00	New			
-10	-1 x % of members affected by a data breach with a maximum deduction of 10.			0.00	0.00	0.00
<b>Total deduction</b>				<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

## Missed payments deduction



### Scoring methodology

Your Data	Your Deduction	Peer Med.
2022	2021	2022
2022	2021	2022

#### Paying on time

No deduction if none of your pension payrolls were late vis-à-vis your normal payment cycle.

- 65 Otherwise a deduction of 15 X number of late payrolls x average days late X % of pensioners affected, subject to a minimum 10 point deduction and maximum 65 point deduction.

0.0 0.0

Were any payrolls late?	No	No	0%	Yes
How many payrolls were late?	n/a	n/a		
On average how late were they (days)?	n/a	n/a		
How many pensioners were affected? (A)	n/a	n/a		
Total number of pensioners? (B)	104,710	100,869		
% of pensioners affected (A/B)	0%	0%		0%

Total deduction	0.0	0.0	0.0
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# 7

## Cost effectiveness

Cost effectiveness

2

## Cost effectiveness

You were positioned in the high service, low cost quadrant on the CEM cost effectiveness graph.

If you pay more for pension administration, do you get more? We answer this question by positioning each peer on our signature 'cost effectiveness graph'. There is no single right answer about where you should be positioned on the graph. In practice, your operational strategy should focus on delivering services that are appropriate for your members within a budget that is right for your scheme.



<sup>1</sup>Your peers' costs are scaled as if your peers had the same membership as you.

Your positioning on the graph is based on the following data:

- Your total service score was 2 points higher than the peer median.
- Your administration cost was £15.13 per member lower than the adjusted peer average.

Some caution is needed in interpreting this graph because:

- Employer service is excluded.
- Different schemes are at different stages in the investment cycle – and service improvements don't always arrive immediately following investment.
- Our Total Member Service Score may not reflect your scheme's views on what is important.
- There are other factors that impact on where you are positioned.

Our research suggests a low correlation between cost and service (according to the CEM scale). It should therefore be possible to increase your service score without a corresponding increase in costs. We suggest that schemes focus on service improvements that can be implemented cost effectively. We also suggest benchmarking regularly as a means to monitor progress over time.

# 8

## Employer service

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Employer characteristics	4
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Client relationship management	7
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Reporting to employers about member service	9
SLAs - Relating to how you serve employers	10
SLAs - Relating to how employers serve you / members	11
Training	12
Website	13
Employer satisfaction	14



## Introduction

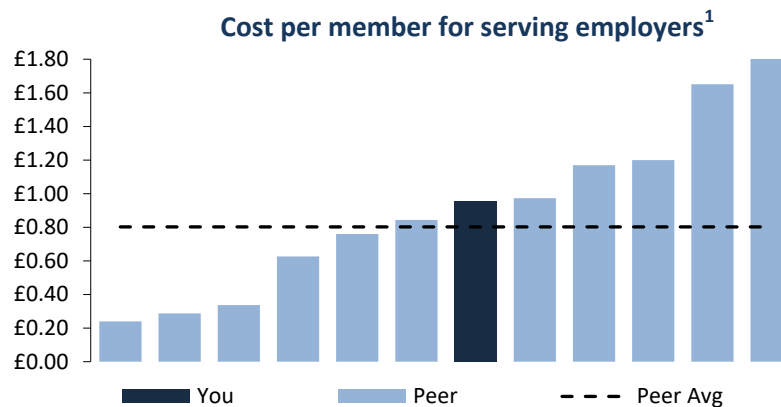
Your administration team serves two groups of 'clients' – members and employers.

We do not calculate a single overarching score for employer service as we believe that different employers have different needs. A model that is right for a small number of large employers will not necessarily work for a large number of small employers.

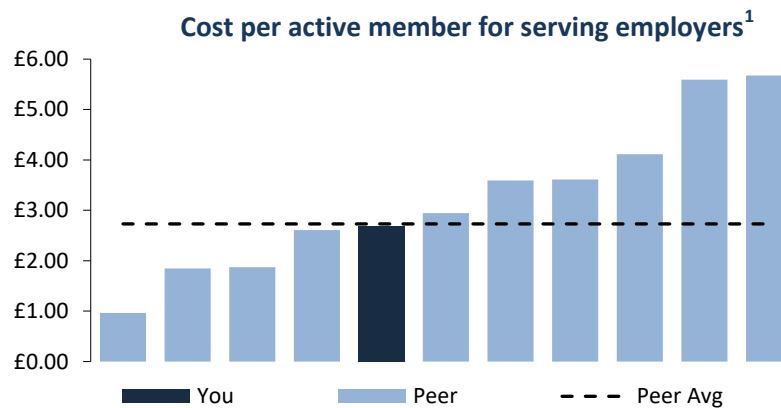
We can compare in some areas however, e.g., website. In those areas where we believe it makes sense to compare service levels we do. In other areas we don't believe there is necessarily a right or wrong answer, e.g., the approach to the collection of data. In most instances the administrator / employer relationship will have developed in a way that makes sense in that particular context.

## Cost

Your cost per member for serving employers was £0.96. The peer average was £0.80. Your cost was calculated by dividing your cost for serving employers of £284,710 by your total members of 297,331.

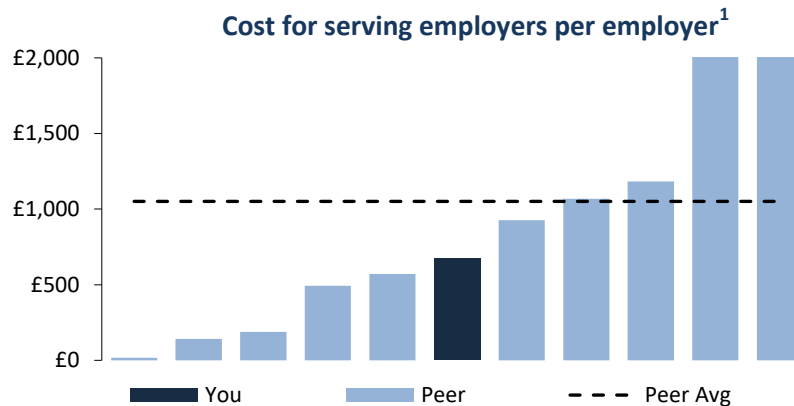


Your cost per active member for serving employers was £2.69. The peer average was £2.73. This was calculated by dividing your cost for serving employers of £284,710 by your total active members of 105,964.

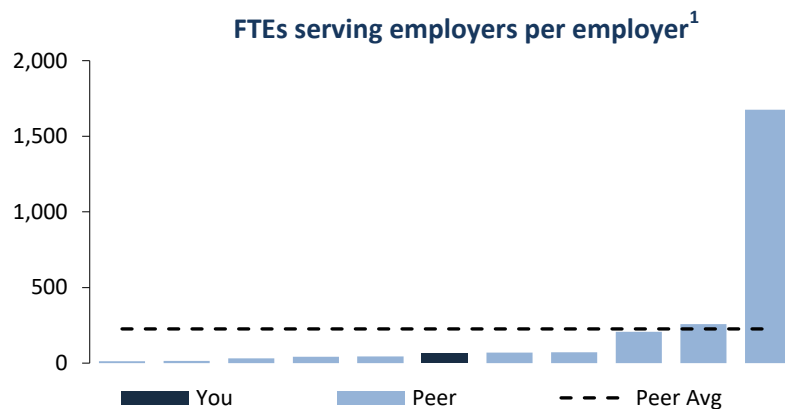


<sup>1</sup> Two schemes did not provide a breakdown of the costs and could not be included to the analysis. The average shown is the average amongst those that did provide data.

Your cost per employer was £673. The peer average was £1,051. This was calculated by dividing your cost for serving employers of £284,710 by your total employers of 423.



You have 63 employers for every FTE whose job it is to serve employers. The peer average was 226. This was calculated by dividing your total employers of 423 by your FTEs serving employers of 6.7.



Notes:

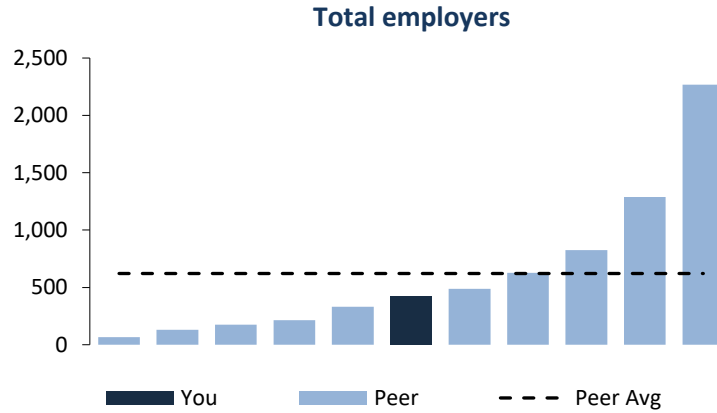
- 'Serving employers' includes:
  - Attending to regular enquiries from employers.
  - Interacting with employers on data /contribution issues or who fail to make payments in a timely manner.
  - Running workshops or presentations for employers.
  - Face-to-face meetings with employers / payroll teams to educate them on the operation of the scheme.
- For the purposes of these cost comparisons, serving employers does not include routine contribution and data collection, validation etc.
- Not all peers breakdown their costs for us at a level that enables us to quantify the costs of serving employers.
- The costs compared exclude attributions of overheads such as accommodation, IT, HR etc.

<sup>1</sup> Two schemes did not provide a breakdown of the costs and could not be included to the analysis. The average shown is the average amongst those did provide data.

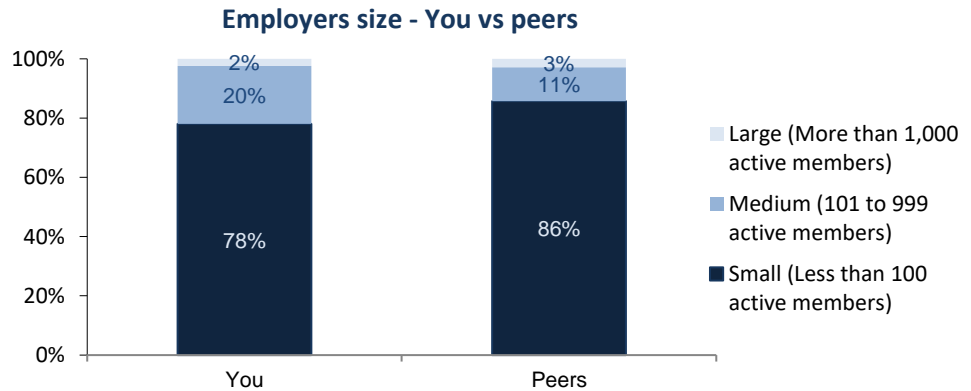
## Employer characteristics

It is helpful to understand the demographics of your base of employers and how this compares with peers.

You serve 423 employers in total. Amongst your peers the average number of employers is 621.



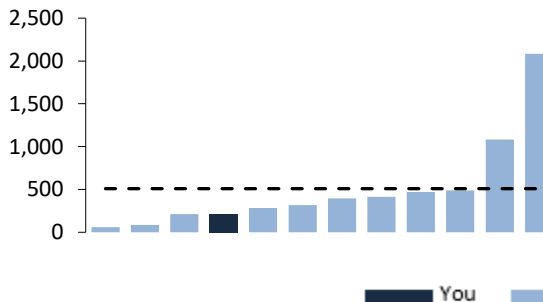
A lower proportion of your employers are small (below 100 active members) compared with your peers.



You may serve lots of employers, but not all of them will necessarily supply data or submit contributions. You collect contributions from 217 employers (peer average 509 employers). You collect data from 554 employers (peer average 563 employers).

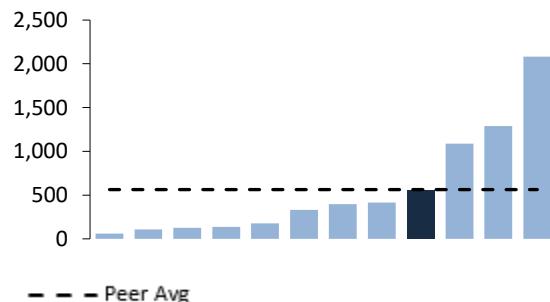
### Collecting contributions - # of employers

You: 217, Peer average: 509

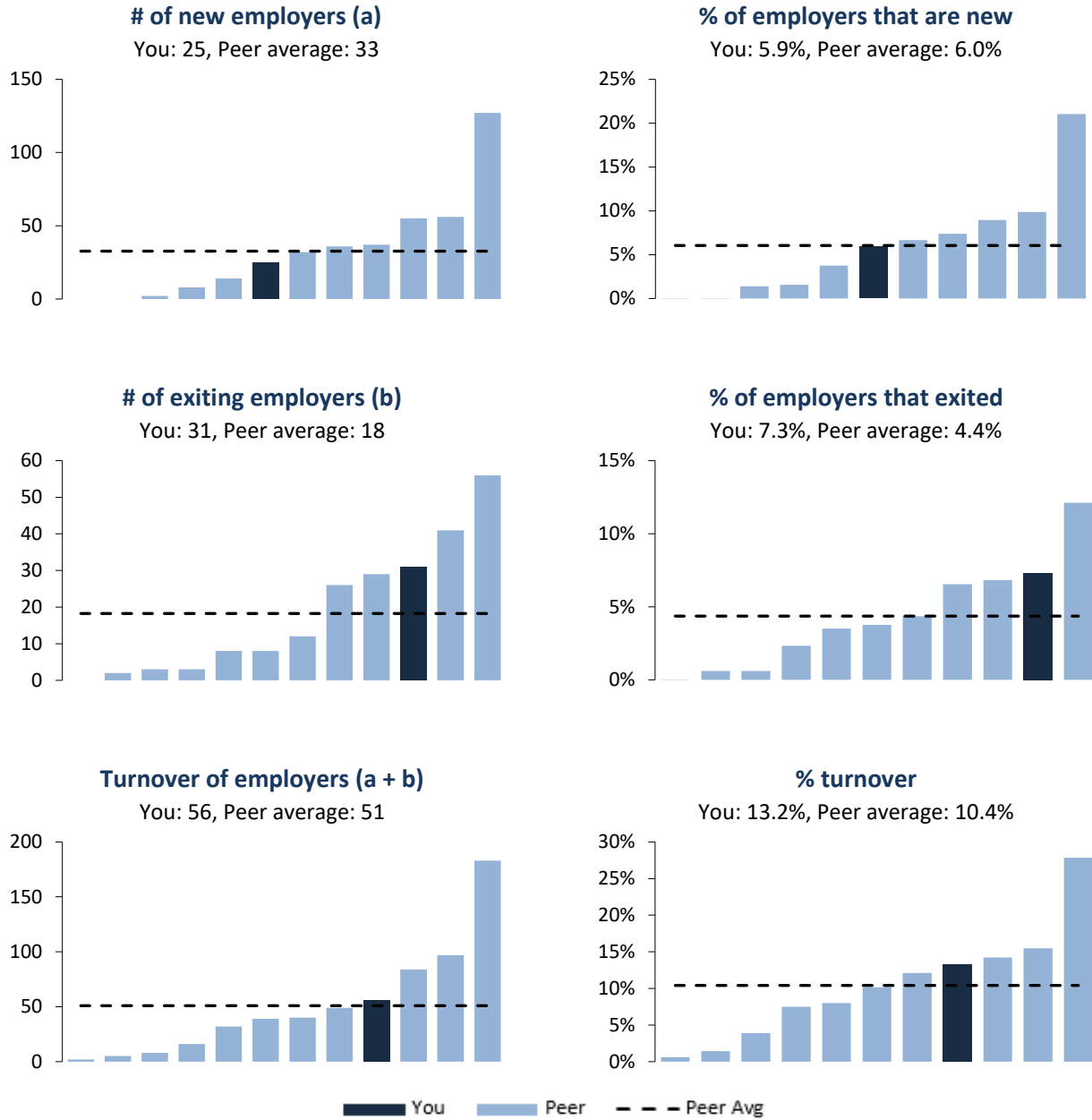


### Collecting data - # of employers

You: 554, Peer average: 563



Employers joining and leaving your scheme cause a lot of work. Payroll and HR teams need to be trained to supply data in the right manner. Here is how your employer turnover compares with peers.



## Data collection and validation

	You	Peers	Count
How often do you collect salary and / or contribution data?			
a) Continuously (e.g., real time access)	No	8% Yes	12
b) Weekly	No	0% Yes	12
c) Monthly	Yes	75% Yes	12
d) Varies by employer	No	17% Yes	12
e) Other	No	8% Yes	12
Is salary and contribution data submitted by employers electronically rejected if there are any errors, missing data or anomalies?	Yes	91% Yes	11
If yes, and if there are errors/missing data/anomalies:			
a) Is the entire data set is rejected? Or	Yes	50% Yes	10
b) Are only items with errors or missing data rejected?	No	50% Yes	10
c) Are flags raised against anomalous data?	No	73% Yes	11
Is other member data (new members, leavers) submitted by employers electronically rejected if there are any errors, missing data or anomalies?	No	75% Yes	12
If yes, and if there are errors/missing data/anomalies:			
a) Is the entire data set is rejected? Or	n/a	33% Yes	9
b) Are only items with errors or missing or anomalies rejected?	n/a	78% Yes	9
c) Are flags raised against anomalous data?	n/a	78% Yes	9
Do you have a process for chasing missing contributions?	Yes	100% Yes	12
If yes, does the escalation include:			
a) Emails	Yes	100% Yes	12
b) Telephone calls	Yes	100% Yes	12
c) Personal visits to the employer	Yes	75% Yes	12
Do you reconcile incoming contribution data with expected contributions (per data) at a member level?			
a) Continuously (e.g., with real time data)	No	8% Yes	12
b) Weekly	No	8% Yes	12
c) Monthly	Yes	67% Yes	12
d) Annually	Yes	42% Yes	12
e) Varies by employer	No	33% Yes	12
f) Other (please describe)	No	17% Yes	12

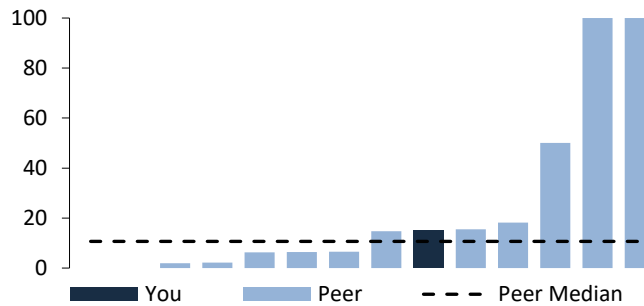
## Client Relationship Management

	You	Peers	Count
How many Client Relationship Managers (CRMs) do you have on your team that are dedicated to serving employers?	5	Avg: 5.8 Med: 6.0	12
Number of employers that have an identified CRM?	423		12
Percentage of employers that have an identified CRM	100%	Avg: n/a	11
Do the CRMs complete site visits to employers?	Yes	82% Yes	11
Number of client service visits that your team completed (to see employers rather than members - including presentations)	6	Avg: 255.33	12
Site visits as a % of employers	1.4%	Avg: 4115% Med: 7%	12
What is the normal first point of contact for employers telephoning with questions:			
a) Dedicated Client Relationship Managers (CRMs) - every employer has an identified CRM?	Yes	45% Yes	11
b) The largest employers have dedicated CRMs, smaller employers are serviced by a pool of administrators or contact center agents?	No	25% Yes	12
c) Specialist teams dedicated to specific employer subsets/types?	No	36% Yes	11
d) All calls are handled by a pool of administrators or contact center representatives that take:			
d1) Both employer and member calls?	No	27% Yes	11
d2) Employer calls only?	Yes	45% Yes	11
Do you have a dedicated employer contact number (i.e., separate from the contact number for members)? If the employer has a dedicated CRM who is the main point of contact, this would be classed as having a dedicated employer contact number.	Yes	82% Yes	11
How many employer focused newsletters did you issue in the year?	12	Avg: 14.5 Med: 8.5	12
Do you send employers 'bulletins' (or similar) about changes in processes?	Yes	100% Yes	12

Percentages, averages and medians are only calculated for peers that answer yes or >0, i.e., the data only relates to applicable peers designated by the count.

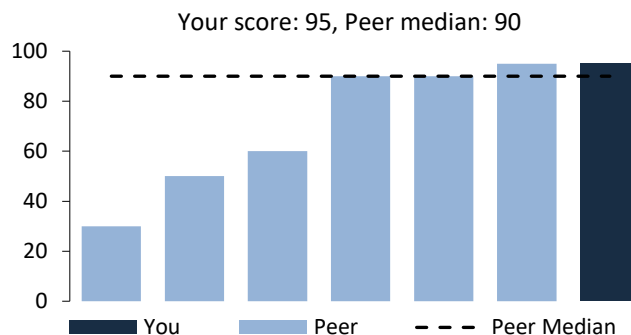
## Meeting employers service score

Your score: 15, Peer median: 11



Scoring methodology	Your data 2022	Your score 2022	Peers 2022
# of client service visits that your team completed (to see employers rather than members - including presentations) (A)	6		Avg: 255 Med: 29
# of employer events that you hosted to train payroll or HR staff, raise awareness of your services or answer questions. (B)	55		Avg: 21 Med: 12
# of employer events that you attended where you had a stand or booth. (C)	2		Avg: 0 Med: 0
# of employer focus groups or employer advisory panel (e.g. to discuss new initiatives, required improvements etc.) meetings attended. (D)	0		Med: 1.5
# of other employer events / forums attended. (E)	0		Avg: 3 Med: 0
Total volume of meetings (A+B+C+D+E)	63		
Total employers	423		
Meetings per employer %	15%		Avg: 3687% Med: 11%
+100 If meetings per employer is equal to or greater than 100%, otherwise 100 X meetings per employer %.		15	11
100 Total		15	11

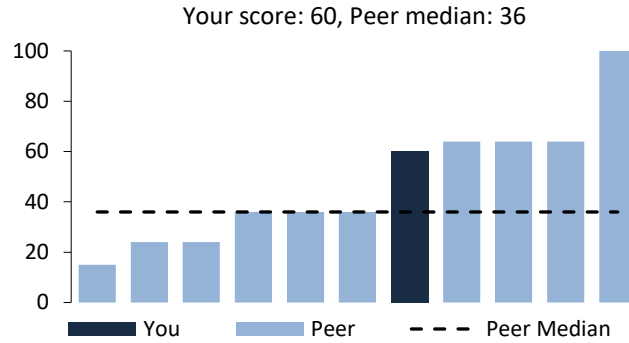
## Reporting to employers service score



Scoring methodology	Your data 2022	Your score 2022	Peers 2022
Did you report to employers in the year on how you served their employees (in the form of a 'stewardship' report)?	Yes		55% Yes
<i>Your service score for reporting to employers on member service will be 0 if you didn't report to your employers.</i>			
Frequency with which reports are issued:			
Monthly	Yes		33% Yes
Quarterly	Yes		100% Yes
Half yearly	No		17% Yes
Annually	No		33% Yes
Note that we do not score frequency as we don't believe that more frequent reports necessarily represent higher service.			
<b>Content</b>			
+40	If each of the following are in your reports (including data reported by exception), otherwise (# of 'yes' responses / # applicable) X 40		35
	Work volumes: Post and transactions	Yes	100% Yes
	Timeliness: % of cases delivered inside standards	Yes	100% Yes
	Complaints: volumes in aggregate and by type	Yes	83% Yes
	Errors: including volumes by error type	Yes	33% Yes
	Reporting on the results of satisfaction surveys	Yes	83% Yes
	Telephone: volumes, wait times, drop-out rates, etc.	Yes	50% Yes
	Website: # of users registered, # of hits, etc.	Yes	67% Yes
	# of meetings with members individually and in groups	No	17% Yes
	# yes answers / # applicable	7 / 8	
+10	If trend analysis is included on the key metrics in the report	Yes	10 83% Yes
+50	<b>Customization for individual employers</b>		
	If all your stewardship reports are customised to reflect member service performance standards at an employer level, i.e., they are employer specific. Or	No	50 17% Yes
	Larger or more demanding employers get customised reporting about performance for them specifically.	Yes	33% Yes
100	Total		95 90



