Public Document Pack

Agenda for a meeting of the West Yorkshire Pension Fund Pension Board to be held on Tuesday, 21 March 2023 at 11.00 am or at the rising of the earlier meeting of the Board in Aldermanbury House, Godwin Street, Bradford

Members of the Committee

Employer Representatives	Member Representatives
Councillor S Lal (Chair) – Bradford Councillor L Martin– Leeds Councillor L Malkin - Wakefield Ben Petty - Employer	Mr P Charlton – GMB Mr M Binks – Unison Mr I Dziya – Unison Mr M Morris – Unite the Union

Notes:

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

From: **To:**

Asif Ibrahim
Director of Legal and Governance
Agenda Contact: Jane Lythgow/Su Booth
Phone: 01274 432270/07814 073884
E-Mail: jane.lythgow@bradford.gov.uk/susan.booth2@bradford.gov.uk

A. PROCEDURAL ITEMS

1. DISCLOSURES OF INTEREST

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

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

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

Notes:

(1) Members must consider their interests, and act according to the following:

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

believe that it would affect your view of the wider public interest; in which case speak on the item only if the public are also allowed to speak but otherwise not do not participate in the discussion or vote; and leave the meeting unless you have a dispensation.

(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. 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/Su Booth - 01274 432270/07814 073884)

B. BUSINESS ITEMS

3. DRAFT MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) JOINT ADVISORY GROUP HELD ON 26 JANUARY 2023 1 - 12

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

The report of the Managing Director, West Yorkshire Pension Fund, (**Document "AC")** presents the draft minutes of the meeting held on 26 January 2023 to enable the Board to ensure effective and efficient governance and administration of the LGPS.

Recommended –

That Members review the minutes of the WYPF Joint Advisory Group held on 26 January 2023.

(Euan Miller– 01274 434517)

4. REGISTER OF BREACHES 13 - 22

The Managing Director, West Yorkshire Pension Fund, will present a report (**Document "AD")** which informs Members that, in accordance with the Public Service Pensions Act 2013, from April 2015, all Public Service Pension Schemes fall under the remit of the Pensions Regulator.

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

a) A legal duty relating to the administration of the scheme has not been or is not being complied with, and
b) The failure to comply is likely to be of material significance to The Pensions Regulator in the exercise of any of its functions.

A register of any breaches of the Pensions Code of Practice is maintained in accordance with the WYPF Breaches Procedure. The Register of Breaches 2022/23 is appended to Document "AD".

Recommended –

That the entries and actions taken on the Register of Breaches of Law contained in the appendix to Document "AD" be noted.

(Caroline Blackburn – 01274 434523)

5. LOCAL GOVERNMENT PENSION SCHEME UPDATE 23 - 32

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

Recommended –

That the report be noted.

(Tracy Weaver -01274 433571)

6. **COMMUNICATIONS POLICY AND PENSION ADMINISTRATION STRATEGY** 33 - 60

The Managing Director, West Yorkshire Pension Fund, will present a report, **Document “AF**” which explains that, 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 were approved by JAG at their last meeting in January 2023.

The Pensions Administration Strategy has not required any update. The Communications Policy has been updated to reflect activities planned for 2023

Recommended –

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

(Yunus Gajra – 01274 432343)

7. **PENSION ADMINISTRATION REPORT** 61 - 84

The Managing Director, West Yorkshire Pension Fund, will present a report **(Document “AG**”**)** which provides an update on West Yorkshire Pension Fund’s (WYPF) pensions administration activities for the period 1 October 2022 to 31 December 2022.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

8. **RISK MANAGEMENT** 85 - 136

The report of the Managing Director, West Yorkshire Pension Board **(Document “AH”)** presents West Yorkshire Pension Fund’s Risk Policy and Strategy.

Members are advised that the purpose of the Policy and Strategy is to effectively mitigate risks which may otherwise impact on WYPF meeting its statutory responsibilities and strategic objectives. This is achieved by the development and maintenance of a comprehensive risk register. For each risk identified its likelihood of occurrence and materiality is considered and actions are identified in order to mitigate the risk.

The Risk Policy and Strategy is subject to regular review by the WYPF Investment Advisory Panel (IAP) and Joint Advisory Group (JAG).

Recommended –

That Members note the report and provide any comments they may have on the risk Policy and Strategy and any of the risks set out in the risk register.

(Yunus Gajra – 01274 432343)

9. ACTUARIAL VALUATION 2022 137 - 142

The Managing Director, West Yorkshire Pension Fund will present **(Document "AI")** which reports that 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.

Recommended –

That the report be noted.

(Caroline Blackburn – 07790353179)

10. FUNDING STRATEGY STATEMENT 143 - 208

Consultation on updates to West Yorkshire Pension Fund Funding Strategy Statement (FSS)

The report of the Managing Director, West Yorkshire Pension Fund, (**Document "AJ")** reports that WYPF must maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013. It 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

The Administering Authority undertook 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.

Recommended –

That the report be noted.

(Caroline Blackburn – 07790353179)

11. PENSIONS DASHBOARD 209 - 214

The report of The Director, West Yorkshire Pension Fund **(Document "AK")** will be submitted which provides an update on the progress of the introduction of the Pensions Dashboard.

Recommended –

That the report be noted.

(Elizabeth Boardall – 01274 432343)

12. LGPS ONLINE LEARNING ACADEMY AND TRAINING UPDATES 215 - 240

Members will be aware that there is a growing need for LGPS funds to demonstrate that pension committee and local pension board members ('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 Managing Director, West Yorkshire Pension Fund, will provide a report, **(Document "AL")** which details training and conferences to assist Members in meeting their training requirements.

Members of the Joint Advisory Group, 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 to Document AL.

Officers will also make a presentation relating to the 'CARE' revaluation training

Recommended –

1. **That Members undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.**

2. **That Members be encouraged to attend external training**

events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.

(Yunus Gajra – 01274 432343)

13. CYBER SECURITY 241 - 256

The report of the Managing Director, West Yorkshire Pension Board **(Document "AM")** will be submitted to the Board and informs Members of the significant damage to organisations that store financial information and personal identifiable information about individuals from cyber-attacks and measures taken by the fund to become cyber ready to prevent, contain and respond to evolving threats in the digital environment.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

14. GOVERNANCE REVIEW 257 - 260

The report of the Managing Director, West Yorkshire Pension Fund, **(Document "AN")** sets out at a high level, a proposed process for undertaking a WYPF governance review and initial feedback is sought from Pension Board Members.

A similar report was recently presented to JAG and IAP and will be discussed at the forthcoming meeting of the Bradford Council Governance & Audit Committee.

Recommended –

That Members note the report and provide any comments on the outline of the proposed governance review set out in Document "AN"

(Caroline Blackburn – 07790353179)

15. EXCLUSION OF THE PUBLIC

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

Recommended –

That the public be excluded from the meeting during consideration of the Not for Publication Appendix to Document "AO" relating to the minutes of a West Yorkshire Pension Fund

Investment Advisory Panel meeting held on 27 October 2022 and 26 January 2023 because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

It is considered that, in all the circumstances, the public interest in maintaining this exemption outweighs the public interest in disclosing this information as it is in the overriding interest of proper administration that Members are made aware of the financial implications of any decision without prejudicing the financial position of the West Yorkshire Pension Fund.

16. MINUTES OF THE WEST YORKSHIRE PENSION FUND (WYPF) INVESTMENT ADVISORY PANEL HELD ON 27 OCTOBER 2022 AND 26 JANUARY 2023 261 - 290

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

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

Recommended –

That the Board reviews the Not for Publication minutes/notes from the WYPF IAP meeting held on 27 October 2022 and 26 January 2023, appended to Document "AO".

(Euan Miller– 01274 434517)

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AC

Subject:

Minutes of West Yorkshire Pension Fund (WYPF) Joint Advisory Group held 26 January 2023

Summary statement:

The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

Euan Miller
Managing Director

Report Contact: Euan Miller
Phone: (01274) 43 4517
E-mail: euan.miller@wypf.org.uk

Portfolio:

Leader of Council

Overview & Scrutiny Area:
Corporate

1. SUMMARY

- The Council's Financial Regulations require the minutes of meeting of the WYPF Joint Advisory Group to be submitted to this committee.

2. APPENDICES

- Minutes of the Joint Advisory Group 26 January 2023

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

Commenced 1.30 pm
Concluded 3.10 pm

Present – Members

Bradford Members Councillors: Salam Winnard	**Calderdale Members** Councillor: Hutchinson
Kirklees Members Councillors: Crook Ramsay	**Leeds Members** Councillors: Scopes
Wakefield Members Councillors: Mitchell Swift	**Trades Union Members** Tristan Chard (GMB) Andrew Goring (Unison) Liz Bailey (Unison)

Councillor Winnard in the Chair

Apologies: Councillor Andrew Thornton and Councillor Deb Nicholls

16. DISCLOSURES OF INTEREST

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

Action: Director of Legal and Governance

17. MINUTES

Resolved –

That the minutes of the meeting held on 28 July 2022 be signed as a correct record.

ACTION: Director of Legal & Governance

18. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

19. FINANCE REPORT

The report of the Director, West Yorkshire Pension Fund **(Document "K")** presented the latest financial update for 2022/23, budget proposal for 2023/24 and an update on the 2021/22 annual report and accounts (WYPF accounts).

The report provided a summary of West Yorkshire Pension Fund's financial position, and key financial activities during the year ended 31 March 2022.

Members were advised that the accounts have been prepared in accordance with the regulations outlined below and complied with all relevant regulations and best practice.

- 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

It was reported that there were delays in finalising audit opinions due to legislative provisions which came into force on 25 December 2022 and it was explained that discussions were ongoing as to when Bradford Council accounts bundle, including WYPF accounts would be signed. A representative from the audit firm Mazars attended and provided comment on the report.

The latest WYPF Draft Report and Accounts as at 31 March 2022 were attached as Appendix 1 to Document "K" and Members were advised that whilst the audit work for WYPF had been completed the current version would remain as a draft account and was subject to further reviews until it was signed by auditors. It was explained that JAG would receive an update in July 2023 and that due to late receipt of a number of private asset valuations the value of asset had increased and as a result investment performance also improved.

Resolved –

1. That the projected outturn of £6,264k against budget of £6,254k for 2022/23, projected overspend of £9k be noted.

2. That the proposed budget of £7,302k for 2023/24 be approved.

3. That the WYPF total cost per member of £34.06 for 2021/22 as the lowest LGPS cost per member be noted and that both Cipfa and CEM benchmark for 2021/22 confirmation that WYPF delivers high level of

pension services at below average cost, be noted.

4. **That the WYPF team of officers be congratulated for their efficient management throughout the year.**

Action: Managing Director, West Yorkshire Pension Fund

20. 2022 ACTUARIAL VALUATION

The Report of the Managing Director, West Yorkshire Pension Fund (WYPF) **(Document "L")** was presented as the triennial actuarial valuation of the fund was being prepared based on the position at 31 March 2022, and would determine the level of employers' contributions for the period 1 April 2023 to 31 March 2026.

Members were advised that if the draft Funding Strategy Statement was approved, which was being discussed later in the meeting, the indications were that WYPF would be 108.5% funded. This was compared to the situation at 31 March 2019 when it was 106% funded.

It was confirmed that training had been provided to Members on 10 January 2023 and a Member reiterated comments he had made at that time.

He was concerned about the process which had been undertaken as assumptions had been agreed by the working group and details of future service rates had been presented to employers before being seen by Members. He acknowledged the need for caution but believed that the surplus at 31 March 2023 would be greater than the previous year. He believed that there had been a high level of contribution stability and felt that a conversation regarding that surplus and discussions about the process in future years were required.

The Managing Director, WYPF, acknowledged those comments and agreed that it was difficult to keep Members updated when the group only met twice per year. He suggested that going forwards, in valuation years the group could potentially meet more often.

It was explained that prudence was applied to reflect the unusual market conditions which had been seen and whilst it would be good help employers by reducing rates further, the Fund needed to be cautious when lowering rates in case the market conditions changed significantly. The Investment Strategy Review following completion of the valuation process would take into account any surplus and consider risk management strategies and the desire of reducing rates in future if appropriate. The Managing Director stated he looked forward to those discussions.

Resolved –

That the report, and the issues raised by Members, be noted.

Action: Managing Director, West Yorkshire Pension Fund

21. EXCLUSION OF THE PUBLIC

No resolution was passed on this item.

22. CONSULTATION ON UPDATES TO WEST YORKSHIRE PENSION FUND FUNDING STRATEGY STATEMENT (FSS)

The report of the Managing Director, West Yorkshire Pension Fund (**Document "M")** informed Members that the Administering Authority had undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflected 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 were outlined in the report and a copy of the draft Funding Strategy Statement with the changes tracked to aid reference was appended to the report. The consultation exercise closed on 31 December 2022 and the comments received were provided in the report.

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

A Member noted the approach to funding overall and quoted that it needed to be both 'cohesive and comprehensive' and in the 'long-term interests of the fund'. In light of these comments, the Member then requested amendments to the document in relation to divestment from fossil fuels with a specified timeline. Whilst some other Members who were present supported the idea, Officers advised that the document had already been out for consultation with stakeholders and had been drafted based on comments received. It would not be appropriate to make changes to the policy without further consultation from employer Members who may not agree as the Member's proposal represented a significant material change. Members wanted discussion regarding divestment to take place and their concerns to be noted but were advised that this was not the body responsible to do so. Officers further advised that the FSS was a policy document and needed to be consistent with other WYPF policiies which were matters considered by the Investment Advisory Panel rather than the Joint Advisory Group.

Resolved –

That the changes to the Funding Strategy Statement, outlined in Document "M", be noted.

Action: Managing Director, West Yorkshire Pension Fund

23. PENSIONS ADMINISTRATION

The Report of the Director, WYPF **(Document "N")** provided an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 July 2022 to 31 December 2022.

The report detailed performance and benchmarking; total work in progress divided into categories; scheme information; praise and complaints, details of the internal dispute resolution procedures; an administration update; staffing figures and member portal details.

Members were advised that the fund had won the Good Governance Award at the LAPF Investment Awards in December 2022 and had been shortlisted by Pensions Age under the categories of DB Pension Scheme of the Year, Pension Scheme Communication Award and Pensions Administration Award.

Following a detailed presentation and whilst congratulating officers on a fantastic performance, a Member questioned if succession plans were in place to ensure that the progress reported could continue.

In response it was acknowledged that the fund had a mature workforce with a number of senior managers being in that age bracket. Assurances were provided that a number of key posts had been filled; succession plans were in place and training was provided to ensure that knowledge was gained and the necessary expertise passed on.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

24. PENSIONS ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2023

The Report of the Managing Director, WYPF **(Document "O")** was 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.

Officers presented the report on an annual basis as an update, more specifically for communications as it was an annual plan. Some highlights from the report were shared as a summary and indicated that there was an increase in use of the online pension portal. The Administration strategy was considered to be a key document as it defined the relationship between WYPF and employers – the document presented was a refresher as there were not significant changes.

There were no questions or comments in relation to this item.

Resolved –

That the Pension Administration Strategy and the Communications Policy 2023 be noted.

Action: Managing Director, West Yorkshire Pension Fund

25. REGISTER OF BREACHES OF LAW

The Report of the Managing Director of WYPF **(Document "P")** was submitted in accordance with the Public Service Pensions Act 2013.

Members were advised that Section 70 of the Pensions Act 2004 (the Act) imposed 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.

Appended to the report at Appendix A was the Register of Breaches 2022/2023 and that detailed whether each Breach had 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.

The entries on the Register of Breaches for 2022/23 related to:

- Contributions being paid late by employers and therefore not being received by the fund until after the Pension Regulator's deadline of the twenty first day of the following month
- The non-issue of Annual Benefit Statements by 31st August 2022 for a small number of active members

The actions taken to recover late payments was reported and it was confirmed that should payments not be received by the end of the month the breaches would be reported to The Pensions Regulator.

In response to questions it about the non-payments it was explained that the monitoring process had been amended and officers would be informed of the breaches much earlier.

Resolved –

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

Action: Managing Director, West Yorkshire Pension Fund

26. CEM - PENSIONS ADMINISTRATION BENCHMARKING SURVEY (PABS)

The Report of the Managing Director, WYPF **(Document "Q")** advised 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.

Officers advised that WYPF was a part of a benchmarking group run by CEM and details of the peer group that WYPF was part of was included in the document appended to the main report for information. CEM was tasked with comparing cost and performance with peer pension schemes and showed that WYPF were below average for costs per member whilst still comparing favourably for the service provided. The results indicated that the service provided was better than the peer group and had gone up from last year. Officers further advised that the service score should increase the following year as there was now an online pension calculator on the member portal and in person meetings had restarted following the restrictions imposed by Covid. Online functionality for AVC's was at a lower score level as the information was accessed via provider portals.

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

A Member queried the amounts in the report relating to the low governance costs and was advised that governance costs were difficult to compare systematically because the issues faced by each scheme were so different.

Officers stated that there were few flags to identify vulnerable members and were asked by Members if there were any plans to address the situation. Officers stated that members were flagged when identified but more could be done. Lessons could be learnt from the private sector and from their best practice.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

27. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE

The Report of the Managing Director, WYPF **(Document "R")** was presented to provide Members with an update on changes to the Local Government Pension Scheme (LGPS) 2014 and information on associated matters.

The Chair questioned if work on the McCloud remedy would be a large administration burden and he was advised that the process would require a very large exercise to look at records for all members including those who had retired, transferred out or were deceased. Work had already begun and although data had been requested from employers for eight years very little response had been received. As a result, assumptions would be required but Officers were confident this would not be an issue as, unlike many Funds, records were maintained and kept up to date. The issue was a risk on the Risk Register. It was hoped that software released from providers would allow automated calculations to be made. Additional staff and training was planned dependent on what was released from the software providers.

Resolved –

That the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

28. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE - ANNUAL AVC REVIEW

The Report of the Managing Director of the WYPF, **(Document "S")** presented 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.

The fund was required to offer AVC facilities and was working with Prudential, Scottish Widows and Utmost Life and Pensions as a legacy provider (formerly Equitable Life).

AVC services were historically reviewed annually by the actuary to highlight any potential issues. However, no reviews were carried out in 2021 of AVC providers so the last review was in 2020. There were no concerns with any of the providers and whilst the number of members making AVC's had decreased, their value had increased over the intervening period. Officers summarised the key findings of Aon's review which did not recommend any change of the fund providers but recommended a change to the Scottish Widows Lifestyle strategy.

Officers advised that in relation to 'Lifestyling', members decided which AVC Fund they wanted to be in based on information provided by the providers and their own personal circumstances. On taking payment of their AVC members could choose to take them as a lump sum or additional pension payments.

Resolved –

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

Action: Managing Director, West Yorkshire Pension Fund

29. WYPF GOVERNANCE REVIEW

The Managing Director, West Yorkshire Pension Fund, presented a report **(Document "T")** which set out at a high level, a proposed process for undertaking a WYPF governance review. Initial feedback was sought from Joint Advisory Group members.

A Member requested that the review include consideration of holding the Investment Advisory Panel in a more public setting and for the papers to be released on the Bradford Council website. The Bradford Council Governance and Audit Committee's powers to overrule the Panel and Joint Advisory Groups decisions if it felt they were not in the best interests of WYPF was also raised.

Resolved –

That the proposed governance review be welcomed and the report be noted.

Action: Managing Director, West Yorkshire Pension Fund

30. BUSINESS PLAN 2022 - 2027

The Report of the Managing Director, WYPF **(Document "U")** was submitted to inform members regarding the five-year business plan which highlighted objectives for the Fund and documented the priorities and improvement to be implemented to help achieve those objectives.

Officers provided a summary update on the progress made against the areas identified as a priority. Officers stated that the fund was signed up to the Pension Scam pledge and urged JAG Members to ensure they had completed the required online training. They also confirmed that the Pensions Regulator would be observing the next meeting of the Local Pensions Board scheduled for March 2023.

Some developments highlighted included succession planning for staff, monthly updates online for employers' self-service function and the frozen refund clearance exercise to ensure that information was up to date in preparation for use via the online portal.

Members were then given the opportunity to ask questions or make comments, the details of which and the responses given are as below.

A Member stated that as the 5 local authorities were the largest employer Members they would like the opportunity to engage with the progress made on divestment from fossil fuels and to be included in the Business Plan.

Resolved –

That the West Yorkshire Pension Fund Business Plan 2022-2027 and the comments received from Members be noted.

Action: Managing Director, West Yorkshire Pension Fund

31. TRAINING

The Report of the Managing Director, WYPF **(Document "V")** was submitted and informed Members of the growing need for LGPS funds to demonstrate that Members had an adequate level of knowledge to carry out their roles effectively. The report contained details on the available training and conferences to assist members to meet the requirement. The Chair emphasised the need for all Members to undertake the training suggested.

Resolved –

1. **That it be agreed that members would undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.**

2. **That all members be encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.**

Action: Managing Director, West Yorkshire Pension Fund

32. CHAIR'S NOTE - THE RETIREMENT OF THE DIRECTOR, WEST YORKSHIRE PENSION FUND

The Chair and all Members were advised of the retirement of Rodney Barton, Director, West Yorkshire Pension Fund.

Rodney was thanked for his hard work and it was agreed that the funds effective, efficient, low cost and high service provision was due to his leadership.

The Joint Advisory Group wished to record their appreciation of his efforts and he was wished well for his retirement.

Chair

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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AD

Subject: Register of Breaches

Summary statement:

In accordance with the Public Service Pensions Act 2013, from April 2015 all Public Service Pension Schemes come under the remit of the Pensions Regulator.

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

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

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

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

EQUALITY & DIVERSITY:

None

Euan Miller Managing Director	**Portfolio:** **Leader of Council & Corporate**
Report Contact: Caroline Blackburn, Head of Employer Services and Compliance Phone: 07790353179 E-mail: caroline.blackburn:wypf.org.uk	**Overview & Scrutiny Area:** **Corporate**

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 21st day of the following month.

- the non-issue of Annual Benefit Statements by the 31 August 2022 for a small number of active members.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

6.1 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.

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.

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 ASSESEMENT

None.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

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

11. APPENDIX

- Appendix A – Register of Breaches 2022/2023

Appendix A

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	**<u>Administration</u>** **Issue of Annual Benefit Statements (ABS)**	189	Scheme regulations require an ABS be provided to each active member by the 31 August each year At 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	**<u>Administration</u>** **Maintaining contributions**	147	Employee's pension contributions must be paid to the manager of the scheme by the 19th day of the month following deduction or by 22nd day if paid electronically. **Please see schedule below for details of employers who failed to make payment by the appropriate date.**	Contributions not received by the scheme within the prescribed timescales	**Immediate actio**n: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee and are notified that further late payments may be reported to the Pensions Regulator. **Continuing Action:** Employers are closely monitored. 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

Month	Employer	Date contributions due	Date paid	Value of late contributions
Carry over from 2021/22	Basketball England	**22.11.2021**	**13.05.2022**	**985.36**
April 2022	Halifax Opportunities Trust (Calderdale)	**22.05.2022**	**23.05.2022**	**3228.95**
	Fleet Factors	“	17.06.2022	88.97
	Atalian Servest (Mast Academy Trust)	“	30.06.2022	3281.85
	Hutchinson Catering Ltd (Cottingley Primary Academy)	“	06.06.2022	508.38
	Hutchinson Catering ltd (Feversham Primary Academy)	“	06.06.2022	717.22
	Kirklees Citizen Advice and Law Centre	“	10.06.2022	762.76
	Enviroserve (Priestley Academy Trust)	“	See notes below	
May 2022	Atalian Servest (Mast Academy trust)	22.06.2022	30.06.2022	3451.74
	Enviroserve (Priestely Academy Trust)	“	See notes below	
June 2022	South Elmsall Town Council	22.07.2022	05.08.2022	1184.37
	Fleet Factors	“	19.08.2022	88.97
	Pool Parish Council	“	26.07.2022	298.06
	Sitlington Parish Council	“	08.09.2022	1011.14
	Heaton St Barnabas C of E Primary School	“	08.09.2022	10182.04
	St Bedes and St Joseph’s Catholic College	“	08.09.2022	37960.78
	Low Moor Primary	“	08.09.2022	9137.74
	Midshire Signature Services Ltd (Bronte Academy Trust)	“	19.08.2022	419.91
	Hutchinson Catering Limited	“	31.08.2022	96.27
	Independent Cleaning Services Ltd (Star Academies Trust)	“	12.09.2022	509.42
	Midshire Signature Services Ltd (Coop Academy Smithies Moor)	“	20.09.2022	475.02
	Basketball England	“	15.02.2023	1191.31
	Aspire Igen Group Ltd	“	23.08.2022	3922.91
	No contributions received for June			