## SLAs – relating to how you serve employers service score

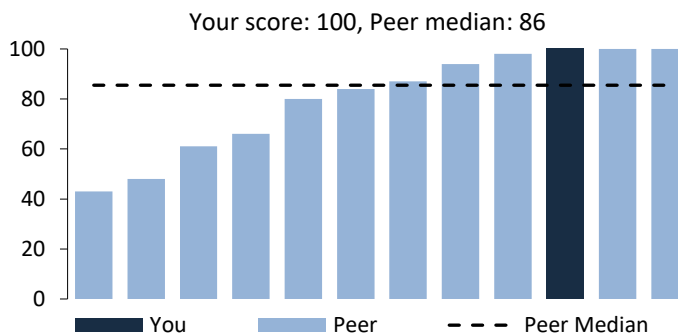


Scoring methodology		Your data 2022	Your score 2022	Peers 2022
<b>Targets</b>				
+60	If you have performance targets for employer service in each of the following areas, otherwise (# of 'yes' responses / # applicable) X 60		60	
	Call wait times	Yes		25% Yes
	Call abandonment rates	Yes		17% Yes
	Email response times	Yes		83% Yes
	Responses to general enquiries	Yes		92% Yes
	Password reset	Yes		36% Yes
	# yes answers	5		
	# applicable	5		
<b>Reporting</b>				
+40	If you issue stewardship reports to employers that include performance against service standards for employer specific tasks (rather than member tasks).	No	0	33% Yes
100	Total		60	36

## SLAs - how employers serve you

	You	Peers	Count
Do you measure and compare (internally) how individual employers rank with others in terms of:			
a) Quality and timeliness of the data they submit?	Some	All: 55%, Some: 45%, None: 0%	11
b) Accuracy and /or timeliness of contributions?	All	All: 64%, Some: 36%, None: 0%	11
c) Other SLAs / measures of employer compliance?	All	All: 45%, Some: 45%, None: 9%	11
Do you give feedback to individual employers on how they rank with other employers in terms of:			
a) Quality and timeliness of the data they submit?	Some	All: 18%, Some: 45%, None: 36%	11
b) Accuracy and /or timeliness of contributions?	Some	All: 18%, Some: 55%, None: 27%	11
c) Other SLAs / measures of employer compliance?	Some	All: 9%, Some: 55%, None: 36%	11

## Training employer staff service score



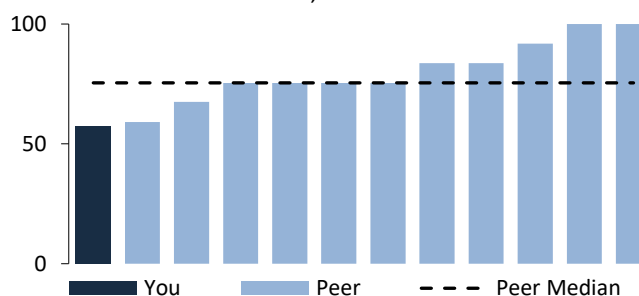
Scoring methodology		Your data 2022	Your score 2022	Peers 2022
<b>Options and Flexibility</b>				
+18	If you provide one-on-one training for employer staff <sup>1</sup>	Yes	18	71% Yes
+18	If you provide group training for employer staff	Yes	18	71% Yes
+6	If you train employer staff via conference calls or webcasts	Yes	6	57% Yes
+6	If you train employer staff by posting training videos online	Yes	6	64% Yes
<b>On-line videos</b>				
+7	1 point for each on-line training video, subject to a maximum of 7.	26	7	7
<b>Planning and Recording</b>				
+15	If you log or record the details of those completing training (so that you can ensure that all employers have appropriately trained staff).	Yes	15	64% Yes
+15	If you have a process for early identification and 'on boarding' (i.e., training, relationship building) of new contacts at employers.	Yes	15	79% Yes
+15	If you assess training needs based on the quality of data submissions? (i.e., if a particular employer continually submits poor data, do you target that employer for training).	Yes	15	71% Yes
100	<b>Total</b>		<b>100</b>	<b>86</b>

1. Volume of one-to-one training sessions (not included in score – for information only).

	You 2021	Peers 2021	Count
How many one-on-one training sessions did you complete? (A)	14		
# employers (B)	423		
One-to-one training sessions as a % of employers (A/B)	3%	19%	9

## Website service score

Your score: 57, Peer median: 75



Scoring methodology		Your data 2022	Your score 2022	Peers 2022
+10	If you have an employer targeted section on your website, or a separate website or portal for your employers? <i>If you answer 'n/a' then your service score for website will be 0.</i>	No	0	91% Yes
<b>Functionality</b>				
+90	If you have a secure area in your website or portal that allows employers to do all of the following, otherwise (# of 'yes' responses / # applicable) X 90		57	
	Input or upload data (e.g., salary information) <sup>1</sup>	Yes		100% Yes
	Determine an employee's eligibility	No		27% Yes
	Enrol new members <sup>1</sup>	Yes		100% Yes
	Report leavers / retirements <sup>1</sup>	Yes		91% Yes
	Update member information (e.g., marital status) <sup>1</sup>	Yes		100% Yes
	View data submitted to the administration team	Yes		92% Yes
	Perform tasks on behalf of members e.g., generate an estimate, opt the employee out	Yes		75% Yes
	Upload paper documents, such as birth certificates	No		82% Yes
	Correspond in a secure environment with the administration team	Yes		92% Yes
	Review the status of tasks	No		33% Yes
	Reset password	No		73% Yes
	# yes answers / # applicable	7 / 11		
100	Total		57	75

1. Approach to the validation of data on submission via website (not included in score – for information only)

	You 2022	Peers 2022	Count
If there are errors or missing or anomalous data submitted via the website:			
Is the entire data set is rejected?	No	55% Yes	11
Are only items with errors or missing data rejected?	Yes	64% Yes	11
Are flags raised against anomalous data for the employer to clear later?	Yes	91% Yes	11
Is there an automated follow up on flagged data that hasn't been cleared?	Yes	55% Yes	11
If yes to any of the above, does the website validate data automatically for some or all data types	Yes	91% Yes	11

## Measuring employer satisfaction

	You	Peers	Count
Did you measure customer satisfaction relating to employer service in the year?	Yes	92% Yes	12
If yes, did that satisfaction surveying ask questions about the following topics specifically:			
a) Employer website	Yes	82% Yes	11
b) Employer service over the telephone	Yes	82% Yes	11
c) Employer training	Yes	82% Yes	11
d) Data submission process	Yes	73% Yes	11
Did you survey to establish a Customer Effort Score in the following areas for employers:			
a) Employer website	No	50% Yes	12
b) Employer service over the telephone	No	25% Yes	12
c) Employer training	No	58% Yes	12
d) Data submission process	No	17% Yes	12

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## **Report of the Managing Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension the Joint Advisory Group to be held on 26 January 2023**

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**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.

### **EQUALITY & DIVERSITY:**

Not Applicable

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Euan Miller  
Managing Director

### **Portfolio:**

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## **1 Background**

- 1.1 The career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014.
- 1.2 Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.
- 1.3 On 19 September 2021, the Government announced that the Ministry of Housing, Communities and Local Government (MHCLG) became the Department for Levelling Up, Housing and Communities (DLUHC).

## **2 Consultation on Fair Deal – Strengthening pension protection**

- 2.1 On 10 January 2019 Ministry of Housing, Communities and Local Government (MHCLG) issued a consultation on Fair Deal – Strengthening pension protection.
- 2.2 The consultation closed on 4 April 2019. On 8 September 2022 DLUHC published its response to this consultation, which said it was reconsidering its approach to Fair Deal in the context of the LGPS.

## **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.

On 19 July 2021 HM 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.

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to give the relevant government departments the regulatory powers to resolve the discrimination identified in the McCloud judgment.

On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. HMRC was seeking views on draft legislation: The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023. The legislation is planned to take effect from 6 April 2023. Some provisions will have retrospective effect. The consultation documents also include an explanatory memorandum and guidance for administrators on the draft regulations. This consultation closed on 6 January 2023.

On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They come into force on 19 December 2022 and apply to England, Northern Ireland, Scotland and Wales. The Directions set out how certain powers in the Public Service Pensions and Judicial Offices Act 2022 must be exercised. The Act gives relevant government departments powers to rectify McCloud discrimination.

The making of the Directions now allows relevant departments to start consulting on regulations exercising these powers.

### **4.2 Cost Control Mechanism**

Alongside publication of the McCloud consultation, HMT announced that the pause of the cost control mechanism would be lifted. The Scheme Advisory Board (SAB) also said it would 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.

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.

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.

GAD has now published cost cap valuation reports for all 20 public service pension schemes and it has confirmed that no changes to member benefits or contributions are required as a result of these reports.

However, on 4 July 2022, the Fire Brigades Union and the British Medical Association were given permission to judicially review the UK Government's decision to include the McCloud remedy costs in the 2016 cost control valuations. The cases will be heard together. Though the case will look at the firefighters' and NHS pension schemes, the outcome may have an impact on the LGPS. This is because the first cost control valuations in the LGPS also included the McCloud remedy costs.

#### **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 LGPS statistics for 2021/22**

On 26 October 2022, DLUHC published the Local Government Pension Scheme statistics for England and Wales: 2021 to 2022. Highlights include:

- total expenditure of £14.4 billion, an increase of 6.6 per cent on 2020/21
- total income of £15.9 billion, a decrease of 8.1 per cent on 2020/21
- employer contributions decreased by 24.3 per cent on 2020/21 to £7.8 billion

- employee contributions of £2.6 billion, an increase of 4.8 per cent
- the market value of LGPS funds on 31 March 2022 was £364 billion, an increase of 8 per cent
- there were 6.3 million scheme members on 31 March 2022: 2.0 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 94,724 retirements in 2021/22, an increase of 14.2 per cent compared with 2020/21

#### **4.5 Government's Academy Guarantee**

In 2013, the Government introduced the academy guarantee. The guarantee provides that, in the event of an academy closing, any outstanding liabilities will not revert to other employers in that LGPS fund.

After a reassessment, the Government confirmed on 21 July 2022 in a written ministerial statement that it will continue to provide the academy guarantee. The annual ceiling will also increase to £20 million.

Although there is no end date to the guarantee, the Government is committed to regularly reassessing it to determine whether it remains affordable and is fully recognised by administering authorities

#### **4.6 Further Education reclassification**

Following a review into the classification of the Further Education sector, the Office for National Statistics has reclassified FE colleges and their subsidiaries in England into the central government sector. The Department for Education is considering offering additional covenant assurances for colleges and will use the data supplied by LGPS Funds when making their decision.

### **5 Other matters**

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

On 27 May 2021, the Pensions Dashboard Programme (PDP) launched a call for input on staging. The call for input closed on 9 July 2021. PDP received just over 60 responses to the call for input from a variety of stakeholders, which will be used to feed into further policy development of pension dashboards.

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.

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.

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

The DWP launched a further consultation on pension dashboards on 28 June 2022. The further consultation sets out two proposals. The first proposal provides clarity on the 'Dashboard Available Point' (DAP). The second proposal allows the Money and Pensions Service and the Pensions Regulator to share information about dashboards with each other. The consultation closed on 19 July 2022.

On 4 July 2022, the Pensions Administration Standards Association published the Dashboard Accuracy Data Guidance. The guidance highlights the importance of regularly testing data for accuracy. This is particularly important for data that pension schemes will use when matching requests from the dashboards. The guidance provides information on how schemes could test their data and what data sources they could use

On 14 July 2022, DWP responded to the consultation on the draft Pensions Dashboards Regulations. DWP has also published a summary of the key policies. The summary reflects the response to the consultation.

The key area of the response that affects LGPS administering authorities is the staging deadline for the LGPS and all other public service pension schemes, which will be deferred from 30 April 2024 to 30 September 2024.

On 19 July 2022, the PDP launched a consultation on dashboard standards and guidance, and a call for input on the design standards. Both the consultation and the call for input closed on 30 August 2022. Following this call for input, a consultation on the final design standards ran for six weeks.

On 17 October 2022, the Department for Work and Pensions (DWP) published draft guidance on applying to defer the staging deadline. DWP also published a template application form. The draft Pensions Dashboards Regulations 2022 propose allowing trustees / managers of a pension scheme to apply to DWP to defer their staging deadline. They set out the time limits in which to apply and the circumstances where DWP may accept applications. DWP may only agree to defer the staging deadline once for each scheme and for a period of up to 12 months

Also On 17 October 2022 the draft Pensions Dashboards Regulations 2022 were laid by Parliament, alongside the publication of the Government's response to the

further consultation on pensions dashboards. On 21 November 2022, the Department for Work and Pensions made The Pensions Dashboards Regulations 2022 – the Regulations. They come into force on 12 December 2022.

On 16 November 2022, the PDP published its revised standards for connecting to the dashboards ecosystem. They cover the technical and operational detail that underpins dashboards legislation. The revised standards incorporate feedback from the consultation published in July 2022

On 24 November 2022, the Pensions Regulator (TPR) launched a consultation on its draft dashboards compliance and enforcement policy. TPR is responsible for ensuring that occupational pension schemes comply with their dashboard duties. The draft policy sets out how it intends to do so. The policy covers:

- the key risk areas it will focus on
- what it expects schemes to do when complying with their dashboard duties
- how it will monitor compliance
- how it will approach non-compliance

PDP recently published its approach to the governance of the standards. This sets out how PDP developed the standards, outlines their scope and describes how they will go about setting and managing any future changes.

On 1 December 2022, the Financial Conduct Authority (FCA) published a consultation on the regulatory framework for dashboard operators. Under these proposals, operators will be able to offer savers additional services that have the potential to improve pension outcomes. These could include investment advice (including robo-advice) or guidance, modellers, calculators and other similar tools. Before doing so, operators will need to meet rigorous conduct standards. The consultation closes on 16 February 2023.

On 12 December 2022, the Department for Work and Pensions (DWP) published guidance on how to defer connection to pensions dashboards. LGPS administering authorities must connect to the dashboards ecosystem within a connection window of 1 September 2024 to 30 September 2024. Authorities can apply to DWP to defer this in limited circumstances.

## 5.2 The Pensions Regulator Consultation on a new Code of Practice

On 17 March 2021 the Pensions Regulator (TPR) published a consultation on 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.

### **5.3 Second Review of State Pension Age**

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

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

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

Between 9 February 2022 and 25 April 2022 DWP consulted on a call for evidence, which sought views on what metrics should be considered when setting the State Pension Age.

DWP is due to publish the outcome of the review in May 2023.

### **5.4 Call for evidence - helping savers understand their pension choices**

On 14 June 2022, the Department for Work and Pensions (DWP) launched a Call for Evidence entitled: 'Helping savers understand their pension choices'.

The call for evidence explores what support pension scheme members need to help them make informed decisions about how to use their savings.

The consultation closed on 25 July 2022 and responses are currently being analysed.

### **5.5 Joint Statement on transfer regulations**

On 5 July 2022, TPR and the DWP issued a joint statement on the Occupational and Personal Pension Schemes (Conditions for Transfers) Regulations 2021.

The statement responds to concerns expressed about how the regulations are being applied. In particular, where overseas investments or small-scale incentives feature in the transfer. The concern is that the regulations are causing low-risk transfers to be blocked or delayed. The statement reminds pension schemes that it was not intended for the regulations to capture transfers that previously caused no concern.

The DWP will consider the concerns when it next reviews the regulations. Also to address the concerns, TPR has updated its guidance on the regulations.

#### **5.6 September 2022 CPI rate announced**

On 19 October 2022, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2022 as 10.1 per cent. Government policy in recent years has been to base increases under the Pensions (Increase) Act 1971 and revaluation of pension accounts under section 9 of the Public Service Pensions Act 2013 on the rate of CPI in September of the previous year. At a meeting of the Public Services Pensioners Council on 23 November 2022, it was confirmed that the 10.1% CPI figure will be applied to Public Sector Pensions in accordance with the legislation and process of previous years'.

#### **5.8 Regulators issue scam warning to pension schemes and savers**

The Pensions Regulator (TPR) joined forces with the Financial Conduct Authority and the Money and Pensions Service to issue a scam warning to pension schemes and savers on 11 November 2022. The statement warns of an increased risk from scammers because of the current economic uncertainty.

### **OTHER CONSIDERATIONS**

None

### **6. FINANCIAL & RESOURCE APPRAISAL**

None

### **7. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

### **8. LEGAL APPRAISAL**

None

### **9. OTHER IMPLICATIONS**

#### **9.1 SUSTAINABILITY IMPLICATIONS**

None

#### **9.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

#### **9.3 COMMUNITY SAFETY IMPLICATIONS**

None

**9.4 HUMAN RIGHTS ACT**

None

**9.5 TRADE UNION**

None

**9.6 WARD IMPLICATIONS**

None

**9.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

**9.8 IMPLICATIONS FOR CORPORATE PARENTING**

None

**9.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

**10. NOT FOR PUBLICATION DOCUMENTS**

None

**11. OPTIONS**

None

**12. RECOMMENDATION**

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

**13. APPENDICES**

None





## Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023

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**Subject: Local Government Pension Scheme Regulations update**

### **Summary statement:**

West Yorkshire Pension Fund has 3 Additional Voluntary Contribution Providers, namely:

- Utmost Life and Pensions (previously Equitable Life),
- Scottish Widows, and
- Prudential.

Annually the West Yorkshire Pension Fund ask Aon's AVC Team to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration. This report outlines the findings of the review.

### **EQUALITY & DIVERSITY:**

Not Applicable

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Euan Miller  
Managing Director

**Portfolio:**

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

## 1 Background

- 1.1 An active scheme member may elect to pay additional voluntary contributions (AVCs) into a scheme established between the administering authority and an approved insurer.
- 1.2 WYPF has three AVC providers, Utmost Life and Pensions, Scottish Widows and Prudential.

The contributions paid during the year, fund values and membership information at 31 March 2022 are as follows:

	<b>Utmost Life and Pensions</b>	<b>Scottish Widows</b>	<b>Prudential</b>
Contributions	£14,784	£436,690	£8,501,941
Fund Value	£1,980,415	£10,239,878	£30,856,548
Members with an AVC Policy	350	747	1,368

- 1.2 The total number of members has decreased by c.29%, from 3,492 to 2,465 since 31 March 2020 (Aon did not report on the AVC arrangements in 2021).  
Total assets under management increased by 31% since 31 March 2020 and the level of contributions paid increased by 46%.
- 1.3 Aon continue to view Scottish Widows and Prudential as appropriate providers. They have no concerns over the suitability of Utmost Life and Pensions as a legacy AVC provider at this time.

## 2 Review of Utmost Life and Pensions AVC Plan

- 2.1 The former Equitable Life AVC arrangement was transferred to Utmost Life and Pensions on 1 January 2020.
- 2.2 Utmost Life and Pensions is rated B ('Strong') by AKG (an independent organisation that assesses financial strength). The transfer of policies from Equitable Life to Utmost Life and Pensions resulted in an improvement in provider financial strength.
- 2.3 Utmost Life and Pensions offers 13 unit-linked funds and members invest in 11 of these, namely Global Equity, US Equity, UK Equity, UK FTSE All Share Index Tracking, Multi-Asset Moderate, Managed, Multi-Asset Captious, Sterling Corporate Bond, UK Government Bond and Money Market Funds.
- 2.4 The 'Investing by Age' Strategy was the 'default' strategy proposed by Equitable Life for funds transferred from the With Profits Fund when it closed. As at 31 March 2022, 92% of the assets held with Utmost Life and Pensions were invested

in this strategy.

- 2.5 The underlying fund manager of the former Equitable Life funds is abrdrn, whilst the new Utmost Life and Pension funds are managed by JP Morgan Asset Management. Aon's global investment manager research team do not research any of the funds members invest in. Their assessment of the quality and suitability of these funds is therefore based upon more general views of the investment managers and past performance analysis. Aon have no major concerns with respect to the overall investment capabilities of the underlying managers.

Performance of the majority of funds, relative to the ABI sector average reported here, has been strong. The Managed Fund was the only fund that under-performed over 3 and 5 years and the Sterling Corporate Bond Fund was the only actively managed fund to under-perform its sector average over the year. The FTSE All Share Tracker provided returns in line with its benchmark index before charges.

- 2.6 The Investing by Age Strategy provides an automatic de-risking strategy for members; however, it has some limitations:

- Asset allocation is determined by age attained rather than term to selected retirement age and
- It provides no flexibility for members to choose the age at which their fund is de-risked.

The strategy retains a multi-asset approach until members are age 75 and is therefore best suited to members who access their funds by flexi-access drawdown. Aon believe the Fund's members are more likely to access their AVC funds as cash at the same time they access their defined benefits. This means that the at-retirement asset allocation of this Strategy is not well-aligned to how members are expected to access funds. This strategy also exposes members' AVC funds to investment risk until they take benefits.

From a member point of view, the key investment objective of the multi-asset funds underlying the Investing by Age strategy is to provide sufficient returns to ensure members are not worse off at retirement than if they had remained invested in the With Profits Fund. Although the performance history is too short to draw any meaningful conclusions over the quality of these funds, Aon believe the asset allocation of these funds remains capable of achieving the returns required to meet the investment objective over the longer term.

- 2.7 The charging structure for this arrangement remains unchanged from that of the Equitable Life policy. They are not scheme-specific and so there is no scope for the Administering Authority to negotiate lower charges.

The TER is capped at the annual management charge ('AMC') so Utmost Life and Pensions absorb any additional expenses.

In Aon's experience, charges are higher than current market rates, but in line with the legacy arrangements of other providers.

The AMC for each fund is shown in the table below:

Fund name	AMC (%)
Global Equity	0.75
US Equity	0.75
UK Equity	0.75
UK FTSE All Share Index Track	0.50
Multi-Asset Growth	
Multi-Asset Moderate	0.75
Managed	0.75
Multi-Asset Cautious	0.75
Sterling Corporate Bond	0.75
UK Government Bond	0.50
Money Market	

Source: Utmost Life and Pensions

- 2.8 In terms of administration, the Equitable Life administration team and administration platform was transferred to Utmost Life and Pensions and service standards have been maintained at 5 to 10 working days for most tasks. The team is relatively small and members are experienced and knowledgeable. In Aon's experience service has been relatively good, taking account of the challenges of operating an old administration platform remotely during lockdown and post-lockdown, as some administration support staff have continued to work remotely.
- 2.9 With regards to communications and reporting, The Utmost Life and Pensions website includes a lot of useful information and is, in Aon's opinion, well set out and 'user friendly'. Online access to policy information is not available to AVC members, but it has recently been introduced for personal pension policyholders, and Aon understand it may be offered to members of group schemes at some point in future.
- 2.10 Reporting by Utmost Life and Pensions is limited to the annual summary financial statement which provides the information required for the Report & Accounts.

### 3. Review of Scottish Widows AVC arrangement

- 3.1 AKG upgraded Scottish Widows' overall financial strength to A (superior) in August 2021, recognising that Scottish Widows Ltd represents the UK long term life insurance business of Lloyds Banking Group plc and is the key provider of life assurance and pensions in the Group. Furthermore, the purchase of the Zurich's workplace business is demonstrative of a growth and development focus in key customer areas and solvency coverage remained good throughout the COVID-19 pandemic.

This is the highest rating available and, as such, Aon have no concerns over Scottish Widows' financial strength.

- 3.2 Scottish Widows gradually replaced abrdn as its fund manager between 2018 and 2022, following the merger between Aberdeen Asset Management and Standard Life in 2017 (which it regarded as a competitor). Scottish Widows appointed Schroders as the active manager and BlackRock as the passive manager.

Aon's global investment manager research team do not research any of the Scottish Widows funds members invest in. Aon's assessment of the quality and suitability of the funds members invest in is therefore based upon our more general views of the investment managers and past performance analysis. However, Aon do 'buy' rate a number of Schroders strategies and all BlackRock passive equity and fixed income funds. Aon have no concerns over these manager's overall investment capabilities or processes.