WYPF Breaches of the Law 2022 -2023

	Ryhill Parish Council			
	Enviroserve (Priestley Academy Trust)		See notes below	
July 2022	South Elmsall Town Council	22.08.2022	14.09.2022	1296.57
	Aspire Igen Group Ltd	"	23.08.2022	3922.91
	CBRE Managed Services Ltd	"	01.09.2022	2343.99
	Independent Cleaning Services Ltd (Star Academies Trust)	"	12.09.2022	514.02
	Bulloughs (Temple Learning Academy RKLT)	"	18.10.2022	3757.48
	Hutchinsons Catering Services Ltd (Iveson)	"	31.08.2022	129.57
	Mellors Catering Services Ltd (Elevate MAT)	"	19.10.2022	455.62
	Bulloughs Cleaning Services Ltd (Share MAT)	"	13.10.2022	531.78
	Midshire Signature Services Ltd (Coop Academy Smithies Moor)	"	20.09.2022	461.51
	Arcadis (UK) ltd	"	20.09.2022	3629.40
	No contributions received for July			
	Ryhill Parish Council			
	Enviroserve (Priestley Academy Trust)		See notes below	
August 2022	Micklefield Parish Council	22.09.2022	23.09.2022	332.93
	Fleet Factors	"	05.10.2022	88.97
	Pool Parish Council	"	29.09.2022	298.06
	Moorlands Learning Trust	"	03.10.2022	41327.81
	South Pennines Academies	"	27.09.2022	20722.98
	Affinity Trust	"	12.10.2022	499.75
	Future Cleaning Services Ltd (Calderdale High)	"	05.10.2022	893.11
	Bulloughs (Temple Learning Academy RKLT)	"	18.10.2022	4390.48
	Bulloughs (Cleaning Services LTD (Share MAT)	"	13.10.2022	677.45
	St Anne's Community Services	"	19.10.2022	4017.85
	St Anne's (Bradford) Community Services	"	19.10.2022	1874.52
	No contributions received for August			
	South Elmsall Town Council	"		

WYPF Breaches of the Law 2022 -2023

	Enviroserve (Priestley Academy Trust)	"	See notes below	
Sept 2022	Greenhead Sixth Form College	22.10.2022	02.11.2022	36980.52
	Arcadis (Uk) Ltd	"	03.11.2022	2248.68
	RCCN Ltd (Chellow Heights School)	"	11.11.2022	679.23
	No Contributions received for September			
	Ryhill Parish Council	"		
	South Elmsall Town Council	"		
	South Hiendley Parish Council	"		
	Enviroserve (Priestley Academy Trust)	"	See notes below	
Oct 2022	One in a million Free School	22.11.2022	14.12.2022	9805.05
	Ryhill Parish Council	"	23.01.2023	123.90
	No Contributions received for October			
	South Elmsall Town Council	"		
	South Hiendley Parish Council	"		
	Horsforth Town Council	"		
	Making Space	"		
	TNS Catering (SPTA)	"		
	Liberty Gas West	"		
	Liberty Gas Outer West	"		
	Independent Cleaning Services (Start Academies Trust)	"		
	Enviorserve (Priestley Academy)	"	See notes below	
Nov 2022	Ryhill Parish Council	22.12.2022	23.01.2023	123.90
	Aspire – Igen Group Ltd	"	03.01.2023	3922.91
	Leeds Centre for Integrated Living	"	11.01.2023	1680.93
	Hepworth Gallery Trust	"	18.01.2023	1411.24
	Future Cleaning Services Ltd (Calder High)	"	17.01.2023	593.91
	Aspens (Ireland Wood Primary School)	"	08.02.2023	168.39
	The Cellar Trust Ltd (Bradford Wellbeing Services)	"	18.01.2023	767.87
	Aspens Services Ltd (Batley Multi Academy)	"	08.02.023	2457.91
	No Contributions received for November			

WYPF Breaches of the Law 2022 -2023

	South Elmsal Town Council			
	South Hiendley Parish Council			
	Enviroserve (Priestley Academy Trust)		See notes below	
	RFM Group Services Ltd (Sandy Lave Primary)			
	Enviroserve (St Paul's Primary School)			
	Cater Link (Selby College)			
	SBFM Ltd (Bradford College)			
	Our Learning Cloud (BDAT)			
	Enviroserve (Low Moor Primary School)			
	Maxim Facilities Management Ltd (Southfield Grange)			
	Enviroserve (Allerton Primary)			
Dec 2022	Bradford MDC	22.01.2023	26.01.2023	29447.69
	Ryhill Parish Council	"	23.01.2023	82.60
	Hepworth Gallery Trust	"	31.01.2023	2514.91
	APCOA Parking (UK) Ltd	"	23.01.2023	960.66
	Dolce Ltd (Bishop Konstant CAT)	"	23.01.2023	1314.68
	SBFM Ltd	"	17.02.2023	2200.83
	Our Learning Cloud (BDAT)	"	23.01.2023	4686.39
	Aspens (Services Ltd (Batley Multi academy Trust)	"	08.02.2023	2509.85
	No contributions received for December			
	South Elmsall Town Council			
	St Anne's Community Services			
	South Hiendley Parish Council			
	St Annes (Bradford) Community Services			
	Renewi UK Services Ltd			
	Aspens Services Ltd			
	Liberty Gas West			
	Liberty Gas Outer West			
	Independent Cleaning Services Ltd (Star Academies Trust)			
	Falcon Education Academies Trust			

WYPF Breaches of the Law 2022 -2023

	Carroll Cleaning Co Ltd (Fearnville Primary School)			
	RFM Group Services Ltd (Sandy Lane Primary School)			
	Enviroserve (Low Moor Primary School)			
	Maxim Facilities Management Ltd (Southfield Grange)			
	Enviroserve (Allerton Primary)			
	Maxim Facilities Management Ltd (Ireland Wood Primary)			

Enviroserve (Priestley Academy)

Enviroserve joined WYPF in in March 2021 however entry was backdated to February 2020. There was some confusion over the start date and the process at WYPF has now been improved. All Employee contributions amounting to £ 19,573.20 were received by the Fund on 15 Feb 2023. Outstanding Employers contributions will be paid in monthly instalments.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension Fund Pension Board to be held on 21 March 2023

AE

Subject: Local Government Pension Scheme Regulations update

Summary statement:

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

EQUALITY & DIVERSITY:
Not Applicable

Euan Miller
Managing Director

Portfolio: Leader of Council & Corporate

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

1 Background

1.1 The career average Local Government Pension Scheme (LGPS) was introduced on 1 April 2014.

1.2 Since the introduction of the new LGPS there have been a number of consultations on proposed changes to the LGPS, following which amendment regulations have been issued.

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

2 Consultation on Fair Deal – Strengthening pension protection

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

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

2.3 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. **Consultation on changes to the SAB's cost management process (CMP)**

4.1 On 30 January 2023, DLUHC launched a consultation on changes to the Scheme Advisory Board's (SAB) CMP. The consultation follows the report from the Government Actuary's Department into changes to the HM Treasury CMP, and the resulting policy and legislative changes set out in H M Treasury's response to that report. It acknowledges the differences between these two processes but proposes measures suggested by SAB in its consultation response to better integrate the SAB .process within the statutory H M Treasury mechanism.

4.2 The consultation closes on 24 March 2023 and we are currently considering whether to respond.

5 **Consultation on the annual revaluation date change**

5.1 On 10 February 2023, DLUHC published a consultation and draft regulations on changing the annual revaluation date in the LGPS. If laid, the regulations will take effect from 31 March 2023.

5.2 The proposals seek to remove the impact of inflation on the annual allowance. It does so by changing the annual revaluation from the 1 to 6 April 2023, and thereafter on each 6th of April, for all members. It is intended there is no change in the outcome for:

- all members whose benefits in payment would increase on 1 April
- death grants for deferred and pensioner members who die in the period 1 to 5 April.

5.2 The consultation closed on 24 February 2023 and our response said that we supported the changes, however we expressed concerns about the timing of the change and the impact this may have on us and Civica with development work for the MCCloud remedy and Pensions Dashboards.

6 Other LGPS matters

6.1 **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.

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

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. Therefore, we expect DLUHC to issue further consultations to make the necessary changes to the LGPS Regulations 2013 in the near future.

On 3 March 2023 SAB published guidance to assist administering authorities with McCloud data issues. The guidance sets out what options administering authorities may consider if they are unable to collect the data needed to implement the McCloud remedy. It covers both missing data and data the authority is not confident is accurate.

6.2 **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. The High Court Hearing began on 31 January 2023.

6.3 **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.

6.4 **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

6.5 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.

7 Other matters

7.1 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 on 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 affect LGPS administering authorities is the staging deadline for the LGPS and all other public service pension schemes 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 will close on 30 August 2022. Following this call for input, a consultation on the final design standards will run for six weeks.

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. The draft regulations were approved by Parliament on 17 November 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, 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.

On 2 March 2023 The Department for Work and Pensions (DWP) announced plans for a "reset" of the Pensions Dashboards Programme with a further update on the plan for the delivery of pensions dashboards expected before summer recess.

The framework for dashboards will remain unchanged, although DWP will legislate to provide new connection deadlines and further information on the revised timeline will be made available following an agreement on PDP's delivery plan.

7.2 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.

The new code of practice to be published in the near future.

7.3 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 seeked 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.

7.4 **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'.

7.5 **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

8. FINANCIAL & RESOURCE APPRAISAL

None

9. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

10. LEGAL APPRAISAL

None

11. OTHER IMPLICATIONS

11.1 SUSTAINABILITY IMPLICATIONS

None

11.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

11.3 COMMUNITY SAFETY IMPLICATIONS

None

11.4 HUMAN RIGHTS ACT

None

11.5 TRADE UNION

None

11.6 WARD IMPLICATIONS

None

11.7 AREA COMMITTEE ACTION PLAN IMPLICATIONS (for reports to Area Committees only)

None

11.8 IMPLICATIONS FOR CORPORATE PARENTING

None

11.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

12. NOT FOR PUBLICATION DOCUMENTS

None

13. OPTIONS

None

14. RECOMMENDATION

It is recommended that the Pension Board note the report.

15. APPENDICES

None

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AF

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 were approved by JAG at their last meeting in January 2023.

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: Leader of Council & Corporate

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

Overview & Scrutiny Area: Corporate

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 were approved by JAG at their last meeting in January 2023.

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

Regulatory framework and purpose

1. The regulations

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

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

1.1. Purpose

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

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

Each of the funds that make up WYPF's shared service arrangement also manage and maintain separate stand-alone fund policies which are available under the relevant fund's 'policies' area on the shared service website. Where there is a conflict between the shared administration strategy and a fund's stand-alone policy the individual fund's policy will prevail.

2. Review of the strategy

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

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

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

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

3. Liaison and communication

3.1. Authorised contacts for employers

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

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

If they wish, employers may also nominate additional contacts by completing an authorised user list. If a third-party organisation provides services for the employer they too can be added as an authorised contact. Overall responsibility for pension administration remains with the employer regardless of the services they outsource and proactive contract management of third-party providers is expected.

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

When registering, each contact should complete a Main contact registration form and Authorised user list form, and sign the administrator’s user agreement for the secure administration facility.

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

3.2. Liaison and communication with employers

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

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

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

Format of communication	Frequency	Method of distribution
Pension Fund Representatives	8.30am to 4.30pm Monday to Friday	Virtual meetings/face-to-face/telephone/e-mail
Website	Constant	Web
Fact card	1 per year	Mail
Fact sheets	Constant	Web
Employer guide	Constant	Web/electronic document
Ad hoc training	As and when required	Virtual meetings
Update sessions	Up to 2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
Pension Matters and round-up	12 per year and as and when required	Wordpress blog and gov.direct bulk mail
Social media	Constant	Web
Ad hoc meetings	As and when required	Virtual meeting/face-to-face
Employer webcasts	1 per week	Virtual meeting

4. Employer duties and responsibilities

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

4.1. Events for notification

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

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within two weeks following monthly return submission	100% compliance 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

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

Main contact registration form

Employer name and location code
Employer address

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

Strategic contact

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

Administration contact

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

Finance contact

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

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

Name	Company name and address
Job title	
Phone	Specimen signature
Email	

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

Authorised user list

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

authorised payroll user list oct 2018

Employer name

Authorised payroll user list

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

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

Appendix B – Schedule of charges

Performance areas	Reason for charge	Basis of charge
1. Any overpayment made to a member due to inaccurate information provided by an employer will be recovered from employer, if the total overpaid is more than £50.	If the overpaid amount is the result of the employer's error, and the amount is over £50, then as such it will be recharged to the employer, plus costs of resolving and recovering the overpayment. If the overpayment is recovered from the member, then the amount recovered will be passed back to the employer, less any cost of overpayment recovery actions.	Actual amount overpaid + admin charge (admin charge will be based on managerial input at level III).
2. Contributions to be paid anytime but latest date by 19th of month (weekends and bank holidays on the last working day before 19th)	Due by 19th of the month – late receipt of funds, plus cost of additional time spent chasing payment.	Number of days late interest charged at base rate plus 1%.
3. Monthly return due anytime but latest by 19th of the month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th of the month, any additional work caused by late receipt of information incorrect information, incorrect contributions.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Senior Pensions Officers level II).
4. Change in member detail	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to the administrator within 2 weeks of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at Pensions Officer level I).
5. Early leavers information	If submitted via monthly data, the administrator will process data within 2 weeks following monthly data submission, else within 6 weeks of date of leaving. For exception reports leaver forms provided to WYPF within two months of receipt of the exception report.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension officers level I).
6. Retirement notifications	Due 10 working days before last day of employment unless the reason for retirement is ill health or redundancy – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at senior pension officers level II).
7. Death in membership	Due within 3 working days of the notification – additional work caused by late receipt of information.	Failure to provide appropriate information, resulting in significant work will result in admin charge (at pension manager level III).
8. AVC deducted from pay to be paid anytime but latest date by 19th of the month (weekends and bank holidays on the last working day before 19th).	Additional investigative work caused through lack of compliance by employer.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at pension officers level I).