The funds with a significant allocation to growth assets i.e., the Property, Consensus and Environmental funds, and the Indexed Stock fund provided a positive return over all periods reported. The Pension Protector, Corporate Bond, Indexed Stock and Cash Funds all under-performed their sector over all periods reported

With regards to the externally managed funds Aon have no concerns over State Street's passive fund management capabilities. Scottish Widows reports the performance of these funds against the relevant ABI sector average therefore Aon have sourced benchmark performance directly from State Street Global Advisors (SSgA) to show tracking differences.

All three SSgA funds provided positive returns in periods reported and performance was consistent with market returns.

- 3.3 Aon state the range of funds offered through the Scottish Widows arrangement provides access to all the main asset classes (including property), both active and passively managed funds, a responsible investment fund and a lifestyle strategy. Aon therefore believe the investment options are capable of satisfying most members' investment objectives.

- 3.4 The lifestyle strategy aligns relatively well with Aon's view that members should invest in growth assets, such as equities, in the early stages as these assets are expected to provide capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. Aon also believe that the asset allocation of the bespoke lifestyle strategy at selected retirement age targets the

format in which members are most likely to take these benefits and is therefore appropriate. However, the strategy has a fixed over-weight allocation (relative to market capitalisation) to UK equities in the growth phase. Aon believe this represents concentration risk and it has acted as a drag on performance in recent years. Aon therefore favour a more global approach to provide greater diversification and better long-term capital growth potential. Aon has previously recommended that the Administering Authority considers replacing the SSgA 50:50 Global Equity Index Fund within the bespoke lifestyle strategy.

Scottish Widows does not offer a passively managed global equity fund without fixed geographic weightings. So, although one solution would be to use both the SSgA International and UK Index Funds in the growth phase (if Scottish Widows was prepared to re-balance funds regularly), Aon believe a more pragmatic approach would be to consider a Scottish Widows 'off the shelf' lifestyle strategy, such as the Adventurous Pension Investment Approach targeting lump sum. Use of this lifestyle strategy would also address Aon's previous recommendation to introduce a transition phase to increase asset diversification as retirement approaches.

3.4 The AVC arrangement benefits from a discount of 0.40% p.a. on Scottish Widows' standard total annual fund charge ('TAFC'). The TAFC is the sum of:

1. the Scottish Widows Annual Management Charge,
2. the External Fund Management Charge, if applicable
3. the Multi-Manager Fund Management Charge, if applicable, and
4. an allowance for any Other Expenses, if applicable.

The TAFC on approved funds, including the 0.4% discount, are set out in the table below:

Fund name	TAFC (%)
BNY Mellon Global Equity	0.94
Invesco High Income	1.52
Property	0.85
Consensus	0.60
BNY Mellon Managed	0.796
abrdn Global Absolute Return Strategies	1.45
Environmental	0.60
Pension Protector	0.60

Corporate Bond	0.60
Indexed Stock	0.60
Cash	0.60
SSgA International Equity Index	0.605
SSgA 50:50 Global Equity Index	0.603
SSgA UK Equity Index	0.60

Source: Scottish Widows

The charges on the Scottish Widows AVC arrangement are high, relative to current market rates for non-LGPS arrangements. However, the level of charges members pay within LGPS AVC arrangements takes account of the fact that providers deal with multiple employers and payrolls and carry out a number of the duties typically undertaken by employers, such as joining new members. As such, we consider the level of charges paid by members of this arrangement to be reasonable.

- 3.5 When it comes to administration, Aon have generally found Scottish Widows to be rather slow and inflexible when responding to information requests. Our experience is that Scottish Widows has been slow to implement changes required to the Fund's AVC arrangements.

All service and information requests are submitted to a central mailbox now that Scottish Widows no longer allocates named individuals to manage schemes. In Aon's experience, this process has improved the speed and accuracy of dealing with information requests, though it may also reduce accountability for the services provided.

Despite Aon's criticism of Scottish Widows' reporting processes, it has no major concerns over historic standards of policy administration.

Scottish Widows has historically administered AVC policies within the corporate pension servicing team however administration was migrated to the Diligenta platform in August 2022. The stated aim of this outsourcing is to improve members' digital experience and Aon acknowledge this may be achieved in the longer term however its current impact on service gives Aon and us cause for concern. The key issues appear to be identical to those experienced by Prudential when it migrated policies to Diligenta i.e., issues with allocating contributions to member accounts and severe delays to dis-investments. Scottish Widows has stated it expected issues to be resolved by the end of 2022 but based upon the length of time issues have persisted at Prudential, Aon believe there is a risk this could take far longer. We are acting on Aon's recommendation to monitor the situation to check that issues are resolved within the timescales proposed by Scottish Widows and that members receive an acceptable level of service.

- 3.6 In terms of communications and reporting, Scottish Widows has invested heavily in its member website in recent years, and one of the key reasons for migrating legacy policies to the Diligenta platform is improvement in members' digital experience.

Scottish Widows provides a microsite for the Fund, which is accessible via the WYPF microsite, or via an internet search engine. Unfortunately, a key document for members, the employee booklet, has not been available for many weeks. Scottish Widows has been slow to make and approve changes to AVC literature in the past, and this appears to be a further example of this, but Aon has not been able to verify this assumption with Scottish Widows.

In Aon's opinion, communication materials available through the microsite are of reasonably good quality and relevant information is set out in a clear manner but it is not particularly well tailored to LGPS, or occupational pension schemes in general. However, when carrying out this review we have identified a number of mistakes or potentially misleading information in the fund factsheets. Aon also fail to understand why Scottish Widows has not updated the names of the externally managed funds (from Newton to BNY Mellon, and from Standard Life Investments to abrdn), as this can make it difficult to find further information about the underlying funds.

Historically, Scottish Widows has provided governance reports for LGPS AVC arrangements on a quarterly basis. However, these were very basic in terms of the management information provided and lacked structure.

#### 4. **Review of Prudential AVC Arrangement**

- 4.1 AKG currently rates Prudential's overall financial strength as A (superior). This is the highest rating available and, as such, Aon has no concerns over Prudential's financial strength.
- 4.2 The underlying fund manager of Prudential's internally managed funds is M&G Treasury & Investment Office, although many of the underlying component funds of the Dynamic Global Equity Passive, the Dynamic Growth IV and the Dynamic Growth II Funds are managed by BlackRock.

Aon's global investment manager research team does not currently undertake active research on any of the Prudential funds members invest in. Aon's assessment of the quality and suitability of these funds is therefore based upon more general views of the investment managers' capabilities and past performance analysis.

The actively managed International Equity and UK Equity funds have a specified outperformance target. Neither fund achieved its outperformance target over periods reported.

M&G makes active asset allocation decisions for the Dynamic Growth Funds but uses predominantly passively managed funds to achieve this. These funds have performed broadly in line with their benchmarks over 3 and 5 years. Over one year, they have not tracked the benchmark as well as Aon would expect but this does not give Aon cause for concern, in view of the levels of volatility seen in markets over this period.



The Positive Impact Fund under-performed its MSCI All World Index benchmark over the year, but this is expected, given its lack of exposure to the energy sector, which was the best-performing

The Index-Linked Passive Fund tracked its benchmark before charges over all periods reported, therefore returns were in line with expectations. Index-Linked Gilts significantly out-performed nominal gilts over the year to 31 March 2022 due to increased break-evens which were driven by expectations of more persistent inflation, however they have been subject to the volatility we have seen since then.

Only one-year performance is available for the Dynamic Global Equity Passive Fund and tracking difference from the benchmark has been higher than Aon would expect. However, as with the Dynamic Growth Funds, this does not give us cause for concern, in view of the levels of volatility seen in markets over this period.

With regards to the externally managed funds, these are now passively managed, as Prudential has gradually withdrawn access to external actively managed funds on its platform in recent years. Prudential cited high costs as the reason for these fund closures, however many of these funds had reduced their charges.

The fund performance reported by Prudential for the external passive funds indicates a far higher tracking difference than that reported by the underlying funds, particularly over the shorter term. However, Aon are satisfied with the explanation that Prudential provides for this discrepancy (i.e., the Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment). Aon also believe differences in the time of day the Prudential funds are priced, relative to the benchmark index is a factor here. This is a common issue for external passively managed funds and it does not give Aon cause for concern as long as a 'look through' to the underlying funds shows they are closely tracking their benchmark.

#### 4.3 There are two bespoke lifestyle options available to members of the Prudential arrangement.

The passive lifestyle option invests in the Prudential Dynamic Global Equity Passive Fund in the 'growth' phase. It commences switching five years prior to a member's selected retirement age into the Cash Fund, such that 100% is invested in the latter fund at the member's selected retirement age.

The active lifestyle option available to members invests in the Prudential Dynamic Growth IV Fund in the 'growth' phase. It commences switching five years prior to a member's selected retirement age into the Cash Fund, so that 100% is invested in the latter fund at the member's selected retirement age.

Aon's view remains that members investing through a lifestyle strategy should invest in growth assets, such as equities, in the early stages. These assets are expected to provide capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. The passive lifestyle option offered through the AVC arrangement is therefore well-aligned with Aon's investment thinking in this respect. The active lifestyle option uses the Dynamic Growth IV Fund in the growth phase and this Fund has an allocation to equities of up to 80%,

which Aon consider acceptable, given the very limited range of actively managed growth funds available.

Aon feel the lifestyle strategies are relatively simple, with just two underlying funds. It believes better member outcomes could be achieved by the introduction of a transition phase which would also allow the switch to cash to take place closer to retirement. However, it is unlikely that Prudential will be willing to make changes to the lifestyle strategies at the current time.

- 4.4 Aon feel the investment options offered through the Prudential arrangement provide access to the main liquid asset classes, active and passive managed funds and lifestyle strategies, two ESG funds and a Shariah fund. Aon therefore believe they are capable of satisfying members' investment objectives. However, access to externally managed active funds has gradually been removed as a result of the fund closures made by Prudential in recent years. The only true actively managed funds are the Prudential International Equity and UK Equity funds, and neither of these funds met their performance targets over periods reported here. Furthermore, Prudential no longer offers a property fund.
- 4.5 Prudential offers LGPS-specific pricing for unit-linked funds, which is more competitive than its standard rates. In our experience, charges for unit-linked funds are in line with LGPS arrangements offered by other providers and with other providers' legacy arrangements.

The Total Expense Ratio ('TER') for each fund is shown in the table below:

Fund name	TER (%)
Prudential Dynamic Global Equity Passive	0.54
BlackRock Aquila UK Equity Index	0.62
BlackRock Aquila World ex.UK Index	0.63
HSBC Islamic Global Equity Index	0.80
LGIM Ethical Global Equity Index	0.85
Prudential UK Equity	0.66
Prudential International Equity	0.68
BlackRock Aquila Emerging Markets Equity	0.80
Prudential Positive Impact	0.66
BlackRock Aquila Consensus	0.63

Prudential Dynamic Growth I	0.64
Prudential Dynamic Growth II <sup>1</sup>	0.64
Prudential Dynamic Growth IV	0.62
BlackRock Aquila All Stocks Corporate Bond Index <sup>2</sup>	0.63
Prudential Index Linked Passive	0.56
BlackRock Aquila Over 15 Years UK Gilt Index <sup>4</sup>	0.62
Prudential Deposit Fund	Not applicable <sup>3</sup>
Prudential Cash	0.55

Source: Prudential

Prudential has a reputation for relatively high charges compared to other insurers for non- LGPS AVC arrangements. However, within the LGPS, AVC providers deal with multiple employers and payrolls and carry out a number of the duties typically undertaken by employers, such as joining new members. This makes LGPS AVC arrangements more expensive to administer, and less commercially attractive to providers. In view of this, Aon regard the charges on the arrangement to be reasonable, given the complexity of LGPS arrangements and the additional tasks carried out by Prudential.

- 4.6 In terms of administration, Prudential’s outsourcing model of operation is relatively mature, including increasing volumes of administration offshored to India. Prudential initially outsourced policy administration to Capita in 2008. In 2018, it announced it was replacing Capita as its outsource partner with Diligenta (the Financial Conduct Authority-regulated business of TATA Consultancy Services). This move was a key part of Prudential’s ambition to become a lower-cost digital organisation, with Diligenta also becoming responsible for some of Prudential’s IT infrastructure.

Migration to the Diligenta BANCS platform took place in Q4 2020. Resulting IT issues have taken many months to resolve, creating a significant backlog and resulting in poor standards of administration and service. Prudential has been very difficult to engage with during this time. Telephone helpline wait times for clients and members have been in excess of an hour, and this has been exacerbated by the lack of client relationship managers.

Prudential reported itself to the Pensions Regulator and has been proactive paying financial redress to members dis-advantaged by poor service and delays.

<sup>1</sup> This Fund is not part of the fund range, but is held within the arrangement as a result of a transfer in.

<sup>2</sup> Prudential previously announced that it intended to close this Fund but has taken no action to do so to date

<sup>3</sup> The Prudential Deposit Fund is not subject to any explicit charges, the rate of interest declared is net of the costs of running the

However, Aon believe the length of time poor service has persisted indicates that Prudential may not have sufficient control over third party operations. We continue to monitor Prudential's standards of service.

- 4.7 With regards to communications and reporting, the Fund's members benefit from Prudential's customisation to the LGPS. Aon believe the suite of communications tailored to LGPS clients is of good quality, with relevant information set out in a clear manner. For example, the total charges on unit-linked funds are very clearly disclosed in the Fund-specific investment guide.

Prudential stopped offering worksite marketing services to participating employers a number of years ago and has since significantly reduced the number of account managers available to support employers and Administering Authorities.

Reporting has been impacted by the wider service issues resulting from the administration platform migration, such that many reports have been issued late or not at all. Prudential has given no indication that its level of commitment to LGPS AVCs has fallen, though it is likely its offering will remain pared back compared to what has been provided historically, as it focuses on reducing costs.

## **5. OTHER CONSIDERATIONS**

None

## **6. FINANCIAL & RESOURCE APPRAISAL**

None

## **7. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

## **8. LEGAL APPRAISAL**

None

## **9. OTHER IMPLICATIONS**

### **9.1 SUSTAINABILITY IMPLICATIONS**

None

### **9.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **9.3 COMMUNITY SAFETY IMPLICATIONS**

None

### **9.4 HUMAN RIGHTS ACT**

None

**9.5 TRADE UNION**

None

**9.6 WARD IMPLICATIONS**

None

**9.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS  
(for reports to Area Committees only)**

None

**9.8 IMPLICATIONS FOR CORPORATE PARENTING**

None

**9.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

**10. NOT FOR PUBLICATION DOCUMENTS**

None

**11. OPTIONS**

None

**12. RECOMMENDATION**

To instruct Scottish Widows to replace WYPF's bespoke LifeStyle strategy with its Adventurous Pension Approach Strategy Targeting Lump Sum.

**13. APPENDICES**

None

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## **Report of the Managing Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension the Joint Advisory Group to be held on 26 January 2013**

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**Subject: WYPF Governance Review**

### **Summary statement:**

This reports sets out at a high level a proposed process for undertaking a WYPF governance review and initial feedback is sought from Joint Advisory Group members. A similar report will also be presented to the Investment Advisory Panel and the Local Pensions Board.

### **EQUALITY & DIVERSITY:**

Not Applicable

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Euan Miller  
Managing Director  
West Yorkshire Pension Fund

### **Portfolio:**

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## 1. BACKGROUND

- 1.1 It has been flagged at previous meetings of the IAP that a review of the effectiveness, roles and responsibilities of the IAP, the Joint Advisory Group ('JAG') and the Local Pension Board ('LPB') should be undertaken, with the objective to ensure that the work that they do properly complements each other, while retaining their requisite independence. In simple terms this would check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role (as defined by Regulations).
- 1.2 Whilst this review was added to the WYPF Business Plan last year, it has not been progressed to date for a number of reasons. However, given the recent appointment of a new Managing Director and the creation of the Chief Investment Officer post this would appear a particularly opportune time for such a review to take place. In addition, Government and the LGPS Scheme Advisory Board ('SAB') are expected to implement in the near future the recommendations of the SAB's Good Governance Project, which will provide further clarity on the requirements and best practice expected of LGPS administering authorities.
- 1.3 Further information on the SAB's Good Governance Project can be accessed via the link below:

[LGPS Scheme Advisory Board - Good Governance \(lgpsboard.org\)](https://www.lgpsboard.org)

## 2. SCOPE OF REVIEW

- 2.1 It is proposed that the scope of the review will be wider than that discussed previously and also considers delegated powers, which could include, for example, scope for the WYPF investment team to make tactical changes to asset allocation in between IAP meetings within pre-determined limits. Providing further clarity in this area may enable quicker progress to be made in reaching the Panel's strategic asset allocation and also allow the Fund to be more opportunistic should any unusual short-term market conditions arise (for example, the unusually high Gilt yields following the September 2022 mini-budget and subsequent selling of Gilts by pension funds using leveraged LDI strategies).
- 2.2 WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore any governance review and the implementation of the recommendations made will require Council approval. However, it is proposed that the review is driven by WYPF (with WYPF also meeting the costs). The Chief Executive has provided her high-level support for the proposed review.



- 2.3 To help minimise conflicts of interest and seek to draw on best practice from other LGPS administering authorities and the wider pensions and investment community it is proposed that specialist consultancy support for the review is procured via the LGPS National Frameworks. Whilst the cost of the consultancy support is unknown at this stage it is not expected to exceed £30,000. Provision has been made in the 2023/24 budget for this expenditure.

### **3. NEXT STEPS**

3.1 Proposed next steps are set out below.

1. Discuss outline proposals at the forthcoming Investment Advisory Panel and Local Pension Board meetings
2. Obtain support for the proposed review from the CBMDC Governance & Audit Committee.
3. Procure independent consultancy support via the National Frameworks and prepare detailed scope.
4. Establish timescales for implementation of SAB Good Governance Project Recommendations and seek to carry out review to coincide with this (assuming expected in first half of 2023).

### **4. OTHER CONSIDERATIONS**

None

### **5. FINANCIAL & RESOURCE APPRAISAL**

It is proposed that specialist consultancy support for the review is procured via the LGPS National Frameworks. Whilst the cost of the consultancy support is unknown at this stage it is not expected to exceed £30,000. Provision has been made in the 2023/24 budget for this expenditure.

### **6. RISK MANAGEMENT AND GOVERNANCE ISSUES**

None

### **7. LEGAL APPRAISAL**

WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore any governance review and the implementation of the recommendations made will require Council approval.

## **8. OTHER IMPLICATIONS**

### **8.1 SUSTAINABILITY IMPLICATIONS**

None

### **8.2 GREENHOUSE GAS EMISSIONS IMPACTS**

None

### **8.3 COMMUNITY SAFETY IMPLICATIONS**

None

### **8.4 HUMAN RIGHTS ACT**

None

### **8.5 TRADE UNION**

None

### **8.6 WARD IMPLICATIONS**

None

### **8.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)**

None

### **8.8 IMPLICATIONS FOR CORPORATE PARENTING**

None

### **8.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

## **9. NOT FOR PUBLICATION DOCUMENTS**

None

## **10. OPTIONS**

The decision to proceed with the Governance Review and the process undertaken will ultimately be determined by the CBMDC Governance & Audit Committee. The Joint Advisory Group is encouraged to provide input into the proposals that will be presented to the Governance & Audit Committee.

**11. RECOMMENDATION**

That the Joint Adviosry Group note and provide any comments on the outline of the proposed governance review set out in the report

**12. APPENDICES**

None

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## **Report of the Managing Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023.**

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### **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.

### **EQUALITY & DIVERSITY:**

Issues of Equality and Diversity are included within the body of the document in Appendix A.

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Euan Miller  
Managing Director

### **Portfolio:**

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Administration and Governance)  
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### **Overview & Scrutiny Area:**

## **1.0 Background**

### **Purpose**

- 1.1 WYPF has developed a five year business plan for the period 2022-2027 which outlines the Fund's goals and objectives. The business plan will be formally reviewed and agreed every year by JAG/IAP. 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.

## **2.0 Business Plan 2022 – 2027**

- 2.1 Progress against some of the key priorities to date include:

- G1 - Review of constitution, committees, delegations – Process started
- G3 - Review Knowledge and Skills requirements – Results received, to develop a training plan.
- G6 - Succession Planning. In progress. A New Managing Director and a Chief Investment Officer have been appointed. Recruitment to key posts below these is ongoing.
- G7 - Review and implementation of other governance related policies and strategies. In progress.
- F3 - 2022 actuarial valuation and review of funding strategy. In progress. Work on the valuation is being finalised and the FSS consultation with Employers has closed.
- F11 - Development of unitisation and data validation. In progress with Aon.
- A1 - Implement McCloud / Sargeant remedy. In progress, awaiting final legislation.
- A2 – Scams. In progress. Awaiting members of the Pensions Board to complete their training before WYPF can sign up to TPR's Pension Scam pledge.
- A3 - Succession Planning (Administration team). In progress. A Succession Plan has been devised and staff will be provided with the skills and expertise

to progress through the organisation (or recruited) ahead of when key individuals may retire.

- A4 - Implement employer self-service on-line functionality to all employers including updating employer guide. In progress. Phase 3 of the monthly postings software is due to go live this month.
- A5 - Omni-channel member self-service on-line functionality. In progress. Every communication now invites members to register for the secure portal. The facility for a member to do their own retirement calculation is due to go live soon. Work on developing the online system in house is progressing.
- A9 - Carry out frozen refund clearance exercise. In Progress. Cases are being actioned on an individual basis. A programme to undertake a bulk exercise will be implemented in due course.
- A14 - Implement changes required for national pensions dashboard(s). In progress. Engagement is taking place with TPR, Civica and other ISP providers to ensure we are ready to implement when legislation is in place.

### **3. OTHER CONSIDERATIONS**

- None

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

- Financial requirements are detailed within the body of the appendix documents.

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

- Risks are detailed within the body of the appendix document.

### **6. LEGAL APPRAISAL**

- Not applicable.

### **7. OTHER IMPLICATIONS**

#### **7.1 SUSTAINABILITY IMPLICATIONS**

- None

#### **7.2 GREENHOUSE GAS EMISSIONS IMPACTS**

- None

#### **7.3 COMMUNITY SAFETY IMPLICATIONS**

- None

**7.4 HUMAN RIGHTS ACT**

- None.

**7.5 TRADE UNION**

- None

**8. NOT FOR PUBLICATION DOCUMENTS**

- None

**9. OPTIONS**

- None.

**10. RECOMMENDATIONS**

It is recommended that the Joint Advisory Group approve the Business Plan.

**11. APPENDICES**

Appendix A - Business Plan 2022 - 2027

**12. BACKGROUND DOCUMENTS**

- None





**West Yorkshire Pension Fund**

Business Plan for 2022-2027

# **Business Plan**

*For 2022-2027*



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# Business Plan

WYPF Plan for 2022/23 to 2026/27

# Introduction

## Purpose

This document sets out the business plan for the West Yorkshire Pension Fund for the period 2022-2027 and outlines the Fund's goals and objectives over the medium term. The business plan will be formally reviewed and agreed every year. It will also be monitored during the year and updated as required.

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 three years.

A budget has also been set for expected payments to and from the WYPF including the resources required to manage the Fund and deliver the business plan. This is set out in Appendix B.

## Further information

If you require further information about anything in or related to this business plan, please contact:

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4 Godwin Street,  
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# Background information

WYPF is a c£18bn Local Government Pension Fund providing death and retirement benefits for relevant local government employees and former employees in West Yorkshire and those of other participating employers in the area.

## Total Fund Membership



Total Fund membership is around 300,000 with around 100,000 active contributors from 450 contributing employers and 100,000 deferred members and 100,000 pensioners and dependents.