9. Re-issue of invoices	Charge based on number of request.	Additional work caused by reproducing invoices will result in admin charge (at pension officer level I).
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify the administrator of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).
12. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + VAT for this work.
Miscellaneous items: • Benefit recalculation • Member file search and record prints • Supplementary information requests	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. Where the member has more than one known record, the charge is for each record.

Appendix C – Charging Levels

Charges will be made on half a day basis, but for less than a quarter day no charge will be made and for more than half a day a full-day charge will be made. Any part or all of these charges may be waived at head of service discretion.

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

- Level I – work at Pensions Officer level
- Level II – work at Senior Pensions Officer level
- Level III – work at Pensions Manager level

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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
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
	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
LGPS deferred members (including representatives of deferred members)			

	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Deferred Benefit Statement	1 per year	Email
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web
	YouTube channel	Constant	Web

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

Communications events 2023 – 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
	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
Councillor members (including representatives of members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)

	Deferred Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Virtual/meeting/face-to-face
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web

Communications events 2023 – 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
	Employer webcasts	Weekly	Held on-line with recordings made available
	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

Member contacts

Phone (01274) 434999

Email 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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AG

Subject: Pensions Administration

Summary statement:

This report gives an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 October 2022 to 31 December 2022.

EQUALITY & DIVERSITY:

Issues of Equality and Diversity are included within the body of the document.

Euan Miller
Managing Director

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

Portfolio: Leader of Council & Corporate

Overview & Scrutiny Area:

Corporate

1.0 Background

1.1 As well as providing pensions administration for WYPF scheme members, WYPF provides a full administration service to Lincolnshire Pension Fund, the London Borough of Hounslow and more recently the London Borough of Barnet and to twenty 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 October 2022 to 31 December 2022.

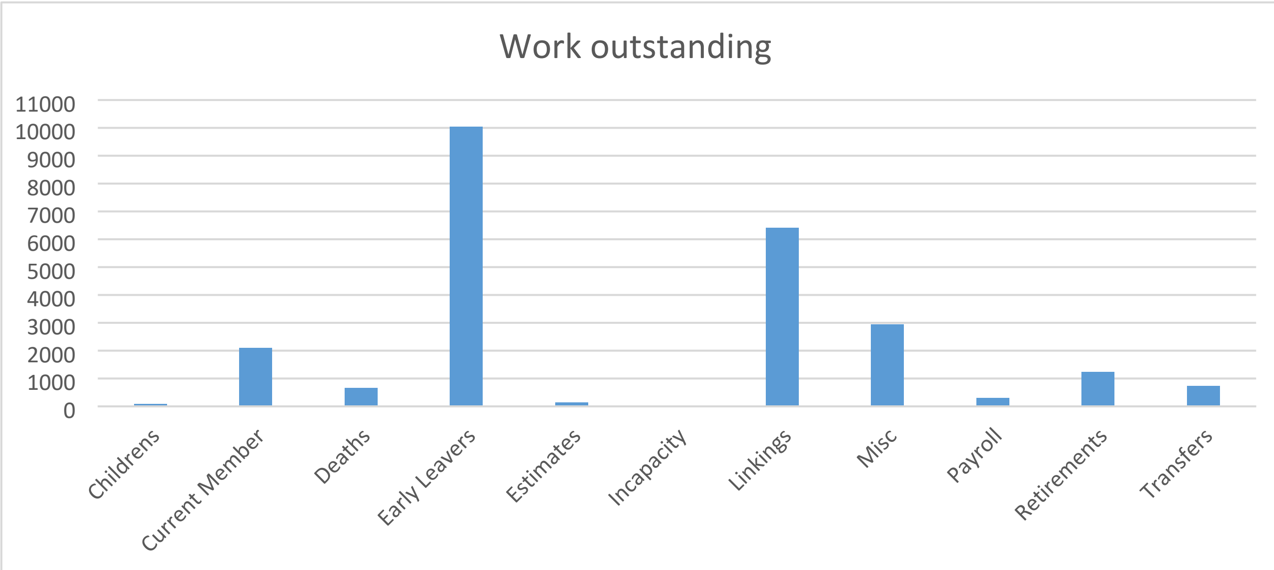
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
AVC In-house (General)	144	20	143	85	99.31
Change of Address	804	20	778	85	96.77
Change of Bank Details	331	20	324	85	97.89
Death Grant to Set Up	174	10	156	85	89.66
Death In Retirement	647	10	590	85	91.19
Death In Service	22	10	14	85	63.64
Death on Deferred	41	10	38	85	92.68
Deferred Benefits Into Payment Actual	822	5	811	90	98.66
Deferred Benefits Into Payment Quote	1187	35	857	85	72.2
Deferred Benefits Set Up on Leaving	1865	20	1756	85	94.16
Dependant Pension To Set Up	292	5	222	90	76.03
Divorce Quote	111	40	111	85	100
Divorce Settlement Pension Sharing order Implemented	7	80	7	100	100
DWP request for Information	3	20	2	85	66.67
Estimates for Deferred Benefits into Payment	14	10	11	90	78.57
General Payroll Changes	490	20	486	85	99.18
Interfund Linking In Actual	36	35	32	85	88.89
Interfund Linking In Quote	133	35	49	85	36.84
Interfund Out Actual	334	35	216	85	64.67
Interfund Out Quote	334	35	277	85	82.93
Monthly Posting	1222	10	1174	95	96.07
NI adjustment to Pension at State Pension Age	47	20	42	85	89.36
Pension Estimate	664	10	570	90	85.84

Pension Saving Statement	3	20	3	100	100
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
Phone Call Received	6371	3	6191	95	97.17
Refund Actual	590	10	587	90	99.49
Refund Quote	1093	35	934	85	85.45
Retirement Actual	728	10	727	90	99.86
Transfer In Actual	85	35	79	85	92.94
Transfer In Quote	168	35	168	85	100
Transfer Out Payment	55	35	49	85	89.09
Transfer Out Quote	431	35	416	85	96.52
Update Member Details	6667	20	6603	100	99.04

Reasons for underperforming KPI's:

Work type	Reason
Death in service	Delays in getting information from beneficiaries.
Deferred Benefits into payment quote	Quotes for date of retirement within 3 months treated as a priority.
Dependant Pension To Set Up	Delays in getting information from beneficiaries.
DWP request for Information	One case not met.
Estimates for Deferred Benefits into payment	Estimates requests received with a date of retirement within 3 months were prioritised.
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.
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.
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.
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.

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)

3.0 Scheme Information

3.1. Total membership numbers across all categories for all schemes administered is 503,182 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

	Actives	Ceased	Total
Scheduled bodies	267	1	266
Admitted bodies	139	3	136
Total	**406**	**4**	**402**

4.0 Praise and Complaints

4.1 As part of our commitment to improving our services we carry out a random survey of customers who have been in contact with us regarding their pension benefits. We also have an online survey which any member can complete at any time.

Over the quarter October to December, we received **6** online customer responses.

Over the October to December **606** sample survey letters were sent out and **65 (10.8%)** returned:

Overall Customer Satisfaction Score:

January to March 2022	April to June 2022	July to September 2022	October to December 2022
84%	96.3%	93.2%	96.9%

Full details are shown at Appendix 2.

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 by the Director of WYPF. Stage 2 appeals are considered by the Chief Executive of the City of Bradford MDC.

A summary of the IDRP decisions is shown below:

	Number of Determinations	Outcomes	Type
STAGE 1	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
STAGE 2	5		

AGAINST EMPLOYER	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
AGAINST WYPF	1	1 Turned down	1 Allowed to transfer out

6.0 Administration Update

6. 1 Employer Discretions

We continue to chase employers who we do not hold a discretions policy for, new policies have been coming in but there are still around 300 employers who we do not hold a policy for. We will continue to work on this to reduce this number.

6.2 Annual employer meetings

Annual employer meeting for LPF took place online on 21/02/2023.
Annual employer meeting for LBH will be an in person event and will take place on 15/03/2023.

6.3 Employer Support

Our next season of employer training is well underway and focuses on preparing employers for year end.

Training timetable can be seen below:

	TUESDAY 10:00	**THURSDAY 14:00**
Authorised contacts and your-end responsibilities	17/01/2023	23/02/2023
Completing your March return: steps to success	23/01/2023	02/03/2023
Understanding CPP (pay for CARE pension)	31/01/2023	09/03/2023
Understanding Final Pay	07/02/2023	16/03/2023
Understanding Assumed Pensionable Pay	14/02/2023	23/03/2023

6.4 Recruitment

Recruitment to staffing in our pensions administration teams is ongoing. Currently adverts are out for a Member Services Manager, Senior Pensions Officers, Investment Manager (Private Equity Funds) and Investment Manager (Property and Infrastructure). Due to the retirement of the Treasury Manager a replacement has been appointed as well as an appointment of an investment analyst on the Overseas Investment team.

7.0 Staffing

7.1 WYPF headcount is 207 (195 full time equivalent staff) with an average age of 45.6, compared to the Council's average age of 46.8 (see Appendix 3).

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 (see Appendix 4).

7.3 There were 28 new starters during the last 12 months (see Appendix 5)

7.4 There were 12 leavers during the last 12 months (see Appendix 6).

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	44,392	40.35%
Deferred	23,431	26.68%
Pensioner	37,566	35.10%

9.0 **Awards**

IT is very pleasing to report that WYPF won the Good Governance Award at the LAPF Investment Awards in December.

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 CONCLUSION

WYPF continue to provide a high level efficient cost effective service to members and employers within the Fund.

11.0 OTHER CONSIDERATIONS

None

12.0 FINANCIAL & RESOURCE APPRAISAL

Sufficient budget to ensure adequate resources to deliver the service, particularly to the shared service partners.

13.0 RISK MANAGEMENT AND GOVERNANCE ISSUES

- Failure to meet contractual obligations to our shared service partners
- Failure to meet statutory compliance deadlines
- Increase in complaints from stakeholders

14.0 LEGAL APPRAISAL

Not applicable.

15.0 OTHER IMPLICATIONS

15.1 SUSTAINABILITY IMPLICATIONS

None

15.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

15.3 COMMUNITY SAFETY IMPLICATIONS

None

15.4 HUMAN RIGHTS ACT

None.

15.5 TRADE UNION

None

16.0 NOT FOR PUBLICATION DOCUMENTS

None

17.0 OPTIONS

None.

18.0. RECOMMENDATIONS

It is recommended that the report be noted.

19.0 APPENDICES

These are listed below and attached at the back of the report

Appendix 1	Membership Numbers
Appendix 2	Praise and Complaints
Appendix 3	Workforce Headcount
Appendix 4	Absence Performance
Appendix 5	New Starters
Appendix 6	Leavers

19.0. BACKGROUND DOCUMENTS

None

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Membership Numbers

CLREF	SCHEME NAME	ACTIVES	DEFERREDS	PENSIONERS	BENEFICIARIES	PRESERVED REFUND	LEAVERS OPTIONS PENDING	TOTAL
LGPS	Councillors	0	81	147	18	0	0	246
LGPS	Gratuity Payments	0	0	6	0	0	0	6
LGPS	LGPS	109993	87827	95237	11774	13061	2054	319946
LGPS	Teachers Compensation	0	0	1072	243	0	0	1315
WYPF Fire	West Yorkshire Fire (1992 Scheme)	0	84	1997	346	0	0	2427
WYPF Fire	West Yorkshire Fire (2006 Scheme)	0	90	8	7	2	0	107
WYPF Fire	West Yorkshire Fire (2006/RDS Scheme)	0	12	39	0	0	0	51
WYPF Fire	West Yorkshire Fire (2015 Scheme)	996	149	23	10	1	6	1185
WYPF Fire	West Yorkshire Fire (2015/RDS Scheme)	20	1	3	0	0	0	24
SY Fire	South Yorkshire Fire (1992 Scheme)	1	41	1105	200	8	0	1355
SY Fire	South Yorkshire Fire (2006 Scheme)	0	35	2	1	1	0	39
SY Fire	South Yorkshire Fire (2006/RDS Scheme)	0	1	14	0	0	0	15
SY Fire	South Yorkshire Fire (2015 Scheme)	628	102	17	2	4	2	755
SY Fire	South Yorkshire Fire (2015/RDS Scheme)	4	1	0	0	0	0	5
NY Fire	North Yorkshire Fire (1992 Scheme)	0	27	435	88	0	1	551
NY Fire	North Yorkshire Fire (2006 Scheme)	0	143	23	2	1	1	170
NY Fire	North Yorkshire Fire (2006/RDS Scheme)	2	21	61	2	0	0	86
NY Fire	North Yorkshire Fire (2015 Scheme)	611	266	26	3	11	24	941
NY Fire	North Yorkshire Fire (2015/RDS Scheme)	33	4	0	0	0	0	37
Humberside Fire	Humberside Fire (1992 Scheme)	0	41	826	161	0	0	1028
Humberside Fire	Humberside Fire (2006 Scheme)	0	107	15	2	2	0	126
Humberside Fire	Humberside Fire (2006/RDS Scheme)	0	5	77	3	0	0	85
Humberside Fire	Humberside Fire (2015 Scheme)	739	170	21	0	2	6	938
Humberside Fire	Humberside Fire (2015/RDS Scheme)	45	3	3	0	0	0	51
Linc LGPS	Lincolnshire Councillors	0	26	52	4	0	0	82
Linc LGPS	Lincolnshire LGPS	26556	25705	24482	2599	2711	544	82597
Linc Fire	Lincolnshire Fire (1992 Scheme)	0	20	260	53	1	0	334
Linc Fire	Lincolnshire Fire (2006 Scheme)	0	315	40	7	20	1	383
Linc Fire	Lincolnshire Fire (2006/RDS Scheme)	1	10	41	1	0	0	53
Linc Fire	Lincolnshire Fire (2015 Scheme)	589	337	18	4	15	66	1029

Linc Fire	Lincolnshire Fire (2015/RDS Scheme)	20	1	1	0	0	1	23
Royal Berkshire Fire	Royal Berks Fire (2015/RDS Scheme)	6	1	0	0	0	0	7
Royal Berkshire Fire	Royal Berks Fire (1992 Scheme)	1	55	418	58	2	1	535
Royal Berkshire Fire	Royal Berks Fire (2006 Scheme)	1	61	11	0	0	0	73
Royal Berkshire Fire	Royal Berks Fire (2006/RDS Scheme)	0	11	27	2	0	0	40
Royal Berkshire Fire	Royal Berks Fire (2015 Scheme)	394	136	10	0	1	3	544
Bucks MK Fire	Bucks and MK Fire (1992 Scheme)	0	32	358	66	1	0	457
Bucks MK Fire	Bucks and MK Fire (2006 Scheme)	0	159	18	10	2	0	189
Bucks MK Fire	Bucks and MK Fire (2006/RDS Scheme)	0	11	25	0	0	0	36
Bucks MK Fire	Bucks and MK Fire (2015 Scheme)	375	182	11	0	3	29	600
Bucks MK Fire	Bucks and MK Fire (2015/RDS Scheme)	3	1	0	0	0	0	4
Devon and Somer FRS	Devon and Somerset Fire (1992 Scheme)	0	54	915	160	1	0	1130
Devon and Somer FRS	Devon and Somerset Fire (2006 Scheme)	1	407	140	17	9	1	575
Devon and Somer FRS	Devon and Somerset Fire (2006/RDS Scheme)	0	70	210	3	0	1	284
Devon and Somer FRS	Devon and Somerset Fire (2015 Scheme)	1604	687	45	16	8	25	2385
Devon and Somer FRS	Devon and Somerset Fire (2015/RDS Scheme)	65	7	5	0	0	2	79
Dorset and Wilts FRS	Dorset and Wiltshire Fire (1992 Scheme)	0	61	646	96	3	0	806
Dorset and Wilts FRS	Dorset and Wiltshire Fire (2006 Scheme)	0	268	41	17	3	0	329
Dorset and Wilts FRS	Dorset and Wiltshire Fire (2006/RDS Scheme)	3	46	166	2	0	2	219
Dorset and Wilts FRS	Dorset and Wiltshire Fire (2015 Scheme)	879	430	31	2	1	27	1370
Dorset and Wilts FRS	Dorset and Wiltshire Fire (2015/RDS Scheme)	86	4	4	0	0	0	94
Dorset and Wilts FRS	Unknown Modified Scheme	0	0	1	0	0	0	1
Tyne and Wear Fire	Tyne and Wear Fire (1992 Scheme)	0	67	1223	198	0	0	1488
Tyne and Wear Fire	Tyne and Wear Fire (2006 Scheme)	0	26	5	0	0	0	31
Tyne and Wear Fire	Tyne and Wear Fire (2006/RDS Scheme)	0	1	1	0	0	0	2
Tyne and Wear Fire	Tyne and Wear Fire (2015 Scheme)	573	61	12	0	0	1	647
Tyne and Wear Fire	Tyne and Wear Fire (2015/RDS Scheme)	0	0	1	0	0	0	1
Northumberland Fire	Northumberland Fire (1992 Scheme)	0	19	279	47	0	0	345
Northumberland Fire	Northumberland Fire (2006 Scheme)	0	81	15	7	2	0	105
Northumberland Fire	Northumberland Fire (2006/RDS Scheme)	0	13	33	1	0	0	47
Northumberland Fire	Northumberland Fire (2015 Scheme)	297	127	5	0	0	5	434
Northumberland Fire	Northumberland Fire (2015/RDS Scheme)	6	3	3	0	0	0	12
Norfolk Fire	Norfolk Fire (1992 Scheme)	0	44	380	68	0	0	492
Norfolk Fire	Norfolk Fire (2006 Scheme)	0	102	22	9	0	0	133

Norfolk Fire	Norfolk Fire (2006/RDS Scheme)	1	8	62	0	0	0	71
Norfolk Fire	Norfolk Fire (2015 Scheme)	619	219	23	16	7	9	893
Norfolk Fire	Norfolk Fire (2015/RDS Scheme)	17	2	1	0	0	0	20
Staffordshire Fire	Staffordshire Fire (1992 Scheme)	0	24	558	107	0	0	689
Staffordshire Fire	Staffordshire Fire (2006 Scheme)	0	310	29	6	2	0	347
Staffordshire Fire	Staffordshire Fire (2006/RDS Scheme)	0	32	88	1	0	0	121
Staffordshire Fire	Staffordshire Fire (2015 Scheme)	546	355	24	15	15	1	956
Staffordshire Fire	Staffordshire Fire (2015/RDS Scheme)	28	4	3	0	0	0	35
LB Hounslow LGPS	LB Hounslow LGPS	6956	7624	7158	896	1394	226	24254
LB Hounslow LGPS	LB Hounslow Teachers Compensation	0	0	131	40	0	0	171
Her Worc Fire	Hereford and Worcester (1992 Scheme)	0	32	392	64	0	0	488
Her Worc Fire	Hereford and Worcester (2006 Scheme)	0	126	30	8	1	0	165
Her Worc Fire	Hereford and Worcester (2006/RDS Scheme)	0	10	43	1	0	0	54
Her Worc Fire	Hereford and Worcester (2015 Scheme)	555	275	17	2	3	13	865
Her Worc Fire	Hereford and Worcester (2015/RDS Scheme)	21	2	3	0	0	1	27
Durham Darl Fire	Durham and Darlington (1992 Scheme)	0	29	472	96	0	0	597
Durham Darl Fire	Durham and Darlington (2006 Scheme)	0	73	12	0	0	0	85
Durham Darl Fire	Durham and Darlington (2006/RDS Scheme)	0	9	28	0	0	0	37
Durham Darl Fire	Durham and Darlington (2015 Scheme)	431	165	13	3	0	2	614
Durham Darl Fire	Durham and Darlington (2015/RDS Scheme)	9	2	2	0	0	0	13
East Sussex Fire	East Sussex (1992 Scheme)	0	59	514	99	1	0	673
East Sussex Fire	East Sussex (2006 Scheme)	0	126	12	5	3	0	146
East Sussex Fire	East Sussex (2006/RDS Scheme)	0	17	39	0	0	0	56
East Sussex Fire	East Sussex (2015 Scheme)	549	190	17	2	1	44	803
East Sussex Fire	East Sussex (2015/RDS Scheme)	9	2	1	0	0	0	12
LB Barnet LGPS	LB Barnet Councillors	0	11	15	2	0	0	28
LB Barnet LGPS	LB Barnet LGPS	9769	9544	8189	1011	1384	590	30487
LB Barnet LGPS	LB Barnet Teachers Compensation	0	0	349	42	0	0	391
Derbyshire Fire	Derbyshire (1992 Scheme)	0	31	607	100	0	0	738
Derbyshire Fire	Derbyshire (2006 Scheme)	0	129	20	9	5	0	163
Derbyshire Fire	Derbyshire (2006/RDS Scheme)	0	31	67	1	0	0	99
Derbyshire Fire	Derbyshire (2015 Scheme)	669	207	16	3	8	8	911
Derbyshire Fire	Derbyshire (2015/RDS Scheme)	15	7	5	0	0	0	27
Leicestershire Fire	Leicestershire (1992 Scheme)	0	34	545	79	1	0	659

Leicestershire Fire	Leicestershire (2006 Scheme)	0	138	26	4	9	0	177
Leicestershire Fire	Leicestershire (2006/RDS Scheme)	0	11	51	0	0	0	62
Leicestershire Fire	Leicestershire (2015 Scheme)	579	163	28	2	1	18	791
Leicestershire Fire	Leicestershire (2015/RDS Scheme)	5	2	2	0	0	0	9
Nottinghamshire Fire	Nottinghamshire (1992 Scheme)	0	42	713	121	1	0	877
Nottinghamshire Fire	Nottinghamshire (2006 Scheme)	0	159	30	10	6	0	205
Nottinghamshire Fire	Nottinghamshire (2006/RDS Scheme)	0	35	65	0	0	0	100
Nottinghamshire Fire	Nottinghamshire (2015 Scheme)	596	190	26	1	0	2	815
Nottinghamshire Fire	Nottinghamshire (2015/RDS Scheme)	17	4	1	0	0	0	22
Cambridgeshire Fire	Cambridgeshire (1992 Scheme)	0	27	375	50	4	0	456
Cambridgeshire Fire	Cambridgeshire (2006 Scheme)	1	205	9	1	3	0	219
Cambridgeshire Fire	Cambridgeshire (2006/RDS Scheme)	0	11	47	0	0	0	58
Cambridgeshire Fire	Cambridgeshire (2015 Scheme)	454	242	15	0	4	2	717
Cambridgeshire Fire	Cambridgeshire (2015/RDS Scheme)	7	2	2	0	0	0	11
Northampton Fire	Northamptonshire (1992 Scheme)	0	19	354	54	0	0	427
Northampton Fire	Northamptonshire (2006 Scheme)	0	92	6	1	11	0	110
Northampton Fire	Northamptonshire (2006/RDS Scheme)	0	10	28	0	0	0	38
Northampton Fire	Northamptonshire (2015 Scheme)	389	226	6	0	4	13	638
Northampton Fire	Northamptonshire (2015/RDS Scheme)	9	0	0	0	0	0	9
Shropshire Fire	Shropshire (1992 Scheme)	0	17	250	35	2	0	304
Shropshire Fire	Shropshire (2006 Scheme)	0	107	4	5	4	0	120
Shropshire Fire	Shropshire (2006/RDS Scheme)	0	14	66	1	0	0	81
Shropshire Fire	Shropshire (2015 Scheme)	399	170	14	5	2	25	615
Shropshire Fire	Shropshire (2015/RDS Scheme)	21	2	1	0	0	2	26
Warwickshire Fire	Warwickshire (1992 Scheme)	0	23	358	61	0	0	442
Warwickshire Fire	Warwickshire (2006 Scheme)	1	97	3	1	2	0	104
Warwickshire Fire	Warwickshire (2006/RDS Scheme)	0	8	18	0	0	0	26
Warwickshire Fire	Warwickshire (2015 Scheme)	370	139	11	4	3	13	540
Warwickshire Fire	Warwickshire (2015/RDS Scheme)	2	1	0	0	0	1	4
								503182

Customer Survey Results – WYPF Members
(1st October to 31st December 2022)

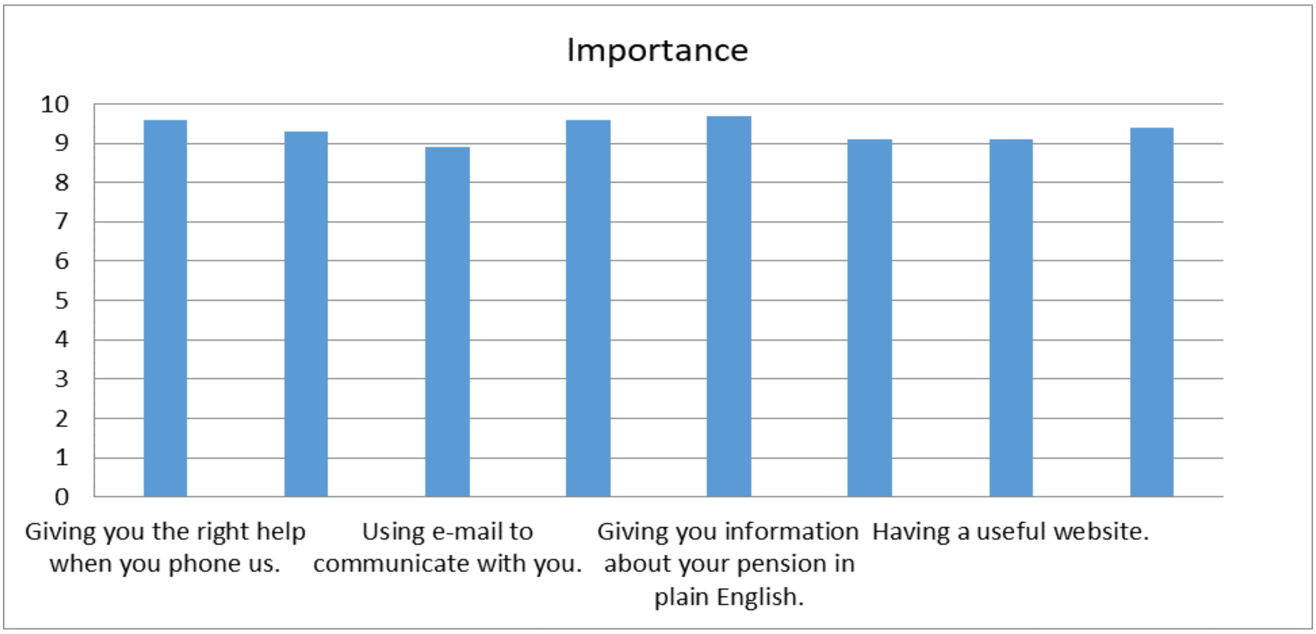
Over the quarter October to December, we received **6** online customer responses.