## Governance and Management of the Fund

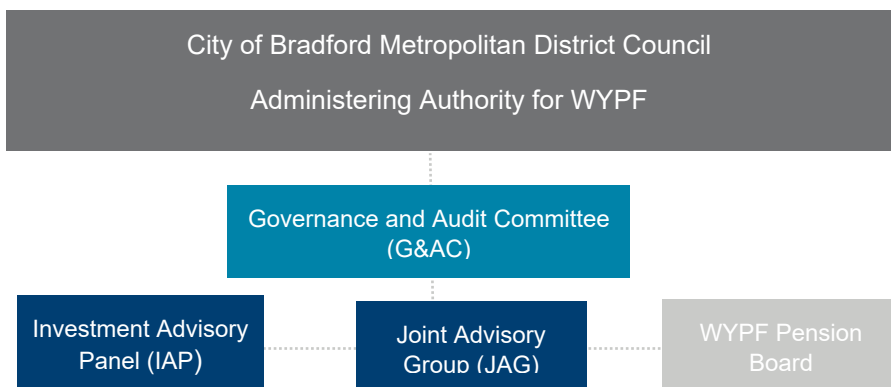
The City of Bradford Metropolitan District Council, as the Administering Authority of the Fund, has delegated responsibility for the management of the West Yorkshire Pension Fund to the Governance and Audit Committee. The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

Under the Council's Financial Regulations, the day to day running of the Fund has been delegated to the Managing Director – West Yorkshire Pension Fund

A range of advisors also provide guidance in relation to the management of the Fund.

In line with the Local Government Pension Regulations 2013, the Pensions Board assists the Administering Authority in ensuring compliance with the regulations and helps oversee the work of the JAG, IAP and Governance and Audit Committee and how the Fund is administered.

The Fund's governance structure is depicted in the chart below.



## Recent review of organisational structure

In 2018 WYPF's organisational structure was reviewed. A new structure was proposed which included assistant directors and allowed senior managers to focus on strategic matters and ensure the Fund was delivering on its objectives in the separate areas of investment, governance, finance, employer services and administration, and IT, projects and Communication.

# Objectives

The primary objectives of the Fund are set out below. They have been agreed by the Governance and Audit Committee as part of the Fund's key strategies and policies, and as such are a key driver in determining what is in the Fund's business plan.

The objectives are categorised as governance, funding, investments, administration and communications.

## Governance Objectives

In relation to the governance of the fund, the administering authority's objectives are to ensure that:

- All staff, JAG, IAP, Governance and Audit Committee and Pension Board members charged with financial administration, decision-making or oversight of the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- The Fund is aware that good governance means an organisation is open in its dealings with, and readily provides information to, interested parties.
- All relevant legislation is understood and complied with.
- The Fund aims to be at the forefront of best practice for LGPS funds.
- The Fund manages Conflicts of Interest appropriately.
- The Fund acts in the best interests of the Fund's members and employers
- The Fund has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies
- The Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise
- The Fund acts with integrity and is accountable to our stakeholders for our decisions, ensuring they are robust and well based
- The Fund understands and monitors risk

- The Fund strives to ensure compliance with the appropriate legislation and statutory guidance, and acts in the spirit of other relevant guidelines and best practice guidance
- The Fund clearly articulates its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success
- The Fund ensures the confidentiality, integrity and accessibility of the Fund's data, and systems and services are protected and preserved.

## Funding Objectives

The Funding Strategy Statement sets out that the aims of the Fund are to:

- 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
- 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
- maximise the returns from investments within reasonable risk parameters.

The Funding Strategy also sets out that the purpose of the Fund is to:

- receive monies in respect of contributions from employers and employees, transfer values and investment income; and
- 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.

In general terms, the Fund also has the following objectives:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward.
- ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.
- ensure the long-term solvency of the Fund, taking a prudent longer-term view.

## Investment Objectives

The Investment Strategy Statement sets out that the investment aims of the Fund are to:

- Optimise the return on investment consistent with a prudent level of risk.
- Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements).
- Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
- Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
- Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns and minimise the cost of benefits for an acceptable level of risk.
- Ensure return seeking assets are in line with funding objectives.

## Administration Objectives

- Deliver an efficient, effective and value for money service to its scheme employers and scheme members and shared service partners.
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner.
- Ensure the Fund's employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function.
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner.

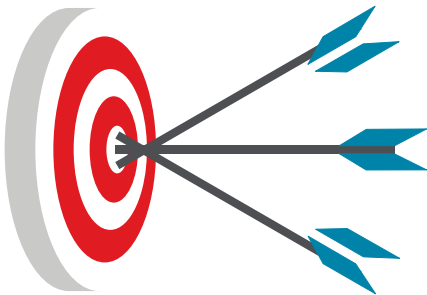


- Set out clear roles and responsibilities for the Fund and work together to provide a seamless service to scheme employers and scheme members.
- Continuously review and improve the service provided, including ensuring that any new administration contracts secured by the Fund positively contribute to service improvements for the Fund's stakeholders

## Communications Objectives

- The Fund's Communications Policy lists the following key objectives:

- Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits.



- Ensure the Fund uses the most appropriate means of communication, taking into account the different needs of different stakeholders.
- Look for efficiencies in delivering communications

including greater use of technology.

- Evaluate the effectiveness of communications and shape future communications appropriately
- Use plain English for all our communications with stakeholders
- Communicate the scheme regulations and procedures in a clear and easy to understand style
- Communicating with our scheme members about their membership of the Fund
- Use technology to provide up to date and timely information to stakeholders
- Engage with our stakeholders face-to-face when required
- Evaluate the effectiveness of communications and shape future communications appropriately



# The plan for 2022/27

There are many and varied external factors that may or will impact the management of the Fund, in addition to major changes that have been implemented in recent years.

## Recent developments and changes

These 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 last completed in December 2017.
- A review of the Fund's operational structure and introduction of a revised structure with effect from September 2020. A new Managing Director and Chief Investment Officer also joined in late 2022.
- Implement a solution for the Pensions Dashboard requirements
- 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 online member and employer services
- Developing controls relating to cybercrime and business continuity; ensuring internal capability to identify and implement remedies to emerging risks
- These and other areas of recent focus put us in a strong position to meet the challenges ahead.

## Future challenges and areas of focus

The following are some of the key areas of focus for the Fund over the next five years:

- Implementing amendments to the LGPS Regulations following the McCloud case
- Implementing a member on-line self-service facility
- Extend our audit, and fraud processes to match our extending online offer
- 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
- Understanding any risks and developing controls relating to cybercrime and business continuity
- 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 (Task Force on Climate-related Financial Disclosures)
- Implementing the Fund's investment strategy including oversight of pooling This approach will be reviewed periodically to ensure this continues to demonstrate value for money
- Implementing any changes in relation to early retirement strain costs/payments if a cap on exit payments is reintroduced
- Continuing to work with the Fund's employers to reduce the risk of unpaid 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
- Further expansion of our customer base to bring in more LGPS funds/Fire authorities.

These, and other priorities for the next five years, are articulated in more detail in the later sections of this business plan, split into three sections: governance; funding and investments; administration and communications.

## Budget

All the costs associated with the management of the Fund are charged to the Fund and shared service partners, not to City of Bradford MDC. The budget does not include costs which are recharged to the participating employers, which relate directly to an employer request such as year-end pensions accounting or actuarial calculations on commencement or termination of participation in the Fund.

The expected operational budget for the Fund is provided in an appendix to this Plan. This excludes any costs which are expected to be re-charged to employers.

## Delivering the Business Plan

### Monitoring and Reporting

In order to identify whether we are meeting our business plan we will:

continue to monitor progress of the key priorities and the agreed budgets on a half yearly basis.

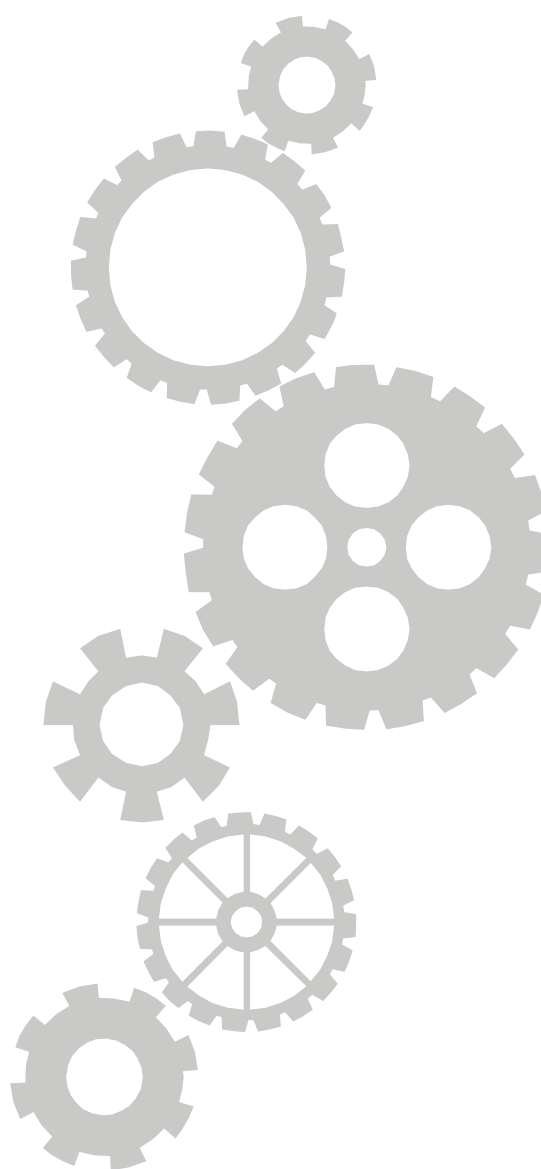
provide updates on progress against these key priorities on a regular (e.g. half-yearly) basis to the Joint Advisory Group which will be shared with the Pension Board, including

- highlighting any areas where we are exceeding or failing to achieve our targets and
- identifying the reasons and any changes to the planned priorities as a result
- highlighting any significant additional spend or underspend in relation to the agreed budget.

### Significant risks that may impact delivery of the Business Plan

The next few years will be challenging for those involved in the governance, management and operation of the Fund. The following are the key known risks which may impact on the delivery of this business plan. A number of these risks are of greater concern than usual due to the impact of Covid-19 which may continue throughout 2022/23 and perhaps longer term.

- Recruitment and retention of staff – key person risk, competitor pay and location competing with B2C and other Pensions staff in Leeds.
- Increased work for administrators due to the McCloud remedy and Pensions Dashboard solution impacting on the service to scheme members and employers.
- Lack of employer engagement which could impact on plans to improve data and the implementation of the Employer Self Service on-line functionality.
- Employers unable to afford employer contributions including due to reduction in strength of employer covenant.
- Data or asset loss due to a cyber incident or partner failure
- Service interruption due to failure of business continuity plans
- Failure to meet investment objectives due to market volatility or other external factors.
- Inability to pay pension benefits due to insufficient liquid assets.
- Changes to national requirements in relation to pooling leading to required changes to the Northern Pool structure or approach which affect achievement of our investment objectives, including affecting cost and resources.



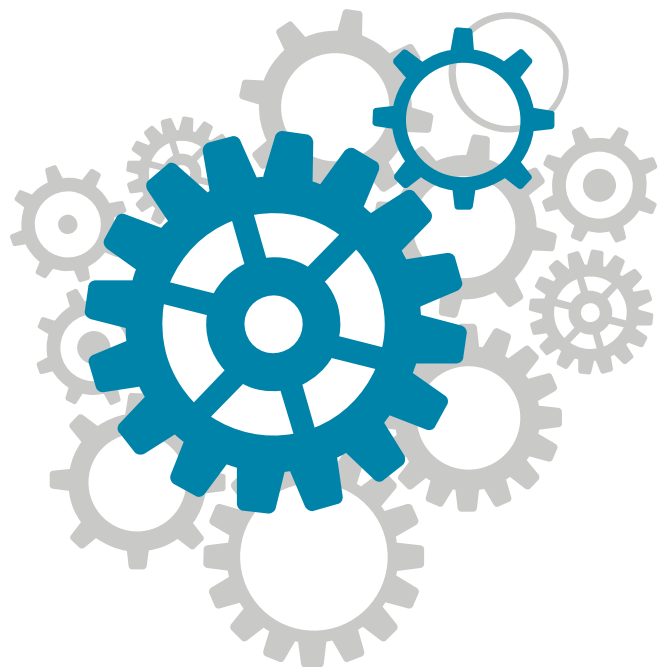


# Business as usual

The appendix to this business plan highlights our key priorities for the next five years. This focusses on areas of change and projects which are in addition to day to day “business as usual” activities.

On a day to day basis our focus is on the following key elements of Fund management:

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations
- Communicating with our scheme members about their membership of the Fund
- Ensuring we receive all the pension contributions paid by active members of the Fund, as prescribed by the LGPS regulations
- Ensuring all the employers in the Fund pay their pension contributions
- Safeguarding the Fund’s assets
- Investing any Fund assets that are not currently needed to pay benefits
- Working with the actuary so, every three years, they determine how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future.
- Understanding the continuing pressure on resources and budgets for employers and the administering authority.
- Providing regular training, guidance and support to employers so that the Fund receives timely and accurate information.
- Managing the Fund on a day-to-day basis involves a wide range of processes and procedures designed around achieving WYPF’s objectives as outlined in our strategies and policies.
- The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as set out below.



## Governance

- Ensuring decisions relating to the management of the Fund are made in accordance with appropriately delegated responsibilities
- Setting the agenda, reporting and presenting to the G&A Committee, JAG, IAP and Local Pension Board, ensuring those bodies carry out their delegated, advisory and scrutiny functions
- Implementing and monitoring other governance areas such as knowledge and skills/training, conflicts of interest, risk management, breaches and adhering to The Pension Regulator's Code of Practice
- Ensuring the Fund's business plan is regularly updated, agreed and delivered
- Ensuring we adhere to Council and legal requirements for procurement, health and safety and data protection
- Procurement of and payment for, advisers and other services
- Assisting internal and external audit in their role
- Replying to Freedom of Information requests
- Ensuring business continuity arrangements are in place and regularly tested
- Managing the risk of cybercrime and ensuring our data and systems are safeguarded.

## Funding

- Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
- Assisting the actuary with the triennial Actuarial Valuation by providing membership and valuation data and presenting results and explanations to employers of future employer contributions and deficit payments
- Providing data or other information as required by the Government Actuary's Department ("GAD")
- Monitoring the employers' funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund

## Investment

- Carrying out a fundamental review of the investment strategy every three years
- Quarterly monitoring and reporting on investment performance
- Monthly monitoring and reporting on the Fund's funding position and implementation of our cash and risk management strategy
- Working with other LGPS funds in the Northern Pool to pool investments, including assessing, appointing, monitoring and dismissing any external managers.
- Monthly monitoring and implementation of the tactical asset allocation decisions
- Ensuring costs are fully disclosed in line with the Cost Transparency initiative
- Developing and monitoring the Fund's approach to Responsible Investment.



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## Accountancy

- Preparing and publishing the Fund's Annual Report
- Completing the Annual Accounts and assisting external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Quarterly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly invoicing of employers for pensions strain and added years.
- Provision of information on a monthly basis to the Fund's Actuary to support the tracking of assets notionally allocated to the Fund's employers
- Overseeing the monthly employer returns

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## Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notification of entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members' help line for ad-hoc enquiries
- Providing notifications regarding new starters, personal/employment changes and leavers/retirements
- Processing bulk updates to data such as annual pensions increases

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## Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details
- Ensuring pensions are paid

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## Communication, Projects and IT

- Providing Annual Benefit Statements to all active and deferred scheme members
- Providing information to members via the appropriate channel e.g. one to ones, workshops and newsletters
- Improving the way users can navigate through complex information as well as looking beyond the above to other ways to access content
- Enhancing the Fund's website and members' self-service facility to offer a more personalised experience for users
- Maintaining and updating the pensions software system, including
- Developing reporting to provide information on progress against key performance indicators and daily work management

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## Technical

- Providing guidance on changes in processes following legislation updates
- Providing reports and extracts for the Fund Actuary and GAD
- Reporting and making payments to HMRC
- Reviewing AVC providers and funds offered to members
- Administering the Fund's Internal Dispute Resolution Procedure
- Manage employers' admission agreements

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## Employer Liaison Team

- Undertake response to outstanding requests for information to cleanse the pension records
- Providing information to the Fund's actuary as required for new alternative delivery models for employer services
- Undertake work as necessary to clear outstanding year-end or other data queries.
- Running an Annual Meeting for employers and members'.
- Providing ongoing training and technical updates to employers
- Provide new employers with information about their Fund responsibilities

## Business plan priorities

The following are the expected key priorities for the Fund for the period 2022 to 2027 so that the objectives of the Fund are achieved. This excludes ongoing business as usual items that take place annually or more frequently. Further explanations of these key priorities are included in Appendix A to this business plan.

Many of the timescales are estimated due to reliance on external bodies, such as Government. As a result, these timescales may change. These are shown with an asterisk (\*).

Key Action/Task	2022/23 Period								Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4	2023/24	2024/25	2025/26	2026/27	
G1. Review of constitution, committees, delegations				✓	✓				January 2023
G2. New members on Governance and Audit Committee, Joint Advisory Group, Investment Advisory Panel and Pension Board	✓	✓			✓				July 2023
G3. Review Knowledge and Skills policy/delivery in light of updated CIPFA K&S requirements	✓	✓	✓	✓	✓				July 2023
G4. Review cybercrime risk to Fund	✓	✓	✓	✓	✓	✓			July 2023
G5. Business Continuity	✓	✓	✓	✓	✓				July 2023
G6. Succession Planning			✓	✓	✓	✓	✓	✓	N/A
G7. Review and implementation of other governance related policies and strategies	✓	✓	✓	✓	✓	✓	✓	✓	January 2023, July 2023
G8. Assess the carbon footprint of WYPF portfolio	✓	✓	✓	✓	✓	✓	✓	✓	April 2023
G9. Review of risk register					✓				July 2023
G10. Review against new TPR Single Modular Code					✓	✓		✓	July 2023
G11. Implement changes from Scheme Advisory Board good governance					✓	✓			TBC

review									
G12. Governance review				✓	✓				July 2023
G13. Procurement/Tenders					✓	✓	✓	✓	July 2023
G14. Diversity, equality and Inclusion									Each meeting
G15. Employer Engagement	✓	✓	✓	✓					N/A

Key Action/Task	2022/23 Period				2023/	2024/	2025/	2026/	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4	24	25	26	27	
F1. Investment Strategy review / implementation	✓	✓	✓	✓	✓	✓	✓	✓	IAP
F2. Develop improved cash flow monitoring	✓	✓							N/A
F3. 2022 actuarial valuation and review of funding strategy	✓	✓	✓	✓					January 2023
F4. TCFD Reporting			✓	✓					July 2023
F5. Investment performance reporting and other best practice from Regulator's Code of Practice			✓	✓	✓				IAP 2023
F6. Review requirements for cost transparency collation/reporting				✓	✓				IAP 2023
F7. GAD Section 13 valuation results/ engagement						✓			N/A
F8. Other expected national changes in investment including responsible investment, asset pooling guidance and TCFD*			✓	✓	✓	✓			IAP 2023
F9. Cost Management*					✓	✓			N/A
F10. Valuation cycle changes and HE/FE Employers*			✓	✓			✓		TBC
F11. Development of unitisation and data validation	✓	✓	✓	✓	✓				JAG (ongoing)

Key Action/Task	2022/23 Period				2023/	2024/	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4	24	25	
<b>Administration and Communications</b>							
A1. Implement McCloud / Sargeant remedy	✓	✓	✓	✓	✓	✓	July 2024
A2. Pension Scams	✓				✓	✓	July 2023
A3. Succession planning	✓				✓	✓	July 2023
A4. Implement employer self-service on-line functionality to all employers including updating employer guide	✓	✓	✓	✓	✓		July 2023

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4			
A5. Omni-channel self-service	✓	✓	✓	✓	✓	✓	July 2024
A6. Data improvement plans / policy	✓	✓	✓	✓	✓		TBC (Date)
A7. Trivial Commutation					✓		January 2024
A8. Other expected legislation changes including Exit cap and Goodwin and Fair deal			✓	✓	✓		January 2024
A9. Frozen refunds	✓	✓	✓	✓			July 2023
A10. Robotics, Automation, Analytics					✓	✓	July 2024
A11. Review support for high earners and pensions tax policies					✓	✓	TBC (Date)
A12. Oracle transition					✓	✓	January 2024
A13. GMP Reconciliation	✓	✓	✓	✓	✓	✓	January 2024
A14. Implement changes required for national pensions dashboard(s)	✓*	✓*	✓*	✓*	✓*	✓*	July 2024
A15. Implement changes to meet GMP equalisation requirements					✓*	✓*	TBC
A16. The Pensions Regulator's new Code of Practice module - Maintenance of IT systems			✓	✓	✓		July 2023

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4			
<b>Supplier and contractor reviews and tenders</b>							
Administration software						✓	January 2025
Custodian				✓			TBC
Actuarial, benefits and governance consultant							TBC
Investment adviser				✓	✓		TBC
AVC fund review			✓	✓			January 2023
AVC provider review					✓	✓	TBC
Legal services – based on requirements							TBC
Banking services							TBC

Further explanation of Business  
Plan items and additional  
information

# Appendix A - Explanation of business plan key tasks and actions

## Further information relating to key priorities

Work scheduled for 2022/23 to 2026/27 will be included in the relevant budgets for those years.

## Governance key priorities

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026 /27	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4					
G1. Review of constitution, committees, delegations				✓	✓				January 2023
G2. New members on Governance and Audit Committee, Joint Advisory Group, Investment Advisory Panel and Pension Board	✓	✓			✓				July 2023
G3. Review Knowledge and Skills policy/delivery in light of updated CIPFA K&S requirements	✓	✓	✓	✓	✓				July 2023
G4. Review cybercrime risk to Fund	✓	✓	✓	✓	✓	✓			July 2023
G5. Business Continuity	✓	✓	✓	✓	✓				July 2023
G6. Succession Planning			✓	✓	✓	✓	✓	✓	N/A
G7. Review and implementation of other governance related policies and strategies	✓	✓	✓	✓	✓	✓	✓	✓	January 2023, July 2023
G8. Assess the carbon footprint of WYPF Portfolio	✓	✓	✓	✓	✓	✓	✓	✓	April 2023
G9. Review/development of risk register					✓				July 2023
G10. Review against new TPR Single Modular Code					✓	✓		✓	July 2023
G11. Implement changes from Scheme Advisory Board good governance review					✓	✓			TBC
G12. Governance review				✓	✓				July 2023

G13. Procurement/Tenders					✓	✓	✓	✓	July 2023
G14. Diversity, equality and Inclusion									Each meeting
G15. Employer Engagement	✓	✓	✓	✓					N/A

## G1. Review of constitution, committees, delegations

2022/23 Period			2023 / 24	2024 / 25	2025 / 26	2026 / 27	Expected Agenda
			✓	✓			January 2023 JAG, IAP, PB
<ul style="list-style-type: none"> <li>It has been recognised that the WYPF structure, constitutions and delegations all need to be reviewed and clearly defined. For example the Terms of Reference could be clearer or more prescriptive in a number of areas. It may be appropriate for an appendix to be added to the constitution to list delegations in order to better manage the Fund.</li> <li>This is expected to start in January 2023.</li> <li>In addition a wider WYPF governance review will be carried out during the first half of 2023.</li> <li>It is expected that these tasks can be managed out of the existing budget and with no additional resource requirements.</li> </ul>							

## G2. New members on Governance and Audit Committee Joint Advisory Group, Investment Advisory Panel and Pension Board

2022/23 Period			2023 / 24	2024 / 25	2025 / 26	2026 / 27	Expected Agenda
✓	✓		✓				July 2023 JAG, IAP, PB
<ul style="list-style-type: none"> <li>There are some changes expected to the JAG, IAP and Governance and Audit Committee in 2023 due to a third of Councillors being up for re-election.</li> <li>Any new members will need to be “onboarded” and provided with sufficient training and access to required information. WYPF is aware of the requirement in TPR’s draft new code of practice that new members undertake required training to carry out the role as soon as possible and within 6 months of appointment.</li> <li>The Pension Board membership is due to be reviewed / renewed in 2023/24 and this will be an area covered by the Governance Review</li> </ul> <p>It is expected that these tasks can be managed out of the existing budget and with no additional resource requirements.</p>							



### G3. Review Knowledge and Skills policy / delivery in light of updated CIPFA K&S requirements

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
✓	✓	✓	✓	✓				July 2023 JAG, IAP, PB

- In the Summer of 2021 CIPFA released its updated Knowledge and Skills framework and Code of Practice. The current training policy will be reviewed and updated to be in line with the new CIPFA framework and Code.
- The policy should also ensure it is appropriate for any new members appointed following the 2023 local elections.
- Those involved in managing WYPF will undergo a knowledge and skills assessment based on the CIPFA competencies to inform training plans for future years – this will include who has done what training, including any skills training.
- The policy relating to Pension Board members (who have legal requirements in relation to obtaining the required knowledge) will be extended to JAG and IAP members – in anticipation of new requirements in this area from the Good Governance review (expected in 2023)

It is expected that these tasks can be managed out of the existing budget and with no additional resource requirements. If external support is needed to develop the policy and/or training needs assessment and maintain a log of training activity, we estimate that the cost be anywhere between £5k and £25k plus VAT depending on what support is needed.