Over the October to December **606** sample survey letters were sent out and **65 (10.8%)** returned:

Overall Customer Satisfaction Score:

October to December 2021	January to March 2022	April to June 2022	July to September 2022	October to December 2022
86.3%	84%	96.3%	93.2%	96.9%

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



Sample of positive comments:

Member Name /Number	Comments
1117894	Online records are easy to access for any information required. From informing you about my retirement until getting my first pension everything was smooth.
1207290	Generally good, may be little slow but I have always been able to call and clarify my queries. I am happy although I feel communication could be little better. E.g once I spoke to member of staff , they gave me email address for quick response which was not given in any written correspondence.
636339	Very efficient and helpful staff who know their stuff. I received excellent help and advice when accessing my pension, thank you.
'039253	Very good service that is easy to access. The service I received was excellent, I like that because I can do most of things on WYPF website by logging in to my account by emailing or calling what should I need to.
Online	I received exemplary assistance from Stuart Newbould at WYPF. I couldn't leave my small pension pot at WYPF as I had only completed 16 months' service in that job. The original WYPF forms were quite confusing but I was lucky enough to contact Stuart Newbould who has been absolutely excellent in helping me to complete my pension transfer to a new provider.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
1209562	I have only called you once, I felt I was rushed my query was not listened.	Response sent by Sandra - Thank you for taking time to complete and return our customer survey. To help us trace the telephone call and improve our service, please can you provide the date you called and the telephone number you called from? Your comments have been noted and will be reviewed by our senior management team during the next review of customer service.

Council Workforce

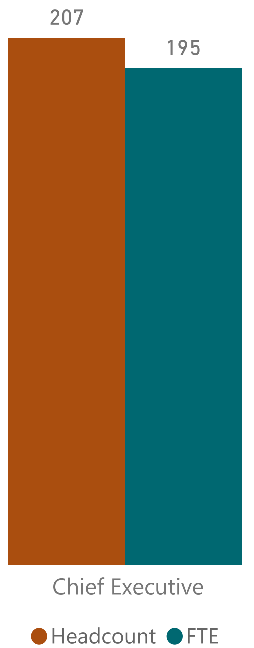
1 February 2023

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

Council Headcount & True FTE



206

Established Employees

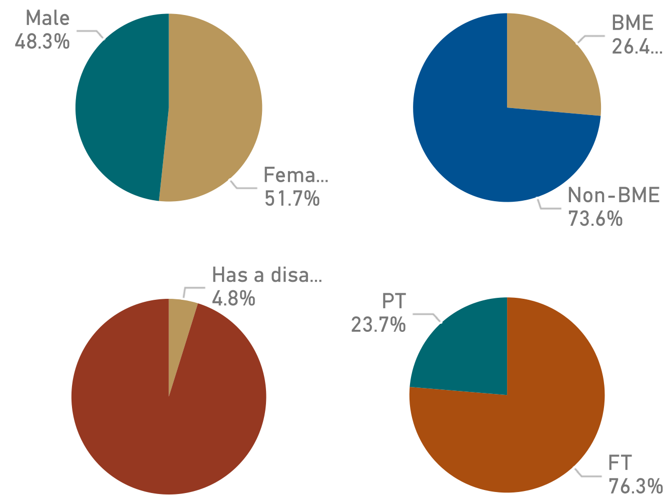
1

Temporary Employees

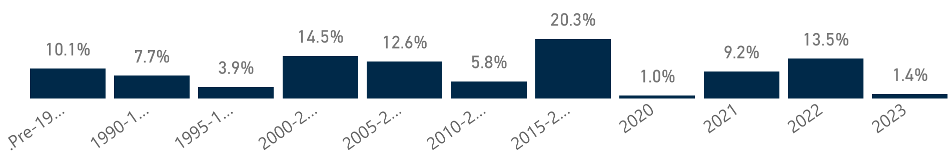
19

Casual Workers

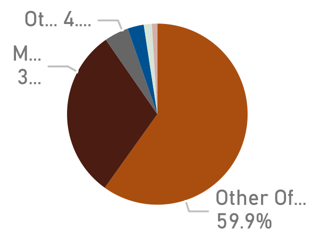
Protected Characteristics



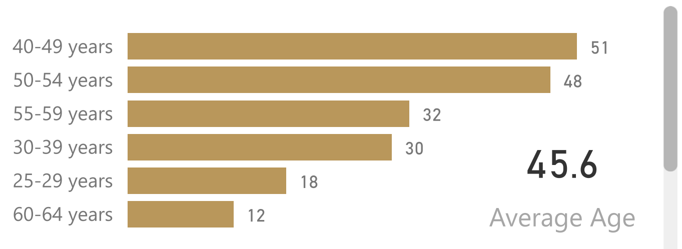
Current Employee Start Year



Job Types



Age Bands



45.6

Average Age

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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: All

Sickness Category: 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

96.3K

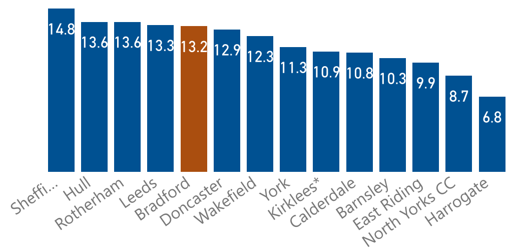
Total FTE Days Lost

YE Total Sickness

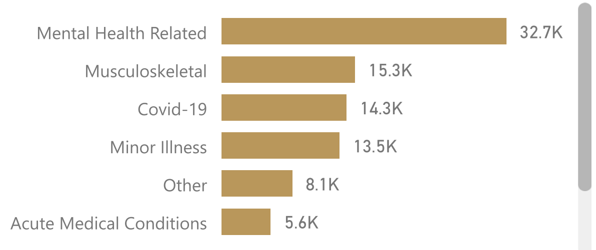
£10.8M

Total Sick Pay Cost

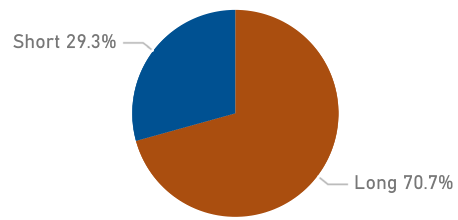
BV12 Local Authority Comparison 2021/22



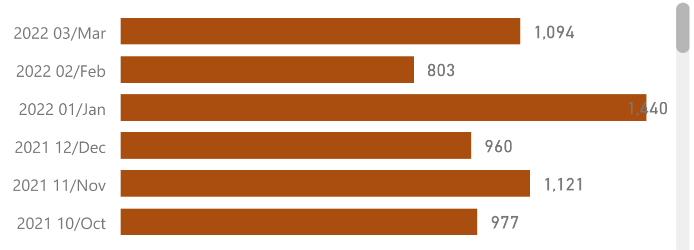
Sickness Category (FTE days) at Year End



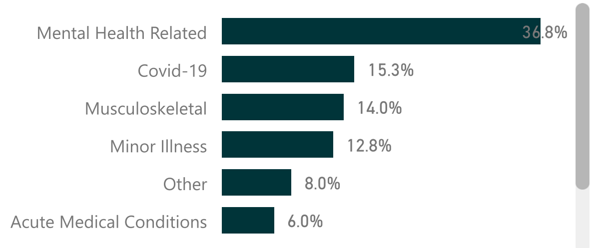
FTE Days by Term at Year End



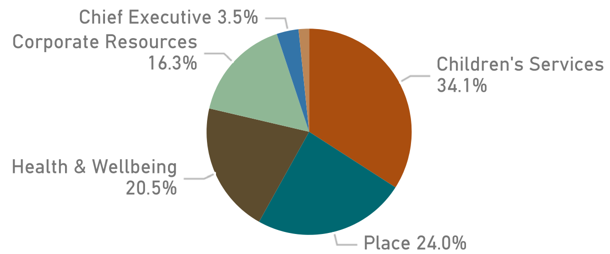
Sickness Spells Commenced per Month



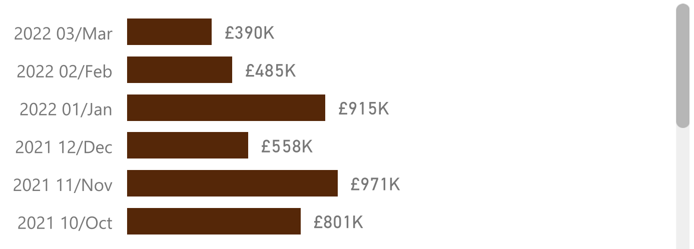
Sick Pay by Category (£) at Year End



Sick Pay Costs Split at Year End



Sick Pay Cost by Month Commenced (£)



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Starters

1 Feb 2023

Start Date

2/1/2022 | 1/31/2023

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

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

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

< Show All >

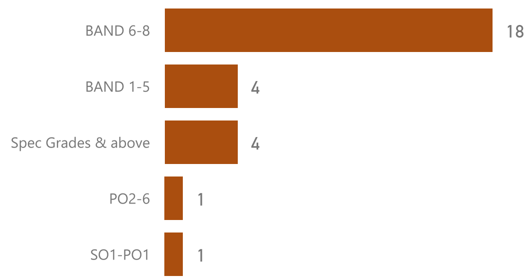
< Gender >

< Ethnicity >

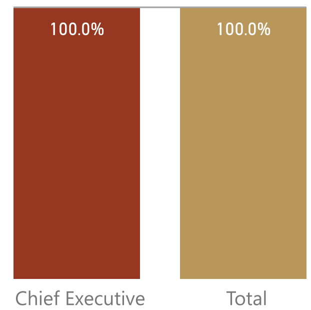
< Disability >

Number of Starters

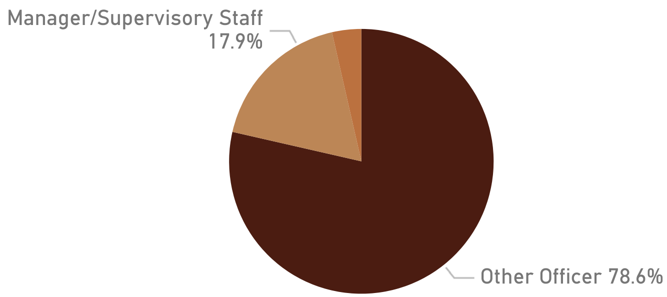
Starter Pay Band



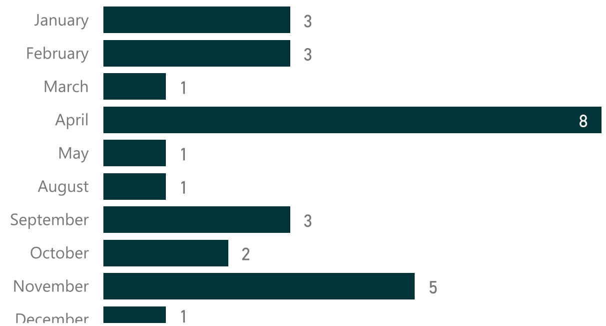
Percentage of Starters



Starter Job Types



Starters Over Time



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Leavers

1 Feb 2023

Leaving Date

2/1/2022 | 1/31/2023

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

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

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

< Show All >

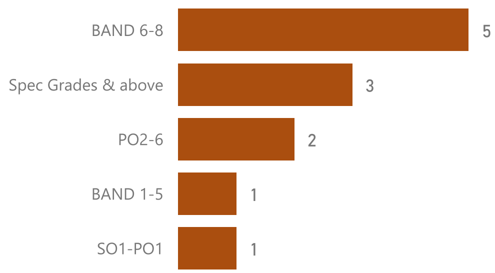
< Gender >

< Ethnicity >

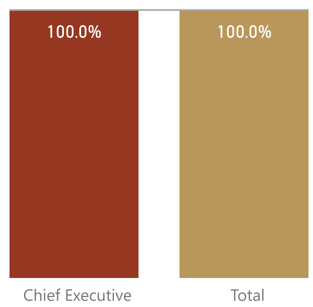
< Disability >

Number of Leavers

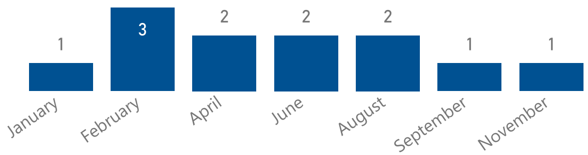
Leavers by Payscale



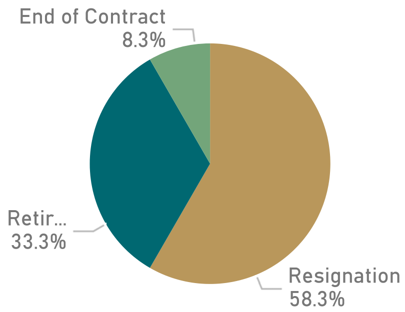
Percentage of Leavers



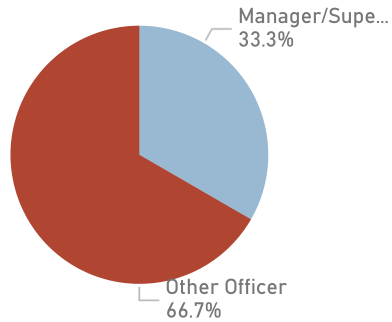
Leavers Over Time



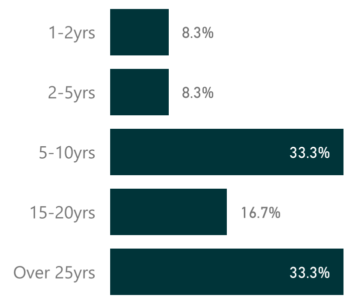
Leaving Reasons



Leaver Job Types



Leaver Length of Service



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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AH

Subject: Risk Management

Summary statement:

This report presents West Yorkshire Pension Fund's Risk Policy and Strategy. The purpose of the Policy and Strategy is to effectively mitigate risks which may otherwise impact on WYPF meeting its statutory responsibilities and strategic objectives. This is achieved by the development and maintenance of a comprehensive risk register. For each risk identified its likelihood of occurrence and materiality is considered and actions are identified in order to mitigate the risk.

The Risk Policy and Strategy is subject to regular review by the WYPF Investment Advisory Panel (IAP) and Joint Advisory Group (JAG).

The Pensions Board is asked to note and provide any comments it may have on the risk Policy and Strategy and any of the risks set out in the risk register.

EQUALITY & DIVERSITY:

Issues of Equality and Diversity are included within the body of the document.

Euan Miller
Managing Director

Portfolio: Leader of Council & Corporate

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

Overview & Scrutiny Area: Corporate

1.0 SUMMARY

1.1 Risk should be eliminated, reduced, or controlled as far as possible. To achieve this WYPF will ensure that risk management is integral to the governance and management of the Fund at both strategic and operational levels.

1.2 WYPF's Risk Management Policy and Strategy establishes the process for implementing proactive risk management as part of the overall management of the pension fund.

2.0 BACKGROUND

2.1 Risk can be defined as the combination of the likelihood of an event occurring, and the level of impact on the Pension Fund's ability to achieve its objectives if it does occur.

2.2 Risk should be eliminated, reduced, or controlled as far as possible. To achieve this WYPF will ensure that risk management is integral to the governance and management of the Fund at both strategic and operational levels. The aim is to integrate risk awareness and management into both the processes and the culture to help ensure that the Fund's objectives are met.

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

2.4 The risk register contained with the Risk Management Policy and Strategy sets out a number of risks which have been identified in relation to WYPF.

The structure of the attached report is as follows:

2.5 Included in the risk register are details of the required management action/control needed to mitigate each of the most important risks identified.

2.6 The risk register is regularly monitored by WYPF officers to ensure the report is up to-date and relevant in identifying risks in respect of both the current and future operation of WYPF.

3.0 Recent updates to Risk Register

3.1 Recent changes made to the Risk Register, which were considered at the January Investment Advisory Panel meeting are:

- Risk No 8 (Failure to administer the scheme in line with regulations and policies) – The risk profile has changed from BIII to BII

- Risk No 49 – (Provision of IT services and equipment from CBMDC) - New risk added

3.2 A matrix summarising the likelihood and materiality assessment of each of the risks can be found on page 11 of Appendix A.

4.0 OTHER CONSIDERATIONS

None

5.0 FINANCIAL & RESOURCE APPRAISAL

Sufficient budget is required to ensure adequate resources are available to meet the actions/controls set out in the risk register. This is factored into the annual budget setting process.

6.0 RISK MANAGEMENT AND GOVERNANCE ISSUES

Identified in Appendix A.

7.0. LEGAL APPRAISAL

None

8.0. 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

9.0. NOT FOR PUBLICATION DOCUMENTS

None

10. RECOMMENDATIONS

The Pensions Board is asked to note and provide any comments it may have on the risk Policy and Strategy and any of the risks set out in the risk register.

11. APPENDICES

Appendix A – Risk Management Report

12. BACKGROUND DOCUMENTS

Appendix A

WYPF Departmental Risk Management and Opportunities Report

Introduction

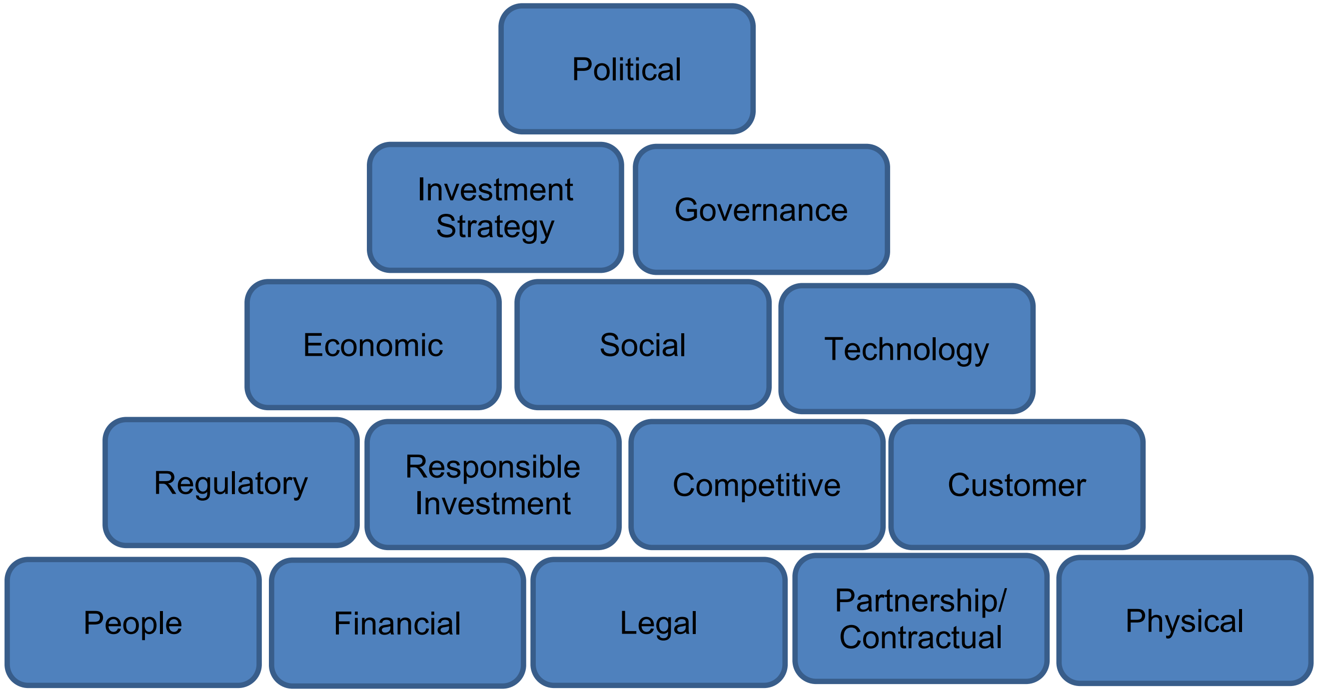
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed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

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

The process

Risk identification

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



Identified risks

Economic

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

Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

Technological

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

Legislative/Regulatory

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

People

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

Financial

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

Physical

Scenario	Short name

Competitive

Scenario	Short name
11	National and local KPI's are not being met

Customer

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

Social

Scenario	Short name

Partnership / Contractual

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

Governance

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

38	Pension Fund investments may not be accurately valued.

Investment Strategy

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

Responsible Investment

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

Risk analysis, profile and tolerance

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

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

The top risks facing WYPF are identified as:

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

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

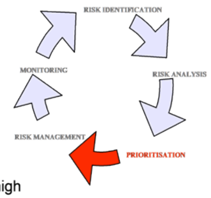
To determine the section's appetite to risk, each of the squares on the matrix are considered to decide if WYPF are prepared to live with a risk in that box or if it needs to be actively managed. This set a theoretical tolerance line. Those risks above the line requiring further scrutiny and those below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

As part of a regular review, 49 risks have been identified and framed into scenarios. The risks identified have been rated, 32 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 2023

Likelihood	IV	III	II	I
A				
B			8	
C		10,	1, 2, 5, 6,9, 28, 33,39,	41,49
D		3, 4,13, 16,44	14, 15, 18, 19, 20,21,22,23,24, 25,26,27,29,30, 31,32,34,43,45, 46,48	
E	11,	7,	12, 17, 35,36,37,40,42, 47	
F			38	

Impact



Likelihood:

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

Impact:

I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Risk management and monitoring

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

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

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

Management Action Plans

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

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

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing. Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
8	B II	Failure to administer the scheme in line with regulations and policies	Technical Services Manager reviews impending legislation changes and MSM's assess impact on their areas of responsibility. Project teams set up to assess major legislation changes.	Management Review Meetings will monitor workloads and progress of any changes to be implemented.	Managing Director, Assistant Director (Finance, Administration and Governance)/ Head of Finance	Any changes implemented in line with legislation timescales.	At each MR meeting	McCloud Remedy Autumn 2023, Pensions Dashboard Sept 2024	Increase in member satisfaction levels.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		
49	C1	Provision of IT services and equipment from CBMDC	Reduce connectivity issues, provide IT equipment in a timely manner.	Regular meetings with CBMDC Client Manger, escalation process in place, request equipment ASAP to give CBMDC as much notice as possible.	Managing Director Assistant Director (Finance, Administration and Governance)	No connectivity issues, timely receipt of IT equipment	Ongoing		

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

Future review and revision of risks

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

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

Appendix 1
Risks register

PENSIONS ADMINISTRATION RISKS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
						• Carrying vacancies
42	E II	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is notencrypted	Loss of data	• Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
43	D II	People	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	• Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
44	D III	People	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	• Information could be passed on • Records updated inappropriately • Contravene DP Act
45	D II	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	• Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by tPR
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	• Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts
49	C1	Technological	Provision of IT services and equipment from CBMDC	Staff are not able to connect to the Council network because systems are down. Staff do not have IT equipment to undertake their duties.	No access to systems or no IT equipment	• Staff cannot carry out their duties • May miss out on investment opportunities

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AI

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

Euan Miller
Managing Director

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Portfolio: Leader of Council & Corporate

Overview & Scrutiny Area: Corporate

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 10 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 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 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 Fund's 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 A 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
Value of Liabilities	**13,496.2**	**16,571.8**
Assets	**14,363.0**	**17,979.5**
Past Service Surplus/ (Deficit)	**866.8**	**1,407.7**
Funding Ratio	**106%**	**108.5%**

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 Left service	 3.3% 1.6%	 3.95% 1.6%
Discount rate – intermediate employers	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 Contribution 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

9.1 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%

9.2 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 ASSESEMENT

None

14 NOT FOR PUBLICATION DOCUMENTS

None

15 RECOMMENDATIONS

- That the Local Pension Board note this report.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AJ

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 taken for the 2022 valuation exercise.

EQUALITY & DIVERSITY: None

Euan Miller
Managing Director

Report Contact: Caroline Blackburn
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Portfolio: Leader of Council & Corporate

Overview & Scrutiny Area: Corporate

1. SUMMARY

1.1 WYPF must maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013. It 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

1.2 The Administering Authority undertook 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 proposed updates to the Funding Strategy Statement were:

- Approaches and principles for the 2022 Valuation

  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 pf 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 consultation on the proposed amendments ran for 6 weeks up until 31 December 2022.