## G4. Review cybercrime risk to Fund

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
✓	✓	✓	✓	✓	✓			July 2023 JAG
<ul style="list-style-type: none"> <li>• Cyber risk is considered a key risk to the Fund. In line with the Pensions Regulator's requirements, work will be carried out to better understand how that risk is being managed in relation to the Fund's member data, assets and other procedures.</li> <li>• WYPF will follow the Aon Seek, Shield, Solve, Review framework for developing Cyber resilience. This involves assessing the risks and how significant they are to allow prioritisation of activities to mitigate risks.</li> <li>• We will ask our system providers and suppliers, including City of Bradford Metropolitan District Council to provide further information in relation to how they are managing cyber risk. After this initial work has been completed, a process will be put in place to ensure that ongoing checks are carried out.</li> <li>• Fund officers will review of the areas for improvement identified by the Aon LGPS Cyber Scorecard – including a data and asset mapping exercise to identify and prioritise risks, establishing fund specific cyber incident response plans and cyber policy and cyber hygiene / roles and responsibilities document.</li> <li>• It is noted that the team are changing operating platforms (Windows to Linux) which could result in greater Cyber risk. WYPF officers will need to engage with Civica as regards their solutions for managing cyber risk, in particular in relation to Pensions Dashboards as that project develops.</li> <li>• WYPF will also need to consider how the required assurance in relation to cyber risk can be provided to other funds/schemes to which we provide third party administration services.</li> <li>• We also note that Regulator recognises that funds may need to access specialist advice in some areas (such as in assessments of providers) and we will investigate what support may be available through City of Bradford MDC or through external advisers.</li> <li>• Our budget includes an allowance of £50k per annum in the short term to improve our cyber resilience. We will also allocate dedicated resource of suitable seniority to take ownership of our cyber related activities.</li> </ul>								

## G5. Business Continuity

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
✓	✓	✓	✓	✓				July 2023 JAG, G&A
<ul style="list-style-type: none"> <li>The Pension Regulator's draft Code of Practice which is expected to be published in 2023 includes a "best practice" module on Business Continuity.</li> <li>Based on the expectations of the module, WYPF should have a fund specific resilient Business Continuity Plan which "sets out key actions in case of a range of events occur that impact the scheme's operations" and sets out key roles and responsibilities, including with any service providers.</li> <li>The Assistant Director (Finance, Administration and Governance) will work with the senior managers to develop and maintain a plan which allows for potential changes to home / hybrid working, and dependencies including staff, systems and hardware, buildings and processes.</li> </ul> <p>This work will be carried out using existing resource and budget.</p>								

## G6. Succession Planning

2022/23 Period			2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
	✓	✓	✓	✓	✓	✓	N/A
<ul style="list-style-type: none"> <li>There are a number of key individuals in the WYPF Management Team who will be retiring in the next five years, in both the investment, and member services teams.</li> <li>A comprehensive plan for the recruitment of new individuals and/ or providing sufficient mentoring, training and shadowing to those individuals who will take on the roles will be needed to avoid the consequences of the loss of the significant levels of experience and knowledge of those individuals.</li> <li>The succession plan should be set out and agreed internally in 2022/23 and implemented in relation to the relevant individuals in each of the following 4 years.</li> <li>This should not involve any additional budget or resource, but to recruit and develop the required replacements may incur some additional costs, so this will be kept under review.</li> </ul>							

## G7. Review and implementation of other governance related policies and strategies

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
✓	✓	✓	✓	✓	✓	✓	✓	January 2023, July 2023 JAG, IAP, PB
<ul style="list-style-type: none"> <li>• The Fund has several policies focusing on governance, all of which are subject to regular review, usually at least every three years. The policies due to be reviewed are:</li> <li>• FSS – in particular in relation to the 2022 valuation and in relation to pooling of academies - Summer 2022, otherwise Triennial unless regulatory change requires sooner</li> <li>• Communications - annual</li> <li>• Administration - annual</li> <li>• Conflicts of Interest Policy – by TBC – needs review for FCA requirements and GLIL</li> <li>• Governance Policy and Compliance Statement – annual. The Good Governance review carried out by SAB will require changes to the statement and WYPF will adopt the recommendations from the review as part of its Governance Review taking place in 2023.</li> <li>• Risk Strategy – we will refresh our risk register to bring together investment and other risks which are currently identified separately and bring it to life by applying a principles-based approach rather than listing all risks at a very granular level. We will consider developing a risk management strategy to supplement the risk register.</li> <li>• The policy of deferring employer contributions due to the impact of COVID-19 will need to be reviewed and is expected to be discontinued in 2022 given the introduction of employer flexibilities.</li> <li>• Discretions – A large (4 year) project to contact all employers to obtain their policies or set the Fund policy for the employer commenced in 2022. This includes the review of the Fund’s policy and this action applies to all funds WYPF carry out services for.</li> <li>• WYPF may also implement additional voluntary policies in line with best practice, such as data improvement, voluntary scheme pays, cyber risk management.</li> <li>• In future JAG meetings the business planning will be reviewed at each meeting although only the changes will be brought to the JAG to consider.</li> <li>• It is expected this work will be carried out using existing team resources with support from the Fund Actuary as required.</li> </ul>								

## G8. Assess the carbon footprint of WYPF

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026 /27	Expected Agenda
✓	✓	✓	✓	✓	✓	✓	✓	April 2023 IAP
<ul style="list-style-type: none"> <li>WYPF as an organisation needs to set out its ambitious plans to reduce its carbon footprint and help support the action against climate change, then implement the plans and report against them.</li> <li>This will include the policy on energy usage, office space, printing in the office and for member communications, and how developments will be monitored and performance against any targets reported.</li> <li>This work will include the detail under Scope 1, Scope 2, and Scope 3 in relation to delivering services.</li> <li>This project will be managed within the existing WYPF team and budget.</li> </ul>								

## G9. Review/development of risk register

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
				✓				July 2023 JAG
<p>The review will consider the following possible developments:</p> <ul style="list-style-type: none"> <li>Adding / combining employer and funding risk</li> <li>Combining administration related and investment related registers</li> <li>Review of the level of detail provided in the reporting for the JAG, IAP and PB; we will consider whether the risk register reporting could be more focused and hence effective</li> </ul> <p>This will be owned by the Assistant Director (Finance, Administration and Governance) – no additional resource or budget required.</p>								

## G10. Review against new TPR Single Modular Code

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
				✓	✓		✓	July 2023 JAG
<ul style="list-style-type: none"> <li>The Pensions Regulator (TPR) recently consulted on a new Single Modular Code which will merge 10 of the existing 15 codes the Regulator has in place, including Code of Practice No.14 (the relevant Code for Public Service Pension Schemes). This will result in some changes to the requirements placed on the Fund.</li> <li>Work will be undertaken to review whether the Fund complies with the requirements within the new Code when it is released. After the initial review, ongoing compliance checks will be carried out on a regular basis (e.g. every 2 years).</li> <li>Additional resource/budget may be required for the initial review against the new Code (including the best practice modules and recommendations) but the initial intention is carry out the review internally, but seek external assurance.</li> </ul>								

## G11. Implement changes from Scheme Advisory Board good governance review

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
				✓	✓			TBC

The Local Government Pension Scheme Advisory Board (SAB) recently completed a project focusing on all elements of good governance. A number of recommendations have been made including ensuring appropriate conflicts of interest management, knowledge and skills and having a designated LGPS lead officer in each administering authority. Further work is being carried out by SAB and formal recommendations have been made to the Department for Levelling Up, Housing and Communities (DLUHC). The Fund follows best practice so intends to implement the recommendations in advance of any regulatory change, noting that SAB has recommended that DLUHC issues statutory guidance including a requirement for each administering authority to report on how they are complying with the new guidance.

Other than set out elsewhere on this business plan, the following actions are required:

- Develop a Fund-wide conflicts of interest policy
- Review/implement a Fund policy on the representation of scheme members and non-administering authority employers on its committees, explaining its approach to voting rights for each party.
- Formalise/update the knowledge and skills requirements for JAG/IAP members and Officers including S151 as well as the Local Pension Board in a policy on how to meet the requirements
- Document a roles and responsibilities matrix
- Implement regular reporting against a set of required administration KPIs
- Committee and Senior Officer sign off of business plan including budget and resources
- Independent Governance Review (see below)

It is expected that any required actions will be implemented internally but the independent review of governance may require support from external providers. An estimated cost depending on the scope of the project is £20k - £50k.

## G12. Governance review

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
			✓	✓				July 2023 JAG, IAP, PB
<p>The Fund will undertake a review of its governance arrangements in line with current best practice and the recommendations of the Scheme Advisory Board's Good Governance project (see item G11)</p> <ul style="list-style-type: none"> <li>Given the Good Governance requirements are for an independent review we will ideally await the formal requirements before carrying out the review.</li> <li>If the SAB project is further delayed or if we wish to take some action more imminently we may carry out a review of the current arrangements against the SAB report / recommendations in order to implement any actions before an independent review is required.</li> <li>This could include a review of the role / terms of reference for the Pension Board, identification of any missing "best practice" fund policies and ensuring the WYPF objectives are being monitored against in terms of performance, for example, through the use of a strategic objectives dashboard.</li> </ul> <p>This project will likely involve external support and additional cost of £25k has been allocated in the 23/24 budget.</p>								

## G13. Procurement/Tenders

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
				✓	✓	✓	✓	July 2023 JAG, IAP
<p>Several contracts are due to be retendered in the next 5 years covered by the business plan.</p> <ul style="list-style-type: none"> <li>A list of these is provided in the previous section (Business Plan key priorities)</li> <li>The procurement process will be managed within internal teams and with support from Bradford Council and no additional resource or budget is required to be set aside for these exercises.</li> </ul>								

## G14. Diversity, Equity and Inclusion

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
								Each meeting
<ul style="list-style-type: none"> <li>Review engagement with stakeholders, communications, approach to recruitment, etc to ensure sufficient attention is given to diversity and inclusion.</li> <li>Ensure appropriately considered as part of review of the communication policy and reflected in all media, including the Fund's website.</li> <li>Initially this is expected to be managed within the existing team and with no additional budget.</li> </ul>								

## G15. Employer Engagement

2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27	Expected Agenda
✓	✓	✓	✓					N/A
<ul style="list-style-type: none"> <li>• The WYPF management team would like to improve employer engagement and, in particular, attendance at the annual employer meeting. We will establish an initiative to develop virtual meetings and communication methods with employers to increase awareness and employers' understanding of the Fund's aims and requirements.</li> <li>• This work may have some overlap with the review and updating of the Fund Communications Strategy, and the development of the Administration Guide and Factsheets and E-learning packages, along with the workshops and training and development of the employer website, which are currently on the WYPF Service Plan.</li> <li>• It is not expected that this work will require additional resource requirements or budget for external support.</li> </ul>								



## Funding and investment key priorities

Key Action/Task	2022/23 Period				2023/	2024/	2025/	2026/	Expected G&A / JAG / IAP Agenda
	Q1	Q2	Q3	Q4	24	25	26	27	
F1. Investment Strategy review / implementation	✓	✓	✓	✓	✓	✓	✓	✓	IAP (ongoing)
F2. Develop improved cash flow monitoring	✓	✓			✓				N/A
F3. 2022 actuarial valuation and review of funding strategy	✓	✓	✓	✓					JAG July 2022 January 2023
F4. TCFD Reporting			✓	✓	✓				IAP (ongoing)
F5. Investment performance reporting and other best practice from Regulator's Code of Practice			✓	✓	✓				IAP (ongoing)
F6. Review requirements for cost transparency collation/reporting				✓	✓				IAP 2023
F7. GAD Section 13 valuation results/ engagement						✓			N/A
F8. Other expected national changes in investment including responsible investment and pooling guidance*			✓	✓	✓	✓			IAP (Date TBC)
F9. Cost Management*					✓	✓			N/A
F10. Valuation cycle changes and HE/FE Employers*			✓	✓			✓		TBC
F11. Development of unitisation and data validation	✓	✓	✓	✓	✓				JAG (ongoing)

## F1. Investment Strategy review / implementation

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓	✓	✓	✓	✓	IAP (ongoing)
<ul style="list-style-type: none"> <li>Implement reduction in weighting to UK equities to deliver agreed de-risking and re-balance equity portfolio overall more towards overseas equities. A 10% reduction to the proportion invested in UK equities will be implemented so that the overall equity allocation will be reduced from 65% to 55%.</li> <li>As part of this, reinvestment of dividends will be reduced to 50% to help facilitate the change in strategy.</li> <li>A detailed plan will be produced to move £240m a year (so £1.2BN over 5 years) into alternatives, i.e. property and infrastructure and some fixed income corporate bonds. This will be reviewed regularly since it is important that any new investments represent the right opportunities.</li> <li>Transaction costs are around 5bps due to sales commission so could be significant in this implementation. There is also a funding impact via a reduction in the target return from 6.8% to 6.2% p.a..</li> <li>The objectives set out above will subject to review as part of an investment strategy review following the completion of the 2023 actuarial valuation exercise</li> </ul>								

## F2. Develop improved cashflow monitoring

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓			✓				N/A
<ul style="list-style-type: none"> <li>A review of how cashflow monitoring is carried out is being undertaken to ensure this is robust, and ongoing monitoring is integrated into day to day business and links in with the Treasury Management Policy.</li> <li>This may include how investment team monitors income yields from the Fund's investments.</li> <li>The change in investment approach mentioned in F1 will result in less dividend income so it will be important to check the impact on cashflow.</li> <li>We will also allow for an updated projection of expected future benefit payments to be provided by the Actuary following the 2022 valuation.</li> </ul> <p>This review is expected to be carried out within the existing teams and without the need for additional budget or resources. The cost of any additional support from the Actuary will depend on our precise needs but is expected to be of the order of £3K-£10K.</p>								

### F3. 2022 actuarial valuation and review of funding strategy

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓					JAG January 2023
<p>A formal actuarial valuation of the Fund detailing the solvency position and other financial metrics must be carried out as at 31st March 2022. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the Funding Strategy Statement.</p> <p>This is considered in conjunction with the strength of covenant for each employer participating in the Fund. The deadline for completion of the work is 31 March 2023.</p> <p>The key stages of the project which will be carried out by the Fund Actuary, with the support of the Employer Services and Compliance team are as follows:</p> <ul style="list-style-type: none"> <li>• Setting and agreement of financial assumptions (demographic assumptions agreed before valuation date)</li> <li>• Data gathering and validation</li> <li>• Employer risk assessment for Tier 3 employers</li> <li>• Review of funding strategy including updated commentary on the risk of climate change, the pooling of certain employer groups (for example, Town and Parish Councils, academies) and changes to the ongoing orphan funding target following changes to the approach to calculating the liabilities when employers exit leaving orphan liabilities.</li> <li>• Initial results</li> <li>• Individual employer results and meetings</li> <li>• Final results and reporting</li> <li>• Submission of information to other stakeholders, e.g. SAB / GAD.</li> </ul> <p>The budget in terms of actuarial fees met by the Fund is expected to be similar to that for the 2019 valuation, i.e. in region of £150k – £175k</p>								

### F4. TCFD Reporting

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
	✓	✓	✓				IAP July 2023
<p><b>Task Force for Climate-related Financial Disclosures (TCFD)</b></p> <p>In January 2021 DWP launched a consultation on draft regulations requiring occupational pension schemes to implement improved governance and reporting relating to climate change as recommended by TCFD. Those new regulations will not apply to the LGPS but MHCLG consulted in autumn 2022 on the implementation of TCFD-aligned disclosures within the LGPS.</p> <p>Once LGPS regulations are guidance are implemented there will be some initial work to make sure existing WYPF reporting is in line with the requirements and from that point the work will become Business – as – usual. It is not expected that this will require additional resources or budget to implement.</p>							

## F5. Investment performance reporting – and other best practice from the Regulator’s Code of Practice

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
	✓	✓	✓				IAP 2023

The Regulator’s new draft Code of Practice has a number of best practice modules which public sector schemes such as the LGPS are encouraged to follow. This includes a module on Investment monitoring. It is expected that the WYPF is already compliant with the majority of the recommendations but a review against the Regulator’s suggestions will be carried out when the new Code is published.

The review of compliance will consider content within the following best practice investment - related modules:

- Investment governance
- Investment monitoring
- Climate change
- Investment Strategy Statement

The “best practice” compliance review will be carried out by the existing investment team – no additional resource or budget required.

## F6. Review requirements for cost transparency collation/reporting

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
		✓	✓				TBC

WYPF is not FCA regulated but is looking to broadly follow the requirements of MiFID II and the SAB Code of Transparency and new standardised disclosure template. The information and data provided should be ‘fair, clear and not misleading’ and there is now an online system put in place by SAB for submission of the information, including a check against the MiFID II total cost.

In the first year this is considered to be not Business as Usual (BAU) but in following years it should become BAU. One particular challenge is the benchmarking and reporting around private equity though this is largely resolved, and “best execution costs” are not currently reported, and the team will consider whether to do this as best practice, given the additional costs which may be incurred.

It is not currently expected that this work will result in additional budget requirements or resources.

## F7. GAD Section 13 valuation results/ engagement

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
				✓				N/A

Section 13 of the Public Service Pensions Act requires the Government Actuary to report on compliance, consistency, solvency and long-term cost efficiency in respect of the actuarial valuation of the LGPS as a whole. This is based on the individual actuarial valuations and data provided by each LGPS fund and their actuary. The review considers some key metrics to identify potential issues in relation to compliance, consistency, solvency and long-term cost efficiency and a short report will be provided to each LGPS fund and made publicly available which will highlight any concerns.

Based on the report issued in December 2021 report there is no expected action as a result of the review of the 2019 valuation, but there will be another exercise within the next 5 years for the 2022 valuation review.

It is not expected that this will result in additional budget or resource requirements, albeit there may be some of the Fund Actuary’s time to support the officers in any liaison and responses to GAD as well as to amend the Dashboard part of the 2022 valuation report, if required.

## F8. Other expected national changes in investment including responsible investment and asset pooling guidance

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
	✓	✓	✓	✓			IAP 2023

**Responsible investment guidance**

- SAB have been developing Responsible Investment Guidance which will include, as a minimum:
- guidance to assist and help investment decision makers to identify the parameters of operation within scheme regulations, statutory guidance, fiduciary duty and the general public law and the scope for integrating ESG policies as part of investment strategy statements and
  - a toolkit they can use to further integrate ESG policies as part of their investment strategy.

This had been put on hold to give SAB time to consider the implications of a Supreme Court judgment and await the proposed climate change provisions in the Pension Schemes Bill.

**Asset pooling guidance**

MHCLG (now DLUHC) undertook an informal consultation on new asset pooling guidance during early 2019 and confirmed its intention to carry out a formal consultation in due course. The actual timing of this consultation is not known but we have assumed it is likely to be later in 2022/23 or 2023/24 before any action is required from the Fund.

WYPF will be working with our partners in Northern LGPS as appropriate to implement any required changes. At the time of writing it is not expected that there will need to be significant levels of additional resource or budget to deal with any changes.

F9. Cost Management							
2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
			✓	✓			N/A
<p>The 2016 Treasury and SAB cost management processes have formally concluded in 2021 following allowance for the proposed McCloud remedy which increased the cost of the LGPS and resulted in the previous floor no longer being breached.</p> <p>However, there is currently an ongoing Judicial Review into whether the inclusion of McCloud as a “member cost” is fair and if this appeal is successful this may have an impact on the outcome and ultimately result in a higher cost for employers.</p> <p>There may need to be actuarial support to manage this change and an employer communication exercise, but this is currently uncertain.</p> <p>Treasury has consulted on changes to the cost management process and GAD has already gathered the data for the 2020 process so it is possible there may be changes to benefits or contributions and employer costs due to cost management over the period of this business plan.</p>							

F10. Valuation cycle changes and HE/FE Employers							
2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
	✓	✓			✓		TBC
<p>Government has yet to publish its response to the final elements of its 2019 policy consultation on changes to the local valuation cycle and management of employer risk, which proposed a move to 4 yearly local funding valuations and removing the requirement for further education corporations, sixth form colleges and higher education institutions to offer new employees access to the LGPS.</p> <p>The timing of its response is currently unknown but it is now not thought it will have any impact on the 2022/23 actuarial valuation.</p>							

F11. Development of unitisation and data validation							
2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓	✓			JAG ongoing
<p>WYPF has a unitisation system (run by Aon) to track individual employer notional asset values on a monthly basis.</p> <p>The Fund Actuary is currently providing the officers with advice regarding the incorporation of Ill - health and Death -in -service spouses benefit pooling on a monthly basis for the officers to consider.</p> <p>In conjunction with the Actuary we will consider the approach used to check the transaction data and member data to determine if they are consistent – for example, more regular than annual checks may be required.</p> <p>If more regular checks are implemented or any additional functionality is required, there would be no internal additional resourcing requirements but there may be additional actuarial costs depending on what is required/agreed.</p>							

## Administration key priorities

Key Action/Task	2022/23 Period				2023/2024/2025/2026/Expected G&A / JAG / IAP Agenda				
	Q1	Q2	Q3	Q4	24	25	26	27	
A1. Implement McCloud / Sargeant remedy	✓	✓	✓	✓	✓				Pension Board/JAG
A2. Scams	✓				✓	✓			Pension Board
A3. Succession planning	✓				✓	✓			JAG
A4. Implement employer self-service on-line functionality to all employers including updating employer guide	✓	✓	✓	✓	✓				Pension Board
A5. Omni-channel self-service	✓	✓	✓	✓	✓	✓			Pension Board
A6. Data improvement plans / policy	✓	✓	✓	✓	✓				Pension Board
A7. Trivial Commutation					✓				Pension Board
A8. Other expected legislation changes including Exit cap and Goodwin and Fair deal			✓	✓	✓				JAG
A9. Frozen refunds	✓	✓	✓	✓					Pension Board
A10. Robotics, Automation, Analytics					✓	✓			TBC
A11. Review support for high earners and pensions tax policies					✓	✓			N/A
A12. Oracle transition					✓	✓			TBC
A13. GMP Reconciliation					✓	✓			Pension Board
A14. Implement changes required for national pensions dashboard(s)	✓*	✓*	✓*	✓*	✓*	✓*			Pension Board/JAG
A15. Implement changes to meet GMP equalisation requirements					✓*	✓*			TBC (Date)
A16. The Pensions Regulator's new Code of Practice module - Maintenance of IT systems			✓	✓	✓				Pension Board

## A1. Implement McCloud / Sargeant remedy

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓				Pension Board

Court of Appeal judgements (McCloud and Sargeant) in 2018 found that transitional provisions in the CARE schemes for Firefighters and Judges in April 2015 gave rise to unlawful age discrimination. This impacts the LGPS as the new CARE scheme from April 2014 included a statutory underpin for older members. Remedies are being worked through by Government to remove the inequality in the schemes, which will result in changes to scheme benefits some of which will be retrospective.

A consultation on the Local Government Pension Scheme remedy took place in July 2020 and WYPF has established a project team to identify the affected members so their benefits can be amended once regulations are laid. Whilst it is a major exercise for many funds to gather updated employment (including part time hours) information from employers dating back to 2014, WYPF is well positioned as we continued to . This work has been allowed for in the 2022/23 budget (see Appendix B) but it is possible that additional resource and budget may be required depending on the final outcome of the consultation and regulations, including whether an additional team is required to carry out the rectification work and how much can be delivered through the administration system.

Changes for the Fire scheme are potentially more material given members are to be given the choice over what scheme will apply over the remedy period and we are already dealing with any immediate detriment cases. A project team has been set up to manage the changes for the Fire authorities we administer.

## A2. Scams

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓			✓	✓			N/A

WYPF will update transfer value processes in line with new Pensions Act 2021 legislation allowing administering authorities to protect member interests by blocking transfers if they do not meet required criteria, i.e. suggesting the receiving scheme may be a scam arrangement.

WYPF will also follow the Pension Scams Industry Group's Code of Practice and guidance from the Regulator which is kept up to date on their website.

WYPF will also sign up to the pension scams pledge.

Processes will need to be kept under constant review to ensure they meet the various requirements as they evolve to combat new scamming techniques. It is not expected that this will require an additional budget.

## A3. Succession Planning

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓			✓	✓			N/A

The WYPF administration teams have some key individuals with many years' LGPS experience who may retire over the period covered by this plan. The senior management team will be putting in place comprehensive succession plans to manage the key-person risk and ensure staff with the necessary skills and expertise are progressing through the organisation (or recruited) ahead of when these individuals may retire.



## A4. Implement employer self-service on-line functionality to all employers including updating employer guide

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓	✓			Pension Board

WYPF has been working on new on-line functionality for all employers participating in the Fund. This will ultimately require all employers to upload pension information on a monthly basis to the Fund's on-line employer self-service facility to ensure the Fund's pension records are up to date. As well as improving the integrity of the Fund's data, this will introduce increased efficiencies for all parties.

As a result of employer self-service being rolled out, the existing employer guide will also be updated to reflect the new requirement to provide data via this portal and a review will be undertaken of employer processes and forms.

WYPF is currently looking to move to a new version of the software which can better manage online submission of forms as currently around half of the forms are still submitted outside of the online self service approach. The new system will include functionality which moves data straight from these systems onto member records without individual staff member intervention, reducing the risk of errors.

This project is in its latter stages so is expected to be completed in 2022/3.

## A5. Omni-channel member self-service on-line functionality

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓	✓			Pension Board

Online member self-service does currently exist, but it needs development to optimise the member experience – for example members cannot currently carry out any calculations online, but some functionality is being tested i.e. retirement calculations. Once this is established then other calculations will be brought onto the system.

There will be an exercise to target new employees to attract new members to the system and encourage them to keep the details up to date.

There are no plans to remove current calculation approaches i.e. for the final retirement calculations within the next 5 years.

It is intended to bring the online system in house, allowing WYPF to be platform neutral i.e. it can implement the best in class software at any point or change suppliers without this affecting clients or scheme members. This will be costed and agreed prior to work commencing.

## A6. Data improvement plan/procedures

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓				Pension Board

The Pensions Regulator expects all pension funds to assess the quality of their data and put in place a data improvement plan where there are errors or omissions, or where processes could be improved.

WYPF has several informal data improvement plans relating to individual projects, and these will be brought together in one data improvement plan which includes:

- any actions to improve common and scheme – specific data
- any projects to improve data omissions i.e. tracing exercises
- any projects to reduce any backlogs or remove small liabilities from the fund i.e. trivial commutation
- projects required by Regulations / other legislation i.e. McCloud rectification, GMP reconciliation
- any actions to improve member experience i.e. based on complaints and breaches

This action includes drafting a high level data improvement policy to set out the objectives of data improvement activities and how they will be prioritised and managed, and how progress will be monitored and reported.

The policy and high level plan will be included in an Appendix to the Administration Strategy

It is expected that this will not require additional resource. Budget will be required for character recognition software.

## A7. Carry out trivial commutation / small pots options exercise

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
			✓				Pension Board

Trivial commutation is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependants who may be eligible for trivial commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to a single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation").

As well as reducing the number of pensioner payments that require ongoing payment this could also reduce the fund's liabilities. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value.

The WYPF team already offer this option to members but will continue to carry out trivial commutation projects over the next 5 years. This will also involve a review of existing procedures to ensure that trivial commutation is offered in appropriate cases. No additional resource or budget will be required.

## A8. Other expected legislation changes including exit payment cap, and Goodwin and Fair deal

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
		✓	✓	✓			N/A

### £95k Exit Cap and Wider Reforms

Changes were introduced in November 2020 that capped total exit payments for individuals leaving public sector employment including pension fund strain costs. In February 2021 the regulations were revoked and we expect an amended proposal during 2022. MHCLG also consulted on wider reform provisions in 2020 that could materially impact the type and amount of benefits paid to employees on early termination; if implemented, these impact on both payments made by employers as well as benefits paid from the Fund.

### Goodwin

In 2020 the Government settled a legal challenge relating to the Teachers' Pension Scheme from a male survivor of a female member, complaining that he would receive lower benefits than a survivor of a same-sex marriage/partnership. It has been accepted that this decision will also affect other public sector schemes and we await guidance from DLUHC on the required changes to the Local Government Pension Scheme regulations.

### Fair deal

In May 2016 MHCLG proposed that the New Fair Deal be extended to the LGPS. This would mean that any staff being outsourced would remain in the LGPS and their 'new' employer would gain admission body status, without the option of being able to offer a pension scheme that is broadly comparable to LGPS.

On 10 January 2019 a consultation document was published by MHCLG confirming the 2016 proposal and removal of the option of a broadly comparable scheme. Within the 2019 consultation, there were also proposals about automatically transferring LGPS assets and liabilities when scheme employers are involved in a merger or takeover. This consultation closed on 4 April 2019. Final regulations are still to be made.

When the regulations are amended there will be some work required to implement the various changes required and there may also be some work required to respond to any new consultations. It is not expected that any additional resource or budget will be required for these activities.

## A9. Carry out frozen refund clearance exercise

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓					Pension Board

Members who leave the scheme without meeting the 'vesting period' (the minimum period to qualify for benefits) are only entitled to a refund of their own contributions. Since 1 April 2014 the regulations have required that this must be paid within five years of the member leaving the scheme, but before that many members did not claim their refunds in case they rejoined the scheme in the future and could then count that service.

This has meant that the Fund has built up a number of "frozen refunds" i.e. refunds that have not yet been claimed. WYPF has carried out a review of these cases and is in the process of paying as many as possible. This will help the Fund meet legal requirements that all benefits must be paid before the member's 75th birthday and will also reduce the Fund's liabilities.

This is being resourced through existing teams and with no additional budget required.

## A10. Robotics, Automation, Analytics

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
				✓	✓			N/A

- Advanced process engineering - we will deploy automation into both administration and finance processes in an Agile way driving down the number of administration and finance tasks that need human intervention, alleviating cost and error. The simplest tasks will be automated first, then move up in complexity as we learn. In this way software will be released early in order to benefit the organisation early.
- Robotics – we have identified a test process for robotics software to be deployed that complements our automation programme. We will also test intelligent character recognition robotics that can scan pages for words and phrases to aid our data quality programme.
- Analytics – data analytics will be used to further develop our advancing online and client Management Information needs.

## A11. Review support for high earners and pensions tax policies

2022/23 Period				2023/24	2024/25	2025/26	2026/27	Expected Agenda
				✓	✓			N/A

The Fund has a responsibility to ensure that pension taxation matters are dealt with according to relevant regulations and that members are given appropriate guidance.

The number of members affected by the annual allowance limit and in need of pension savings statements is increasing annually and this increases the level of work in the team and the number of associated queries. As a result the team will review the level of support and approach to providing support for "high earner" members affected by pensions tax limits, for example if external training to members and employers can be provided.

WYPF is also considering putting in place a Voluntary Scheme Pays policy and a High Earner Communications Strategy setting out the information that will be provided to members, when and how it will be provided to manage members' expectations.

## A12. Transition to Oracle

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
			✓	✓			N/A

Civica will no longer support Oracle within the next five years so WY will need to move to SQL. This will involve a large project for WYPF IT within next 5 years since the software will need to be hosted on a different platform and there will be implications for reprogramming, training and licences as well as procurement etc.

Costs and resources yet to be identified for this.

## A13. Finalise GMP reconciliation exercise

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
			✓	✓			N/A

Prior to the removal of "contracted-out" status in April 2016, pension schemes including the LGPS had to ensure the benefits they paid met a minimum level, one element of which was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Following the end of contracting out HMRC is no longer maintaining GMP and other contracting out member records so individual pension schemes to ensure that the contracting out and GMP data they hold matches that held by HMRC.

The WYPF data has been extracted from HMRC ahead of the facility being discontinued, but there has not been any matching carried out to date. The high level stages and timescales in the project are as follows:

- Active members - Stage 1 (identify data mismatches) – Timescale TBC
- Active members - Stage 2 (finalise data reconciliation) – Timescale TBC
- Deferred and Pensioner reconciliation completion (all data reconciled) – Timescale TBC
- Stage 3 GMP Rectification – Timescale TBC

This reconciliation project will inevitably result in identifying some pensioners and dependents whose pension has been overpaid or underpaid (albeit some by very small amounts), some for several years, which will need to be rectified.

## A14. Implement changes required for national pensions dashboard(s)

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
✓	✓	✓	✓	✓			Pension Board

Pension dashboards are a Government initiative first announced in the Budget 2016 with the legal framework contained in the Pension Schemes Act 2021. The idea is to allow pension savers in the UK access to view the values of all of their pension pots, including the state pension, through one central platform. Public service pension schemes are expected to go live between April 2023 and April 2025 and we will consider what action is needed so the WYPF and the other schemes we administer are ready for implementation. This could be a fundamental project which is likely to have additional costs and resource requirements due to the development and testing of data quality, systems and processes.

Civica, our current partner for our pensions software, is yet to cost the local government scheme proposals. The working hypothesis is that the data used in the annual benefit statement can be used for a full 12 months in the pensions dashboard. This is yet to be confirmed. Budget and resource are to be confirmed.

## A15. Implement changes to meet GMP equalisation requirements

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
			✓	✓			Pension Board

The courts determined that it was necessary to revisit pension benefits for scheme members who accrued a GMP to ensure equal treatment between men and women. In March 2021 the Government confirmed that the solution for LGPS funds was to apply full indexation on all GMP (i.e. all pension) for those members who reached state pension age after 5 April 2016. This has been implemented by WYPF but we are likely to have to revisit transfers-out over a number of years to ensure the correct amount was paid in respect of the GMP element – the solution to dealing with this group of affected members has not yet been confirmed. It is not expected that this work will require additional staff or budget.

## A16. Regulator new Code of Practice module: Maintenance of IT systems

2022/23 Period			2023/24	2024/25	2025/26	2026/27	Expected Agenda
	✓	✓	✓				Pension Board

The new Code of Practice which was expected to be released in summer of 2022 includes a new module – Maintenance of IT systems. WYPF will need to review processes and systems to ensure they are compliant and sufficiently documented and make any required changes where there is any non-compliance. The current draft code includes the following “Standards for maintaining IT systems”:

- Ensure cyber security measures and procedures are in place and functioning.
- Record evidence of how changes are planned and executed within the system.
- Put a written policy in place for maintaining, upgrading, and replacing hardware and software.
- Provide evidence to show there is a schedule for the system to be replaced or updated, such as changes to tax thresholds.
- Assign adequate and sufficient hardware and personnel resources, with appropriate functionality and/or skills, to carry out the work.
- Secure evidence that the IT system can meet the current and anticipated physical system requirements.
- Manage planned and potential future upgrades within the administration system.

A further resource to manage systems cyber risk is required.

# Appendix B - Business Plan Budget

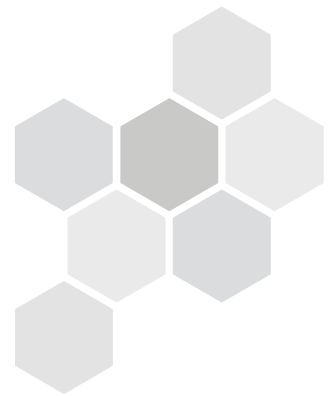
## Operating Cost Budget 2022/23 to 2027/2028

WYPF TOTAL SERVICE	2021/22	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	OUTTURN PD13	BUDGET	FORECAST	COST PER MBR PD8	FORECAST YR1	FORECAST YR2	FORECAST YR3	FORECAST YR4	FORECAST YR5
	£000	£000	£000		£000	£000	£000	£000	£000
Accommodation	301	261	371	£1.17	371	375	378	382	386
Actuary	189	350	208	£0.66	301	304	307	310	313
CBMDC Support Services	459	463	559	£1.76	567	573	578	584	590
Computer	1,351	1,216	1,750	£5.52	1,893	1,912	1,931	1,950	1,970
Contingency - Invest to save	0	1,000	400	£1.26	750	758	765	773	780
Employees	8,160	10,604	10,010	£31.59	12,200	12,322	12,445	12,570	12,695
Other Running Costs	1,046	1,066	1,307	£4.12	1,100	1,111	1,122	1,133	1,145
Printing & stationery	373	299	396	£1.25	350	354	357	361	364
Transaction Costs	1,333	2,500	2,008	£6.34	2,500	2,525	2,550	2,576	2,602
<b>WYPF TOTAL SERVICE EXPENDITURE</b>	<b>13,212</b>	<b>17,759</b>	<b>17,009</b>	<b>£53.67</b>	<b>20,032</b>	<b>20,232</b>	<b>20,435</b>	<b>20,639</b>	<b>20,845</b>
Other Income	-214	-179	-258	-£0.81	-200	-202	-204	-206	-208
Shared Service Income	-2,543	-2,830	-3,073	-£9.69	-3,222	-3,254	-3,287	-3,320	-3,353
<b>WYPF TOTAL SERVICE NET EXPENDITURE</b>	<b>10,455</b>	<b>14,750</b>	<b>13,678</b>	<b>£43.16</b>	<b>16,610</b>	<b>16,776</b>	<b>16,944</b>	<b>17,113</b>	<b>17,284</b>
<b>COST PER MEMBER</b>		<b>£47.58</b>		<b>-£4.42</b>	<b>51.01</b>	<b>51.52</b>	<b>51.01</b>	<b>50.51</b>	<b>50.02</b>
<b>MEMBER NUMBER</b>		<b>310,000</b>		<b>316,930</b>	<b>325,630</b>	<b>332,143</b>	<b>338,785</b>	<b>345,561</b>	<b>352,472</b>

WYPF TOTAL SERVICE	2021/22	2022/23	2022/23	2022/23	2023/24	2024/25	2025/26	2026/27	2027/28
	OUTTURN PD13	BUDGET	FORECAST PD08 NOV	COST PER MBR PD8	FORECAST YR1	FORECAST YR2	FORECAST YR3	FORECAST YR4	FORECAST YR5
	£000	£000	£000		£000	£000	£000	£000	£000
01 PENSION ADMINISTRATION	4,225	5,250	5,440	£17.17	6,303	6,366	6,430	6,494	6,559
03 OVERSIGHT	699	1,004	826	£2.60	998	1,008	1,018	1,028	1,039
<b>WYPF PENSION ADMIN &amp; OVERSIGHT</b>	<b>4,924</b>	<b>6,254</b>	<b>6,266</b>	<b>£19.77</b>	<b>7,301</b>	<b>7,374</b>	<b>7,448</b>	<b>7,522</b>	<b>7,597</b>
<b>02 INVESTMENT MANAGEMENT</b>	<b>5,531</b>	<b>8,496</b>	<b>7,413</b>	<b>£23.39</b>	<b>9,308</b>	<b>9,401</b>	<b>9,495</b>	<b>9,590</b>	<b>9,686</b>
<b>TOTAL WYPF NET EXP</b>	<b>10,455</b>	<b>14,750</b>	<b>13,679</b>	<b>£43.16</b>	<b>16,609</b>	<b>16,775</b>	<b>16,943</b>	<b>17,112</b>	<b>17,283</b>
<b>COST PER MEMBER</b>		<b>£47.58</b>		<b>-£4.42</b>	<b>51.01</b>	<b>51.52</b>	<b>51.01</b>	<b>50.51</b>	<b>50.02</b>
<b>MEMBER NUMBER</b>		<b>310,000</b>		<b>316,930</b>	<b>325,630</b>	<b>332,143</b>	<b>338,785</b>	<b>345,561</b>	<b>352,472</b>

# Appendix C - Suggested 2022/23 Agenda items

Many of the timescales relating to agenda items are estimated due to reliance on external bodies, such as Government. As a result, these agenda items may be move to a later committee date. These are shown with an asterisk (\*).



## JAG Meetings

*January 2023*

31 March 2022 Actuarial Valuation and Funding Strategy Statement  
Governance policies / strategies reviews  
Pensions Administration Report  
LGPS update  
AVC Review

## IAP Meetings

*January 2023*

Governance Review  
Business Plan  
Risk Register

## Pension Board Meetings

*January 2023*

McCloud  
31 March 2022 Actuarial Valuation  
Pensions Dashboard  
Cyber Security



## Training Plan

The Fund has a Knowledge and Skills Policy setting out the training requirements for and knowledge expected of senior officers, JAG, IAP and Governance and Audit Committee and Pension Board members.

Key areas of training identified for the JAG, IAP and Board members for the period covered by this business plan include:

Responsible Investment and any new TCFD requirements

The Pension Regulator's new Single Modular Code

The Scheme Advisory Board's work on Good Governance

Relevant topics relating to the implementation of the Fund's new Investment Strategy

Funding and actuarial valuation matters including relating to the (relatively) new employer flexibility provisions.



## Appendix D – Communications plan

The aim of the Fund's communications strategy is to make sure that all stakeholders are engaged with and kept informed of developments within the Fund. We want to ensure transparency and an effective communication process will help to maintain the efficient running of the scheme. An outline communications plan for 2022 to 2023 is set out below.

Type of Communication	Scheme Member	Prospective Scheme Members	Employers	Press & FOI Requests	Central Government & the Pensions Regulator
Annual Benefit Statements	July-August				
Pension Savings Statements	September-October				
Annual Newsletter - Accounts	July-August		July-August		
Newsletters	Annual		Quarterly		
Individual Member Self-Service (on-line portal) MyPension	Development and increase take-up				
Website	As required	As required	As required		
Posters	As required		As required		
Scheme Guides and Factsheets	As required	Upon entry to the scheme	Upon entry to the scheme and as required – online access to administration guide		
Induction Sessions	Weekly	Weekly	As required		
Pre-Retirement Seminars	Quarterly		Quarterly		
Employer Forum			TBC		
Pensions Admin Strategy			TBC		
Report & Accounts	Annual Newsletter		November		October
Funding Strategy Statement			TBC		
Ad-Hoc Queries	Within set timescales	Within set timescales	Within set timescales	Within set timescales	Within set timescales
Pension Board	April - March	April - March	April- March		As Required
GMP Letters-Reconciliation	2023/24			As Required	As Required
McCloud communications	To be confirmed		As required		
Cost management changes	As required		As required		
Funding and contribution changes			October - March		As required
Satisfaction surveys	TBC		Annual		
E learning training packages			TBC		

## Appendix E - Business Plan activities for client LGPS funds and Fire authority clients

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	2025 / 26	2026 / 27
	Q1	Q2	Q3	Q4				
<b>Governance</b>								
G4. Review cybercrime risk	✓	✓	✓	✓	✓	✓		
G5. Business Continuity	✓	✓	✓	✓				
G8. Carbon footprint of organisation	✓	✓	✓	✓	✓	✓	✓	✓
G10. Review against new TPR Single Modular Code					✓	✓		✓
G11. Implement changes from Scheme Advisory Board good governance review			✓	✓	✓	✓		
G13. Procurement/Tenders					✓	✓	✓	✓
G14. Diversity, equity and Inclusion								
G15. Employer Engagement	✓	✓	✓	✓				

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27
	Q1	Q2	Q3	Q4				
<b>Funding and Investments</b>								
Provision of data and responding to queries from the Actuary for Lincolnshire, Hounslow and Barnet for the 2022 valuations		✓	✓					

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27
	Q1	Q2	Q3	Q4				
<b>Administration and Communications</b>								
A1. Implement McCloud / Sargeant remedy	✓	✓	✓	✓	✓			
A2. Scams	✓				✓	✓		
A3. Data improvement – including understanding data challenges for prospective client funds before tendering			✓	✓				
A4. Implement employer self-service on-line functionality to all employers including updating employer guide	✓	✓	✓	✓				
A5. Omni-channel self-service	✓	✓	✓	✓				
A6. Tools and resources – menu of options for client funds			✓	✓	✓	✓		
A7. Data improvement projects for client funds e.g. member tracing, backlog reduction etc			✓	✓	✓	✓		
A8. Other expected legislation changes including Exit cap and Goodwin and Fair deal			✓	✓	✓			
A10. Robotics, Automation, Analytics					✓	✓		
A13. GMP Reconciliation	✓	✓	✓	✓	✓	✓		

Key Action/Task	2022/23 Period				2023/ 24	2024/ 25	2025/ 26	2026/ 27
	Q1	Q2	Q3	Q4				
Administration and Communications								
A14. Implement changes required for national pensions dashboard(s)					✓*	✓*		
A15. Implement changes to meet GMP equalisation requirements					✓*	✓*		
A16. Life Certificate exercise – Hounslow then Barnet	✓	✓	✓	✓				



## Report of the Managing Director WYPF to the meeting of Joint Advisory Group to be held on 26 January 2023

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### Subject: Training

### Summary statement:

There is a growing need for LGPS funds to demonstrate that Members have an adequate level of knowledge to carry out their roles effectively. With the 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 (TPR), the expectation on funds has never been greater.

The training and conferences listed below will assist Members in meeting this requirement.

Members of the JAG, Investment Advisory Panel and Local Pensions Board recently completed Hymans Robertson's LGPS National Knowledge Assessment (NKA), which is designed to highlight potential gaps in members' knowledge and help LGPS funds construct effective training plans. WYPF's NKA report is attached as Appendix A.

### EQUALITY & DIVERSITY:

Issues of Equality and Diversity are included within the body of the document.

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Euan Miller  
Managing Director

**Portfolio:**

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**Overview & Scrutiny Area:**

## 1. Training

- 1.1 New guidance resulting from the Good Governance Report (yet to be introduced) will require key individuals within the LGPS, including LGPS officers and pensions committee members, to have the appropriate level of knowledge and understanding to carry out their duties effectively.
- 1.2 There was widespread agreement throughout the Good Governance Review process that those making decisions about billions of pounds of public money and the pension provision of millions of members should be properly trained to carry out the responsibilities of their role.
- 1.3 The expectation is that the TPR requirements that apply to Local Pension Boards should equally apply to pension committees.
- 1.4 Members of the Board, JAG and the Investment Advisory Panel were asked to complete an online knowledge assessment questionnaire produced by Hymans. The results of this assessment will help identify training requirements for Committee members.
- 1.5 The Fund will develop a training plan to ensure these training requirements are met. Going forward, training undertaken during the year will be published in the Annual Report or the Governance Compliance Statement.

## 2. Training Opportunities

### **TPR Public Sector 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/>

### **Hymans Robertson Online Learning Academy**

Hymans offer a bespoke LGPS online training tool which provides various training modules.

The modules include:

- Introduction to LGPS
- Governance and Regulators
- Administration and Management

- Funding and Actuarial Matters
- Investments
- Current Issues

As was mentioned at the last meeting, JAG members have been enrolled on this training and are expected to complete this in this financial year. Progress is being monitored by Officers and reported at each committee meeting. To date progress has been poor. Members are encouraged to pick up this training as soon as possible (if you have forgotten your login details please contact the author of this report.

### **LGC Investment Seminar 30-31 March 2023 Carden Park, Cheshire**

The LGC Investment Seminar provides a high level of investment debate with topical information, practical advice and new investment ideas. With a strong focus on interactivity, attendees share their experiences and gather the valuable insight they need to help them deliver the pensions of local authority employees now and in the future.

Attending the event will enable you to:

- Swap experiences with your peers in a relaxed environment and learn how they are coping with the market volatility and uncertain economic environment
- Benefit from high-level investment knowledge from prominent experts inside and outside the LGPS, who'll ensure you have the latest intelligence and insight.
- Contribute to the interactive sessions to share best practice, improve your understanding and sense-check your thinking.
- Take advantage of dedicated time to focus on your investment strategy and hear from your colleagues and fund managers.

Attend the 2023 event to achieve your key objectives which include:

- Networking and catching up with people
- Keeping up to date and improving our understanding
- Finding out about best practice and swapping ideas
- Listening and learning from others

### **PLSA Trusteeship**

Expert Trainers will take trustee with less than 12 months' experience through how pension schemes work, what is expected of them and how to apply good scheme governance.

Part 1 – The Theory various dates - 17 May/14 September 2023

Part 2 – The Practice various dates - 8 March/20 June/31 October 2023

Part 3 – The Expert various dates - 22 November 2023

### **PLSA Investment Conference**

Edinburgh, 6-8 June 2023

To discuss the big picture and sector-specific issues for pension fund investment.

### **PLSA Local Authority Conference**

**26-28 June Gloucestershire**

The PLSA LA Conference is held annually in May and is for anyone involved in the Local Government Pension Scheme, covering practical challenges and future opportunities in the ever-evolving landscape of local authority pensions.

### **The LGC Investment & Pensions Summit**

**7-8 September Leeds**

The Summit provides connections, clarity and intelligence

- Offering unrivalled access for the LGPS community to make the right connections
- Giving clarity on where the best investment opportunities are in a challenging economic landscape
- Providing critical intelligence to overcome the challenges of delivering pensions in complex times

Attending the event will enable you to:

- Benefit from high-level investment knowledge from prominent experts across the LGPS, who'll ensure you have the latest intelligence for your organisation.
- Contribute to the networking sessions to sense-check your thinking and inform your investment strategy
- Take advantage of our easy to access platform so you can plan your attendance at the event and arrange meetings with more delegates before, during and after the event
- Use this dedicated time to focus on your investment strategy and share your challenges with your peers and fund managers
- Targeted networking enabling you to catch up with relevant contacts from organisations throughout the LGPS in England, Wales and Scotland

### **THE LOCAL AUTHORITY RESPONSIBLE INVESTMENT SEMINAR**

**September, 2023 London**

The Seminar is the first step in a drive to formulate a process for the LGPS to investigate the possibility of a standard framework for responsible investment,



tracking progress in the sector's response to an increasing awareness of investment committees' responsibilities to their pension funds and to society in general.

### **PLSA Annual Conference**

Manchester, 17-19 October 2023

The pensions conference and exhibition, where the industry comes together to discuss every aspect of pensions, from communications and engagement, to investment, to the geopolitical outlook, and the trustee agenda.

### **3. OTHER CONSIDERATIONS**

None

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

None

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

Failure to complete training may mean that members cannot demonstrate suitable knowledge and skills.

### **6. LEGAL APPRAISAL**

None

### **7. OTHER IMPLICATIONS**

None

#### **7.1 SUSTAINABILITY IMPLICATIONS**

None

#### **7.2 GREENHOUSE GAS EMISSIONS IMPACT**

None

#### **7.3 COMMUNITY SAFETY IMPLICATIONS**

None

#### **7.4 HUMAN RIGHTS ACT**

None

#### **7.5 TRADE UNION**

None

## 7.6 WARD IMPLICATIONS

None

## 7.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

None

## 7.8 IMPLICATIONS FOR CORPORATE PARENTING

None

## 7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

## 8. NOT FOR PUBLICATION DOCUMENTS

None

## 9. OPTIONS

None

## 10 Recommendation

10.1 It is recommended that Members of the JAG undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.

10.2 JAG members are also encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.

## 11. Appendices

Appendix A - 2022 LGPS National Knowledge Assessment



HYMANS  ROBERTSON

# 2022 LGPS National Knowledge Assessment

West Yorkshire Pension Fund





## Contents

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## Overview

The LGPS National Knowledge Assessment (NKA) provides LGPS funds with a direct insight into the knowledge and skills of their key decision makers and oversight body.

In addition, funds get a 'sense check' of this knowledge position against other participating funds via the benchmarking reports provided.

16 LGPS funds and over 200 members have participated in this National Knowledge Assessment of Pension Committee ('Committee') and Pension Board ('Board') members.

The findings from this assessment provide a quantitative report of the current knowledge levels of the individuals responsible for running the Fund, aiding the development of more appropriately targeted and tailored training plans for both groups.

This report is also a key document in evidencing your Fund commitment to training – a key cornerstone to the good governance of your Fund.

## Background

The West Yorkshire Pension Fund ("the Fund") agreed to participate in the NKA using our online assessment.

This report provides an overview of the participants' results broken down into 8 key areas.

The online assessment opened at the end of September and closed in November, and there were weekly progress updates provided to the Fund confirming participation levels.

Each participant received their individual results report following completion of the assessment.

The questions posed in the assessment are split into 3 categories.

- Technical questions
- Roles and responsibilities
- Decision making

Technical questions, made up around two thirds of the questions. The remaining questions were split between the categories of Roles and Responsibilities as well as Decision Making. This helps to provide more in-depth analysis of the results and provides further context to the proposed training plans.

The National Knowledge Assessment is a challenging multiple-choice assessment of participants' knowledge and understanding of key pension areas. There was no expectation that participants would score 100% on each subject area tested. Rather, the goal was to gain a true insight into members' knowledge in the areas covered by the CIPFA Knowledge and Skills Framework and the Pensions Regulator's (TPR) Code of Practice.

## Why Does this Matter?

While fund officers may deal with the day-to-day running of the funds, members of the Committee play a vital role in the scheme as decision makers.

To execute their roles effectively, Committee members must be able to address all relevant topics such as investment matters, issues concerning pension funding, pension administration and governance.

All topics which require a level of knowledge and understanding from the Committee. Similarly, the Pension Board members must have a sound knowledge of these topics in order to be able to offer critical challenge in the oversight of Committee decisions.

## The Assessment

The members of the West Yorkshire Pension Fund Committee and Board were invited to complete an online knowledge assessment. In total there were 12 respondents from the Committee and 5 respondents from the Board.

Each respondent was given the same set of 48 questions on the 8 areas below:

Section	Section Names
Section 1	Committee Role and Pensions Legislation
Section 2	Pensions Governance
Section 3	Pensions Administration
Section 4	Pensions Accounting and Audit Standards
Section 5	Procurement and Relationship Management
Section 6	Investment Performance and Risk Management
Section 7	Financial Markets and Product Knowledge
Section 8	Actuarial Methods, Standards and Practices

Under each subject heading, there were 6 multiple choice questions to answer. Each question had 4 possible answers, of which one answer was correct.

Participants were also given the option of selecting “I have no knowledge of this area”, where they were unsure.

This allows us to build a picture of the knowledge levels of each individual member in each of the topics, but crucially to help inform you of the overall levels of knowledge in each area.

## Results

The responses for all members who participated have been collated and analysed. For each section we have shown:

- The Fund’s overall ranking against other participating LGPS funds.
- The average score for each of the 8 subject areas, for both the Committee and Board.
- Results split by the categories of “**technical**”, “**roles and responsibilities**” and “**decision making**”.
- Each average score benchmarked for both groups against the other NKA participant funds’ Committee and Board for each of the 8 subject areas.
- Each score compared with the results of the previous assessment in 2020, to show growth or regression in each area.
- Engagement levels for both the Committee and Board and how these levels rank against other LGPS funds.
- The most requested topics for training.

Based on the results and the responses received from participants, we have also completed a proposed training plan for the Fund over the next 18 months, as well as some other “next steps” to consider.

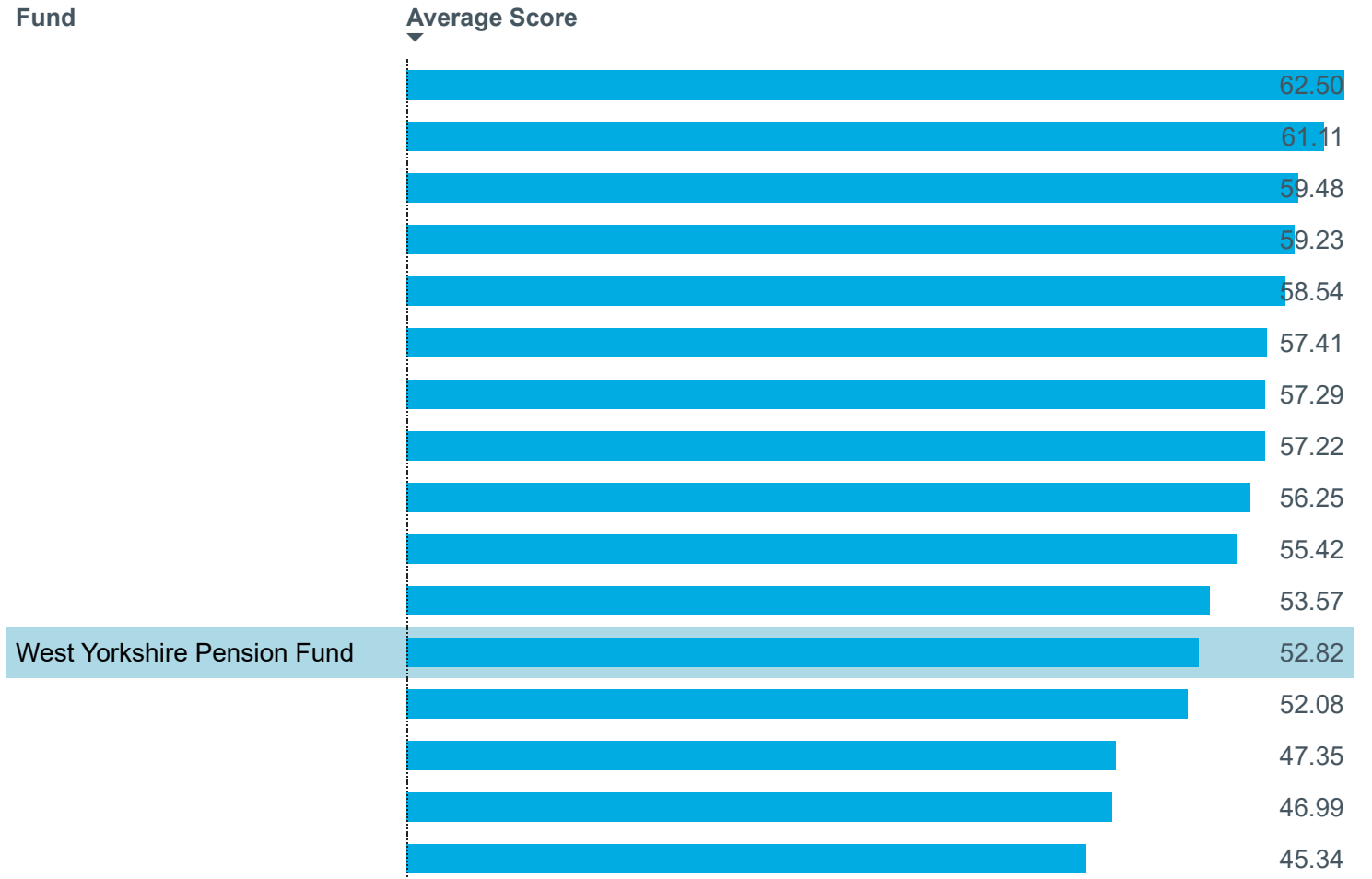
## Overall Results

The chart on the right shows how the overall average score for your Fund compares with that of all other funds who took part in the Assessment. The “score” shown is the average score of all participating Committee and Board members from each Fund.

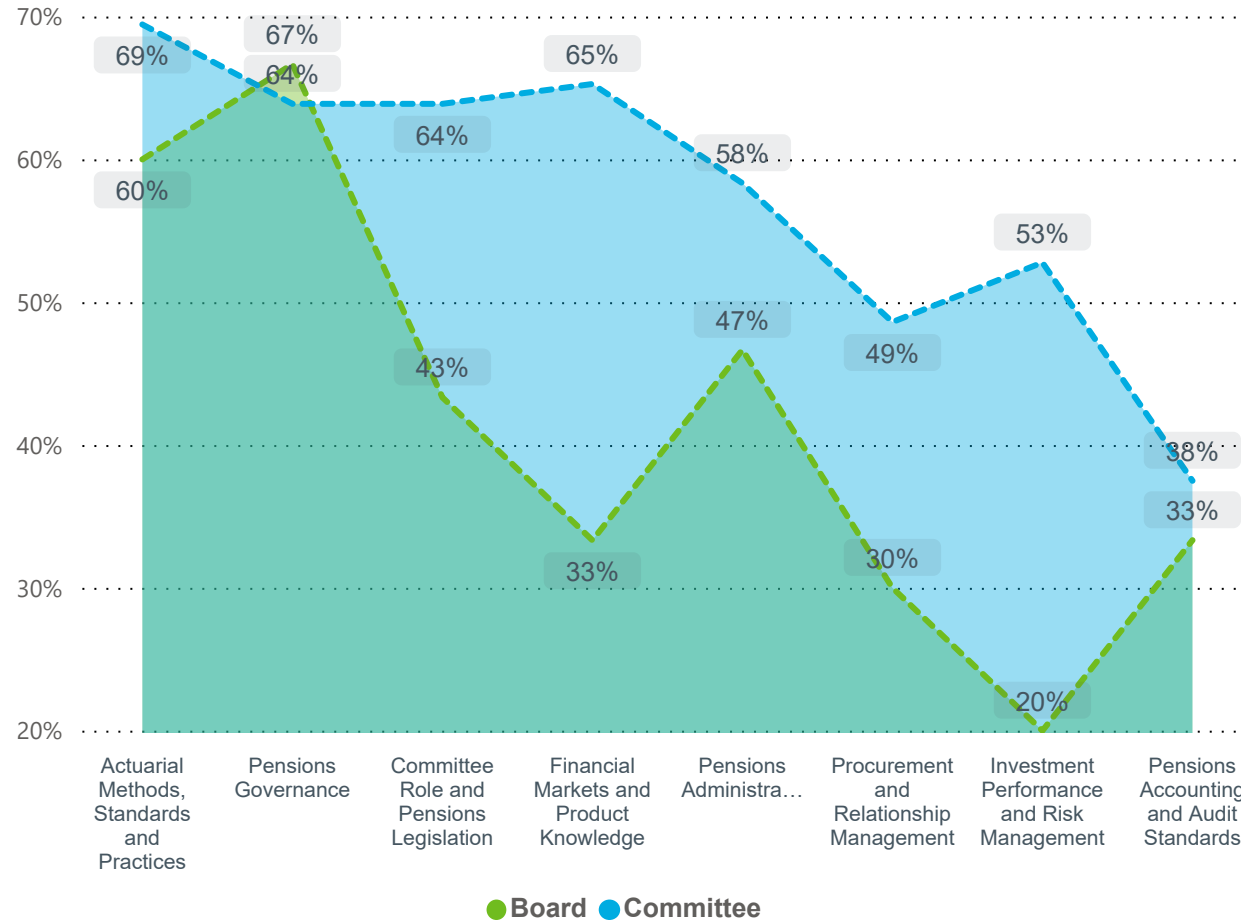
The West Yorkshire Pension Fund is in 12th out of 16 Funds.

For each of the assessment’s 8 areas we have shown the results of both the Committee and Board.

There is also a summary showing the average scores across all sections for the Committee and Board.



## Average Score for Board & Committee



For each of the assessment's 8 areas we have shown the results of both the Committee and Board.

These have been shown in the order in which the sections appeared in the survey.

There is also a summary showing the average scores across all sections for the Committee and Board.

- The performance of the Committee (average overall score of 57 %) was stronger than that of the Board (average overall score of 42 %).
- The performance for the Committee and Board diverged the most in the Investment Performance and Risk Management section, when Committee results were 33 % higher than the Board.
- The Committee performed most strongly in the area of Actuarial Methods, Standards and Practices and Financial Markets and Product Knowledge.
- The board's areas of strongest Knowledge were Pensions Governance and Actuarial Methods, Standards and Practices.
- Overall, for both groups, the area with least knowledge was Pensions Accounting and Audit Standards.



## Benchmarking

As this assessment is being conducted at a national level across numerous LGPS funds, we are able to provide details of how your Fund’s results compare to those across the average of all funds who have taken part to date.

We’ve provided a comparison of the results for both your Fund’s Committee and Board, versus the average scores nationally for each group. This gives an idea of the knowledge levels across these groups, relative to the national average.

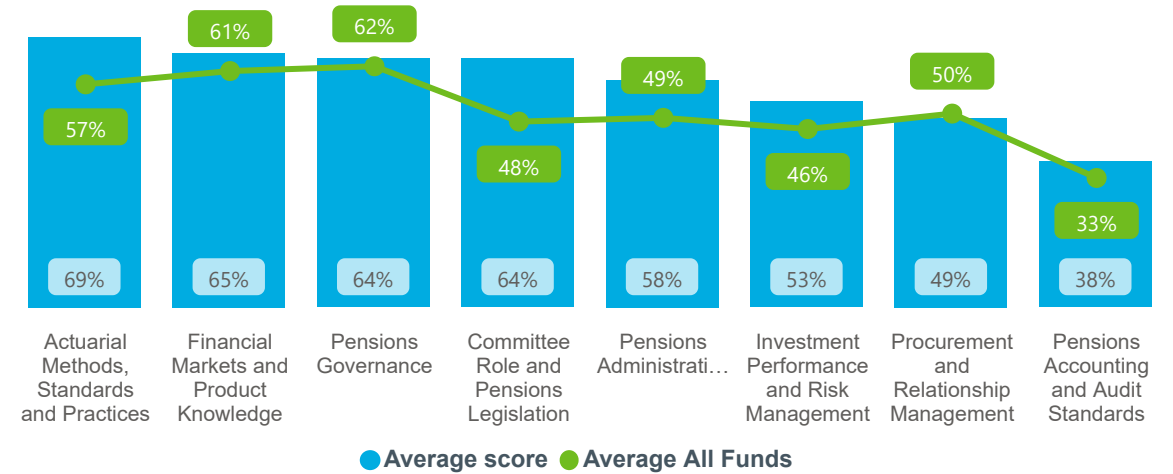
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- It’s pleasing to see that the areas of Actuarial Methods, Standards and Practices and Financial Markets and Product Knowledge scored well for the Committee.

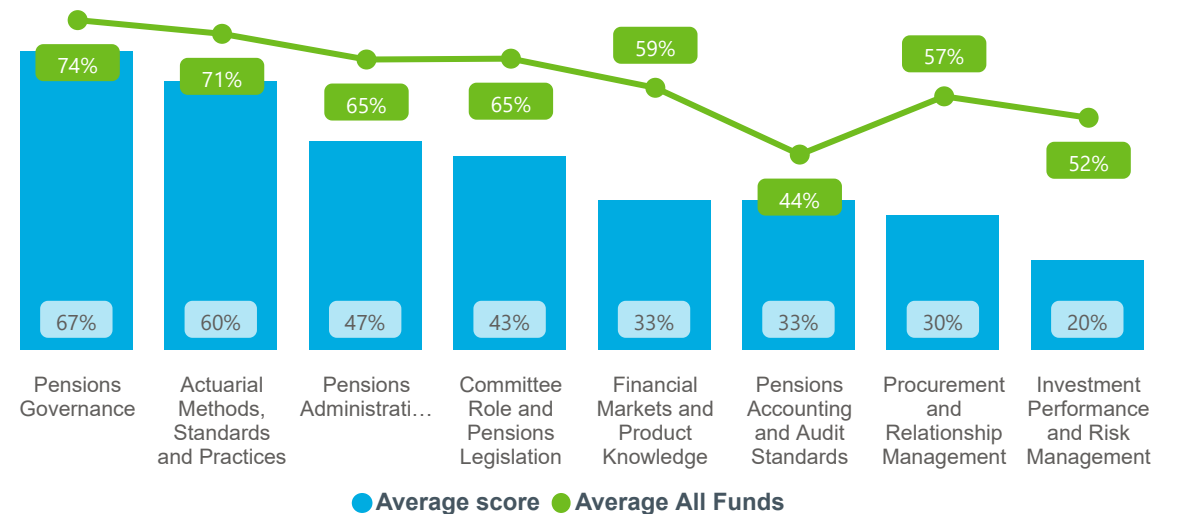
It’s clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Procurement and Relationship Management and Pensions Accounting and Audit Standards would be a sensible focus of training for the Committee.

- Similarly, from the Board chart it can be seen that the highest scoring areas were Pensions Governance and Actuarial Methods, Standards and Practices.
- The Scores between West Yorkshire Pension Fund and all other Funds diverged the most in the Investment Performance and Risk Management, when the Average All Funds was 32 % higher than Average score.
- Across all sections, West Yorkshire Pension Fund Board score ranged from 20 % to 67 % and the average for all other funds ranged from 44 % and 74 %.

Pension Committee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



## Commentary on results

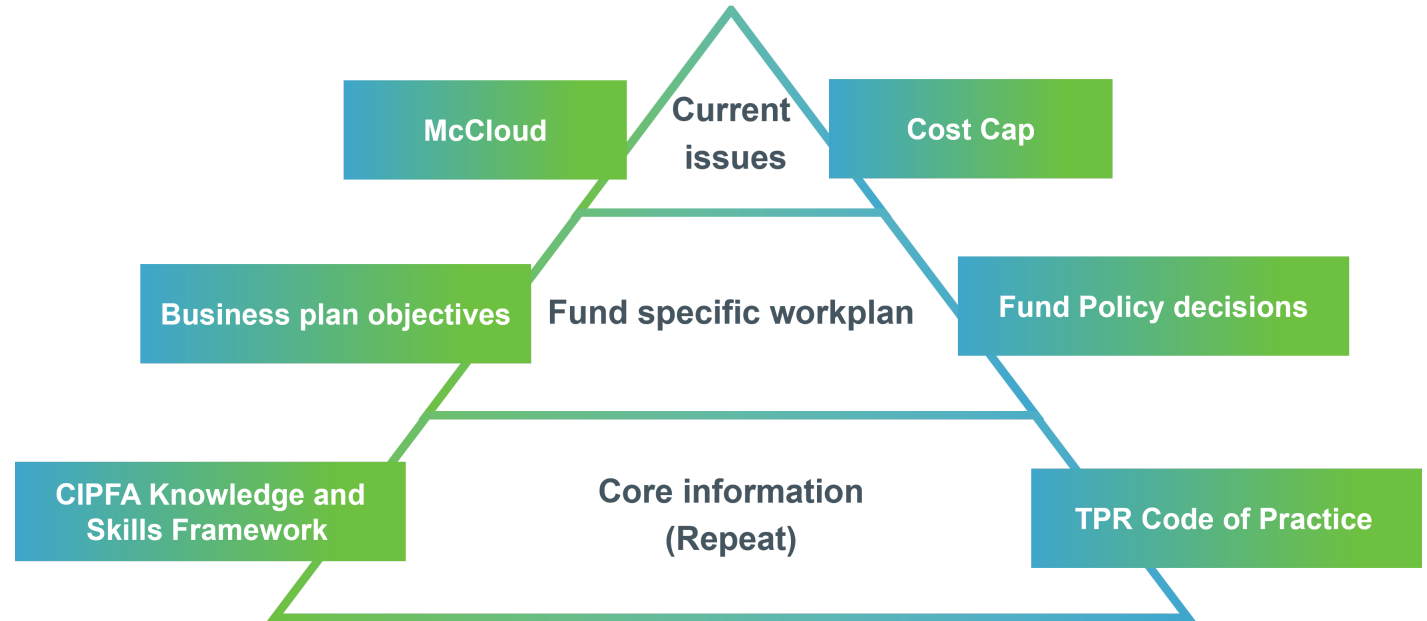
It's encouraging that 17 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

We would fully expect there to be gaps in the knowledge of all members, no matter their role on the Committee/Board, their tenure or indeed their background in terms of pensions experience.

The most important thing to emphasise is that not everybody needs to be an expert in all areas, rather there should be a spread of knowledge across your Committee and Board which is supported by advice from officers and professional advisors.

Just as important as gaining the relevant knowledge and understanding expected of a Pension Committee or Board, is the application of that knowledge and understanding, including the utilisation of an individual's own background and perspective.

Many funds have implemented training plans that follow the pyramid diagram of LGPS training areas. Fundamentally, a plan based on this example pyramid would provide a LGPS fund with a robust training program for its Committee and Board.



## Committee

The results show that Actuarial Methods, Standards and Practices and Financial Markets and Product Knowledge have the highest levels of knowledge. But the areas to focus any specific training on might be Pensions Accounting and Audit Standards for the Committee. Across all funds, the lowest scoring area was Pensions Accounting and Audit Standards.

In general, the Committee's performance relative to all other committees was strong.

When looking at the benchmarking results against the other participating funds, the Committee ranked 5 out of 16 Funds' Committee results.

## Local Pension Board

The results show that Pensions Governance and Actuarial Methods, Standards and Practices have the highest levels of knowledge, but the areas to focus any specific training on might be Investment Performance and Risk Management for the Board.

Across all funds, the lowest scoring area was Investment Performance and Risk Management. The Board's performance relative to all other committees was weak. In terms of benchmarking results against the other participating funds, the Board ranked 16 out of 16 Funds' Board results.

The next step would be to try and develop the knowledge of the lower scoring areas. You might already have a training plan in place, in which case you could use these results to tailor the specific training and with the knowledge of these results, ensuring it aligns with your priorities.

## Further Analysis

In order to gain further insight into the knowledge and understanding, the questions posed covered 3 distinct areas. These were:

- **Technical** – 66% of questions
- **Decision Making** – 17% of questions
- **Roles and responsibilities** – 17% of questions

The purpose of this was to drill deeper into the collective understanding of these categories, and to provide further analysis on which areas to target when creating training plans. The following chart shows the average score for each of these sections, for the Committee and Board combined.



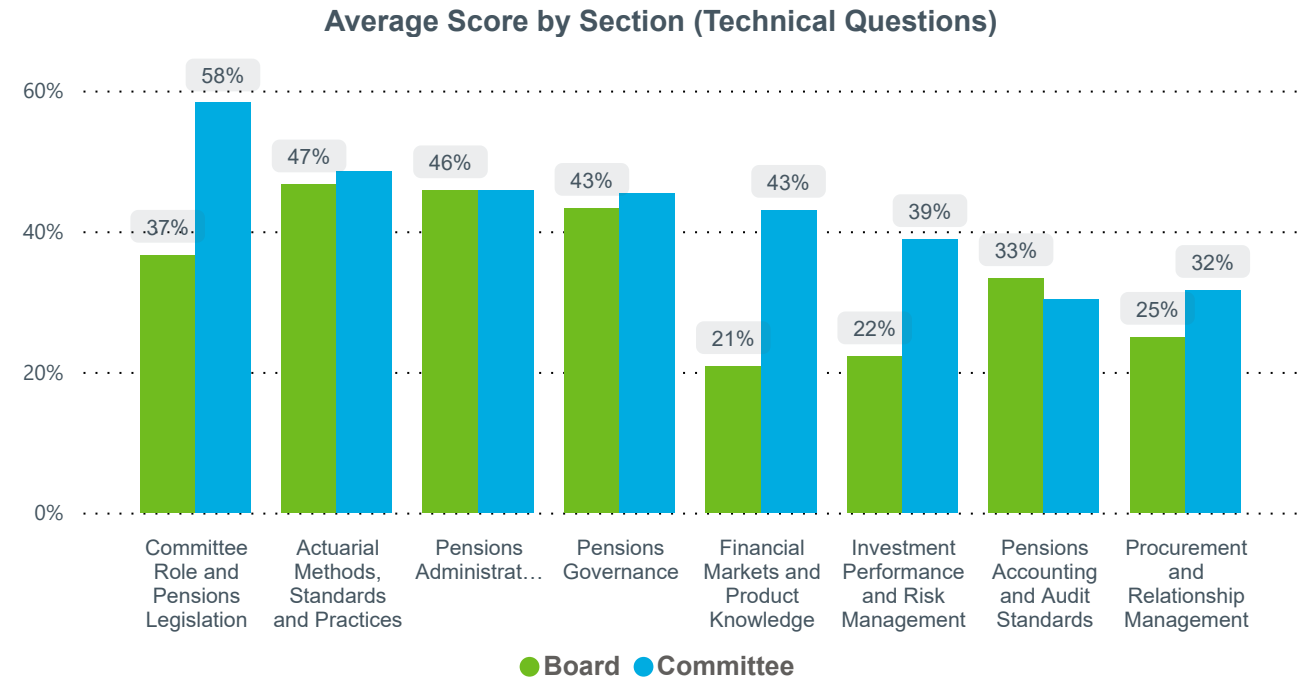
From this chart, the lowest scoring area was Decision Making. Bearing this in mind, a particular focus could be put on this over the coming months.

Some next steps to consider are:

**Decision making** – A review of the Fund's decision-making procedures, and updating/creating a decision-making matrix, and sharing this with the Committee and Board to ensure visibility of the role of each group in across a broad spectrum of potential decisions.

**Roles and responsibility** – A specific training session covering the roles and responsibilities of different parties covering different points in the annual cycle of the Fund. This could include preparation of annual report, annual benefit statements, business planning and investment performance reviews for example. It would also be good to cover more niche topics such as the IDR process, review of suppliers and cyber risk.

**Technical** – below, we have also included more detail on the technical questions, as these made up the majority of questions in the assessment.



**Procurement and Relationship Management** was the lowest scoring section when looking at just the technical questions. This may be an area which is prioritised in terms of more technical training over the coming months.

## Comparison with 2020 Results

The West Yorkshire Pension Fund also took part in the 2020 National Knowledge Assessment. The results for each of the 8 topics can be compared to measure progress in each area.

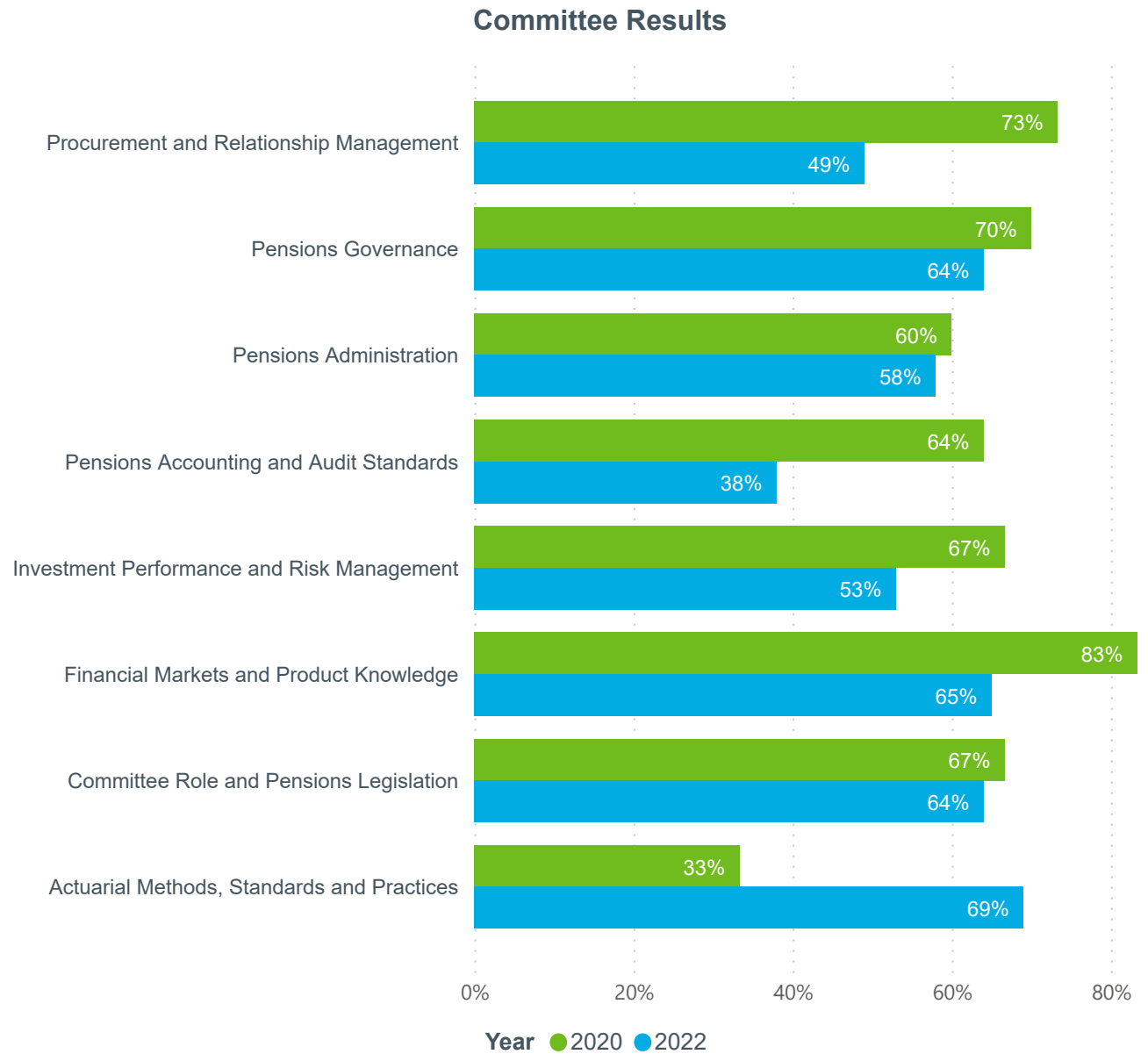
This is shown in the following charts.

The average score for each topic this year is compared with that from the 2020 assessment. This has been broken down to show the results for the Committee and Board separately.

It's worth noting that while there will be differences in the members who actually participated in each assessment, it's the collective knowledge of each group which is important.

The area which knowledge appears to have developed most for the Committee concerns Actuarial Methods, Standards and Practices which is encouraging.

On the other hand, knowledge levels seem to have regressed in Pensions Accounting and Audit Standards.



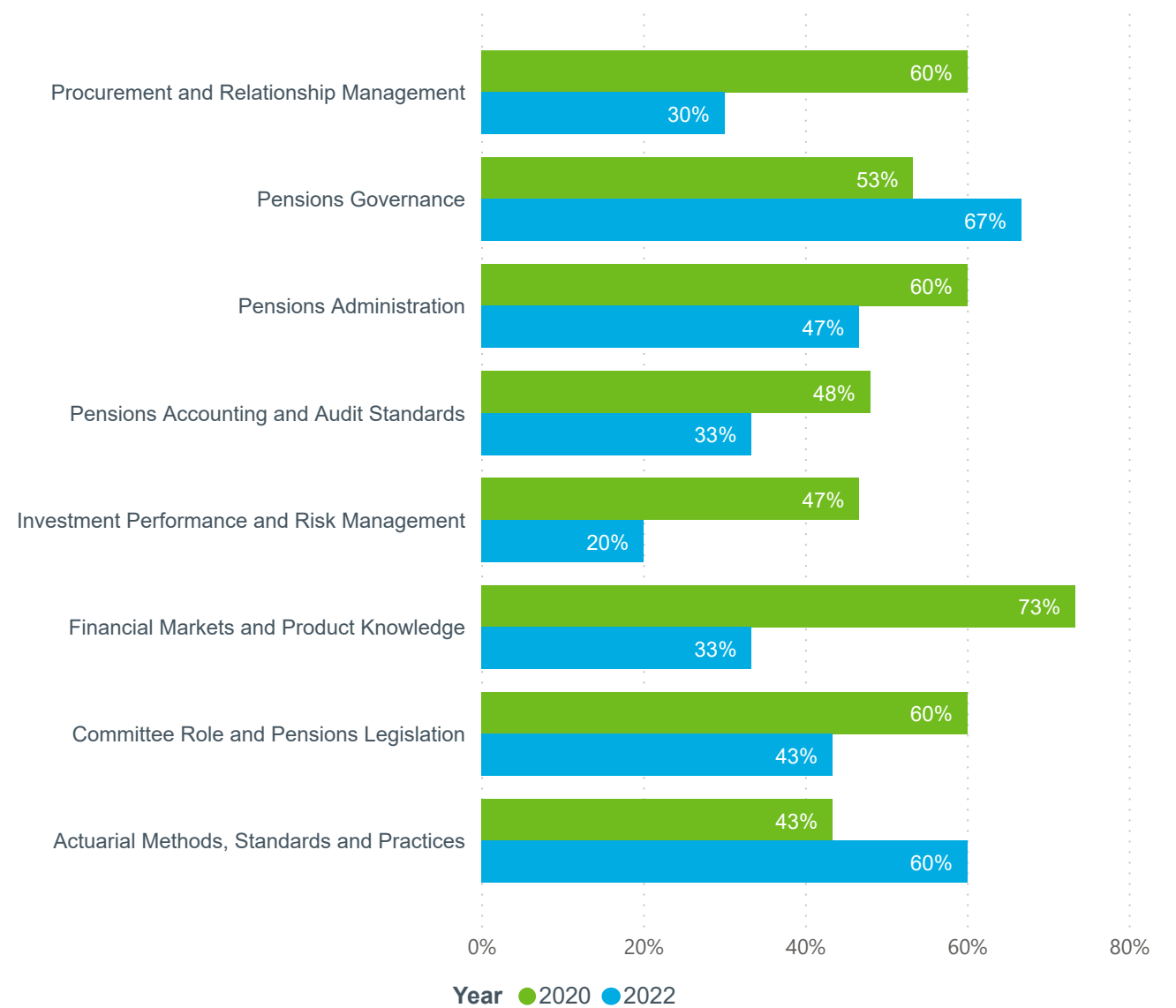
The same comparison can be made for the Board. The chart on the right shows these results.

The area which knowledge appears to have developed most for the Board concerns Actuarial Methods, Standards and Practices which is encouraging. On the other hand, knowledge levels seem to have regressed in Financial Markets and Product Knowledge .

It's worth noting that the underlying questions have changed between both assessments, and for the 2022 assessment there was an additional option given to answer "I have no knowledge of this area", whereas in 2020 that option was not there.

This might account for some small differences in the results.

### Board Results



## Engagement

One of the key areas that we recommend funds focus on is Committee and Board training engagement.

With the ever-increasing pace of change in the pensions and investments world, member engagement is critical to maintaining strong collective knowledge. There is an expectation that they need not only be willing, but keen to develop their knowledge and understanding across the raft of topics upon which they will need to make, or ratify, decisions.

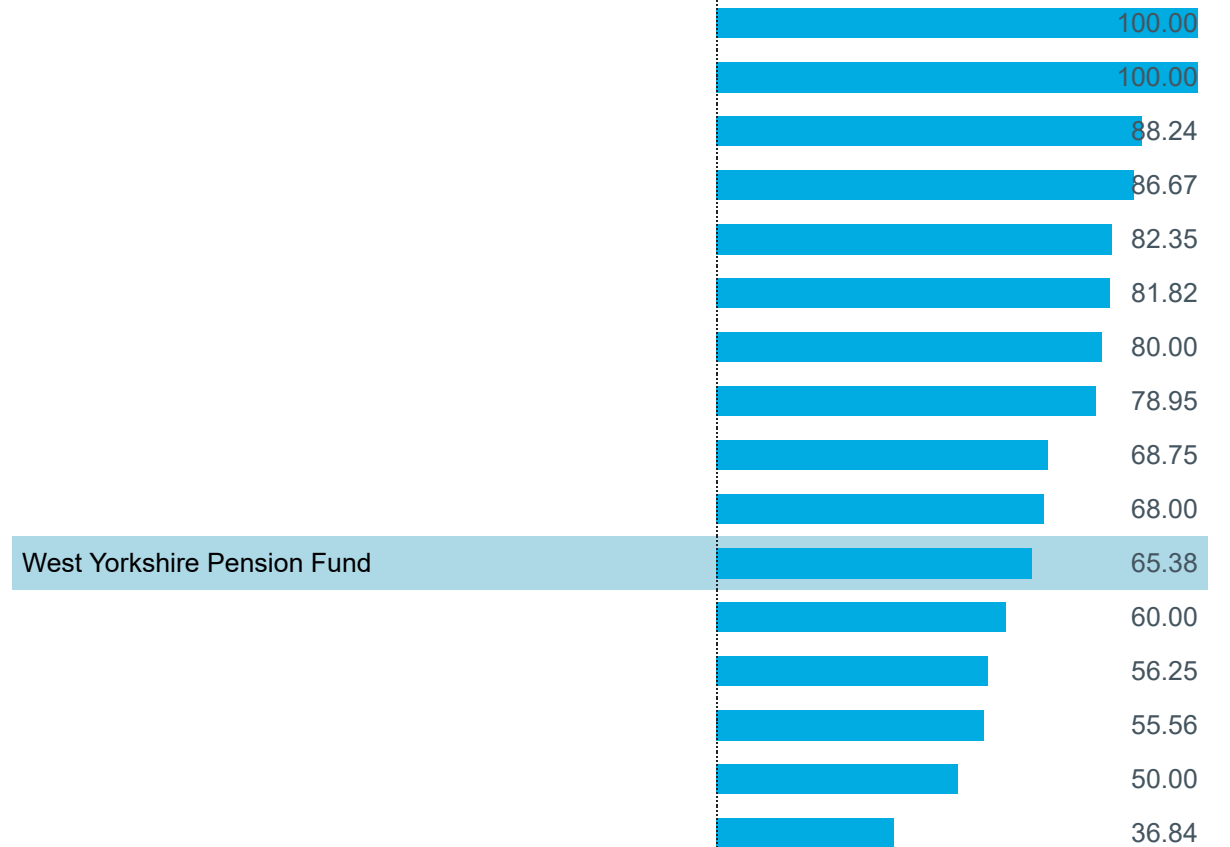
One measure of the engagement of members is their willingness to participate in training. As such, we have used the participation level of this survey to measure the engagement of your Committee and Board members.

The chart below shows the breakdown of the total number of participants from the West Yorkshire Pension Fund, as a proportion of those who could have responded.

Role	Participants	Total Number	2022 Participation Rate	2020 Participation Rate
Board	5	7	71%	63%
Committee	12	19	63%	56%

Fund

2022 Overall engagement



## Engagement

That 17 participants from your Fund took part in the assessment is highly encouraging. With the number of changes to the LGPS in recent years, it is vital that Committee and Board members remain abreast of the latest developments and feel confident that they have the knowledge required to make the decisions required of them.

Their level of engagement is a key driver of this. Overall engagement seems to be at a lower level; however, it is important to improve this, particularly in the current climate where face-to-face meetings and delivery of training sessions might be in Hybrid format for some time to come.

One of the biggest challenges in this area is how to improve engagement. The move to online learning and tackling topics in bitesize chunks can help.

The way in which information is shared with the Committee and Board can also promote engagement.

There have been moves by some funds to issuing short timely bulletins and newsletters to increase training knowledge and engagement, which we very much encourage.



## Training Feedback from Participants

One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

There was a list of options available, covering a broad spectrum of the topics we believe are most relevant to allowing Committee and Board members to effectively perform their roles. Members were also given the option to indicate any other areas in which they would benefit from further training.

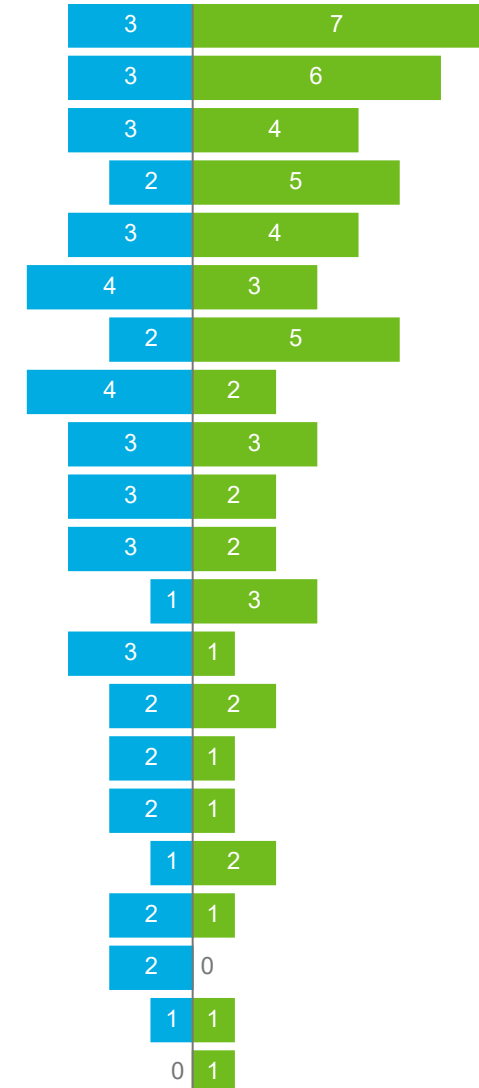
The table on the right summarises the areas in which members indicated training would be beneficial.

A suggested training plan is shown on the next page.

### Training requirements

● Board ● Committee

Investment Performance and Risk Managem...	3	7
Financial Markets and Product Knowledge	3	6
Committee Role and Pensions Legislation	3	4
Environmental, Social and Governance / Res...	2	5
Levelling up and impact investing	3	4
Pensions Governance	4	3
Task Force on Climate-related Financial Discl...	2	5
McCloud impacts	4	2
Pensions Administration	3	3
Illiquid asset training	3	2
Procurement and Relationship Management	3	2
Good Governance	1	3
Pension Dashboards	3	1
Pensions Accounting and Audit Standards	2	2
Actuarial Methods, Standards and Practices	2	1
Cyber security	2	1
Section 13	1	2
The Pensions Regulator Code of Practice	2	1
LGPS Code of transparency	2	0
Pension Scams	1	1
I don't require further training	0	1



## Training plan

Based on the results from this assessment, we have prepared the adjacent draft 'core' training plan which you may wish to adopt.

This has been prepared based on the overall scores of the Board and Committee combined.

The intention is to make the planning and delivery of these sessions more efficient for the Fund.

You may want to create separate plans for the Board and Committee - further *tailoring* the training plan to their distinct priorities.

We would be happy to discuss the options for delivery of any of these training sessions. Hymans can support in the preparation of this suite of sessions.

As detailed on the page '**Commentary on results**', we recommend that training plans include elements on:

- Core information
- Fund specific workplan
- Current issues / Hot topics

The key output for your Fund is to have a clear training plan and the delivery dates (or delivery vehicle i.e. training paper) set aside for these sessions.

### Feedback from participants

We also asked the participants to provide comments on the areas they would most appreciate training in. Based on these comments, the most requested areas for training were **Cyber security** and **Pensions Accounting**.

More detail is shown in the chart on the previous page.

## Training Plan - West Yorkshire Pension Fund - January 2023 to June 2024

## Next Steps

Based on the results, we would suggest that there should be consideration to the following next steps:

- This report should be **reviewed** by the Fund's officers and results shared with the Committee and Board.
- Set up a **structured training plan** or adjust the existing training plan for the next 18 months covering the main areas highlighted in this report.
- Plan for the **delivery** of training over the immediate 6-month period following these results and communicate that intention with the Committee and Board.
- Consider the most **pressing** training requirements in the coming months. Importantly, look at the **frequency** of training engagement with your Committee and Board.
- **Assess** the tools available to the Fund to assist with training, and whether any new methods should be deployed.
- Consider ways of **maintaining** and **increasing** the engagement of both the Board and Committee. This could include providing them with more information, training materials, briefing notes etc.
- Ensure that the Fund's training strategy is up to date and **appropriate** for purpose.

We will be producing a national LGPS report on the results of these assessment, which will aid Scheme Advisory Board LGPS training discussions.

A copy of this will be made available to the Fund when that report is complete.

If you wish to discuss the contents of this report further, please get in touch.

Prepared by Hymans Robertson LLP.

**Andrew McKerns**



Senior LGPS Governance, Administration and Projects (GAP) Consultant

**Alan Johnson**



LGPS Governance, Administration and Projects (GAP) Consultant

## Reliances and Limitations

This report has been prepared for the West Yorkshire Pension Fund.

This report must not be released or otherwise disclosed to any third party except with our prior written consent, in which case it should be released in its entirety.

Hymans Robertson LLP do not accept any liability to any party unless we have expressly accepted such liability in writing.

This report has been prepared by Hymans Robertson LLP, based upon its understanding of legislation and events as of November 2022.