2.3 A report was taken to the Joint Advisory Group (JAG) on 26 January 2023, asking for the changes to the Funding Strategy Statement to be approved. The changes were tracked to aid reference and the document was appended to the report.

2.4 The Joint Advisory Group did not approve the changes as they requested a number of additions in relation to disinvestment in fossil fuels within a specified timeline. However, Officers advised that the document had already been out for consultation with stakeholders and had been drafted based on comments received. It would not be appropriate to make changes to the policy without further consultation. Officers further advised that the FSS was a policy document and needed to be consistent with other WYPF policies which were matters considered by the Investment Advisory Panel rather than the Joint Advisory Group.

2.5 The proposed amendments to the Funding Strategy Statement are required to enable the Rates and Adjustment certificate to be signed by the Funds Actuary by 31 March 2023 as part of the 2022 Valuation.

2.6 The Funding Strategy Statement will now go to the Administering Authority's Governance and Audit meeting of the 23 March 2023 where the report will recommend that the version of the FSS that was issued for consultation be approved.

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 HUMAN RIGHTS ACT

None

7.4 TRADE UNION

None

7.5 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9 RECOMMENDATIONS

The Local Pension Board note this report.

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10. Appendix

- Appendix A - FSS

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 without 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 fromAt 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 Fundof 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:~~

~~Funding Target~~	~~Probability of funding success~~	~~Trajectory Period~~	~~Discount rate as at 31 March 2022~~
~~Secure Scheduled and Subsumption Bodyies and admission bodies with a guarantee from such bodies~~	~~765%~~	~~250 years~~	~~4.5%~~
~~Intermediate employers~~	~~Dependent on risk rating:~~	~~205 years~~	

	~~- lower risk employers: 80%~~ ~~- medium risk employer: 83%~~ ~~- higher risk employers: 85%~~		~~4.25%~~ ~~4.05%~~ ~~3.95%~~
~~Ongoing orphan employers~~	~~Set to target the exit (orphan) position when the last active leaves*~~		~~In service: 3.95%~~ ~~Left service: 1.60%~~
~~Already orphaned employersliabilities~~Orphan ~~(exit)~~	~~95%*~~	~~15 years*~~	~~1.60%~~

~~* In order to keep contributions for employers subject to Tthe 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.

5.13~~2~~ 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:

- 5.13~~2~~.1 the agreed period of the deferred debt agreement;
- 5.13~~2~~.2 the type/group of the employer;
- 5.13~~2~~.3 the business plans of the employer;
- 5.13~~2~~.4 an assessment of the financial covenant of the employer;
- 5.13~~2~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

5.14~~3~~ 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:

Funding Target	Probability of funding success	Trajectory Period	Discount rate as at 31 March 2022
Secure Scheduled and Subsumption Body	76%	20 years	4.5%
Intermediate	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	20 years	 4.25% 4.05% 3.95%
Ongoing orphan	Set to target the exit (orphan) position when the last active leaves*		In service: 3.95% Left service: 1.60%
Orphan (exit)	95%	15 years	1.60%

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

5.16~~4~~ 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 5.33~~5.30~~ 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 achiev~~ing~~e ~~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.

5.17~~5~~ 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.

5.18~~6~~ 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: -

- 5.18~~6~~.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
- 5.18~~6~~.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

- 5.18~~6~~.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
- 5.18~~6~~.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)
- 5.18~~6~~.5 deferred employers – remaining period of the deferred debt agreement

5.19~~7~~ In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:

- 5.19~~7~~.1 the type/group of the employer
- 5.19~~7~~.2 the size of the funding ~~shortfall~~ deficit or surplus;
- 5.19~~7~~.3 the business plans of the employer;
- 5.19~~7~~.4 the assessment of the financial covenant of the employer;
- 5.19~~7~~.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.19~~7~~.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

5.20~~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 are~~is~~ set out in Appendix 2 Amending Employer Contributions between Valuations.

5.21~~19~~ 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.

5.22~~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.

5.23~~0~~ 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.

5.24~~1~~ 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.

5.25~~2~~ 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.~~ The~~se~~ past service (“secondary”) contributions are assessed taking into account the following:

5.25~~2~~.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.~~

5.25~~2~~.2 the appropriate recovery period for the employer or group in line with the principles set out in paragraph 5.16 above.

5.26~~3~~ 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.

5.27~~4~~ ~~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~~w~~here 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.

5.28~~5~~ 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:

- 5.28~~5~~.1 the type/group of the employer;
- 5.28~~5~~.2 the business plans of the employer;

- 5.28~~5~~.3 an assessment of the financial covenant of the employer;
- 5.28~~5~~.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.;
- 5.28~~5~~.5 whether the employer has set up a subsidiary company which does not (fully) participate in the LGPS

5.29~~6~~ On the ~~exit~~ cessation of an employer’s~~ing~~ ~~authority’s~~ participation in the ~~Scheme~~Fund, 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~~ Fund 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.

5.30~~27~~ 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.

5.31~~28~~ Two key principles making up the funding strategy and to be adopted for the 2022~~19~~ actuarial valuation are to:

- 5.31~~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 202~~0~~3 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;

- 5.31~~28~~.2 retain a maximum 22-year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.

5.32~~29~~ It may not be possible to adopt the two principles outlined in paragraph 5.28~~6~~ 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.

5.33~~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~~he~~ 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

5.34~~1~~ 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

5.35~~2~~ 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.

5.36~~3~~ 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.:

5.36~~3~~.1 where there is clear evidence higher pension contributions may precipitate an employer's failure

5.36~~3~~.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~~.

5.37~~4~~ ~~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 be~~are 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)

5.38~~5~~ 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.

5.39~~6~~ 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.

5.40~~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. 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

5.41~~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 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 ~~2~~1.

5.42~~39~~ 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

6.6~~5~~ 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.

6.7~~6~~ 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.

6.8~~7~~ Employers within the AG will share all risks in proportion to liabilities. Subject to 6.~~9~~10 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.~~8~~9 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.~~9~~10 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)

~~6~~7.1 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~~7.2~~-~~. ~~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.~~

7.3~~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.~~

7.3The 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.

8~~7~~. Identification of risks and counter-measures

8~~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

8~~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:

- 8~~7~~.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
- 8~~7~~.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
- 8~~7~~.2.3 insufficient funds to meet liabilities as they fall due
- 8~~7~~.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- 8~~7~~.2.5 counterparty failure

8~~7~~.3 The specific risks associated with assets and asset classes are:

- 8~~7~~.3.1 equities – industry, country, size and stock risks
- 8~~7~~.3.2 fixed income - yield curve, credit risks, duration risks and market risks
- 8~~7~~.3.3 alternative assets – liquidity risks, property risk, alpha risk
- 8~~7~~.3.4 money market – credit risk and liquidity risk
- 8~~7~~.3.5 currency risk
- 8~~7~~.3.6 macroeconomic risks

8~~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.

8~~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.

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 paragraph5.13 ~~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.

8.11~~7.10~~ Where it appears likely to the A~~a~~dministering A~~a~~uthority 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

8.12~~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,

- 8.12.1~~7.11.1~~ budget cuts and headcount reductions could reduce the active (contributing)~~-~~ membership and increase the number of pensioners through early retirements;
- 8.12.2~~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),
- 8.12.3~~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),

- 8.12.4~~7.11.4~~ ~~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~~ether on affordability grounds or to avoid tax charges~~) will reduce member contributions to the Fund.

8.13~~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

8.14~~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:

- 8.14.1~~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.

- 8.14.2~~7.13.2~~ 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 colleges~~sector 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.

8.16~~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

8.17~~7.16~~ These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a ~~shortfall~~deficit 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 ~~7.21~~ 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

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~~.

9~~8~~. Monitoring and Review

9~~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.

9~~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.

9~~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:

- 9~~8~~.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- 9~~8~~.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.
- 9~~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
- 9~~8~~.3.4 if there have been any significant special contributions paid into the Fund.

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

1. Background

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

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

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

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

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

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

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

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

1.4 The Administering Authority has an obligation to pursue all liabilities owed so any ~~shortfall~~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 paragraph1(d) where the initial contract length is less than 5 years and there are fewer than 100 members transferring to the new admission body.

2.9 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 body the admission body must secure a guarantee from:

a) a person who funds the admission body in whole or in part;

b) a person who-

(i) owns, or

(ii) controls the exercise of the functions of, the admission body; or

c) the Secretary of State in the case of an admission body-

(i) which is established by or under any enactment, and

(ii) where that enactment enables the Secretary of State to make financial provision for that admission body, or

(iii) which is a provider of probation services under section 3 of the Offender Management Act 2007 (power to make arrangements for the provision of probation services) or a person with whom such a provider has made arrangements under subsection (3)(c) of that section.

Ultimately, an indemnity or bond or guarantee is designed to protect the Fund in the event that unfunded liabilities are present after the termination of an admission body.

3.6 When an admission agreement comes to its end, or is prematurely terminated for any reason, employees may transfer to another employer, either within the Fund or elsewhere. If this is not the case the employees will retain pension rights within the Fund, either deferred benefits or immediate retirement benefits. Early retirements can, in particular, create a strain on the Fund and so give rise to unfunded liabilities.

3.7 In the event that unfunded liabilities arise that cannot be recovered from the admission body, the indemnity or bond provider or guarantor, these will normally fall to be met by the Scheme employer in the case of paragraph 1(d) admission bodies or the Fund as a whole (i.e. all employers) in the case of other admission bodies. In this latter case the ~~shortfall~~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~~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 employer ~~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 2022~~19~~ 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 t~~T~~he Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the ~~f~~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~~to~~ 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, w~~W~~here 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, ~~T~~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. (capped at 100%).

11. Suspension notices

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

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

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

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

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

- the responsibilities of the deferred employer

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

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

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

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

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

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

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

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

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

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

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

13. Responsibilities of employers in the Fund

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

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

13.3 All employers need to inform the Administering Authority of any changes to their organisation that will impact on their participation in the Fund. This includes changes of name or constitution or mergers with other organisations or other decisions which will or may materially affect the employer's Fund membership, including but not limited to:

- an admission body closing to new entrants
- a scheduled body setting up a wholly owned company to employ new staff, regardless of whether or not that company will participate in the Fund
- merging with another organization, whether a participant in the Fund or not (e.g. colleges merging under the Area Review process or housing companies merging)
- an application by a 6th form college to become a 16-19 academy, including whether successful or not
- a material change in the funding of the organization including a reduction in grants from local or central government or a shift in the balance of funding
- a large scale redundancy exercise which could materially reduce the employer's active membership
- any intervention by, or voluntary undertaking provided to, the appropriate regulator

13.4 Employers considering outsourcing any services should have regard to and adhere to the requirements of the Fair Deal Policy/Best Value direction. They should also advise the Administering Authority at the earliest opportunity and before any transfer of staff so that the necessary paperwork and calculations can be completed.

APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations

1. Background

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

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

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

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

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

2. Factors used to determine when a review is appropriate

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

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

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

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

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

3. Assessment of the risk/impact on other employers

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

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

4. Employer involvement and consultation

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

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

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

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

5. Process for requesting a review

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

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

6. Other considerations

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

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

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

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

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

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

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AK

Subject:

Pensions Dashboard

Summary statement:

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

EQUALITY & DIVERSITY:

None.

Mr Euan Miller
Managing Director

Portfolio: Leader of Council & Corporate

Report Contact: Elizabeth Boardall
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Overview & Scrutiny Area: Corporate

1.0 Background

1.1 Pensions Dashboards legislation was laid before parliament on 18th October 2022. The Regulations set out scheme managers' obligations in respect of Pensions Dashboards and are based on the indicative regulations that were consulted on in January 2022 and updated to take account of the DWP's response, and other industry feedback.

1.2 These regulations establish how pension schemes will connect to the Pensions Dashboard national ecosystem allowing millions of savers to access information on their pensions and plan for retirement.

1.3 The aim of Pensions Dashboard is to change the way people engage with and prepare for retirement by enabling people to see all their pensions information in one place online, including their state pension. It will also reunite lost and forgotten pensions pots with their owners, therefore enabling savers to better plan for their future. Pensions dashboards will not show pensions that are already being paid.

1.4 The DWP's objectives for Pensions Dashboards are:

- Increase individuals' awareness and understanding of their pension information and estimated retirement income to build a greater sense of control and ownership
- Enable individuals to make more informed choices in the decumulation phase by making it easier to access some of the information on which to base their decisions
- they will make accessing pensions information, including information on individuals' State Pension, easier by allowing people to see what they have in their various pensions at the touch of their smartphone, laptop, or computer

1.5 This first version of Pensions Dashboard will be relatively simple, offering people the opportunity to find their pensions and then view information about the value of those pensions, this will be run by Money and Pensions Service (MaPS).

1.6 MaPS is an arm's length body sponsored by the DWP, established at the beginning of 2019 which brought together the Money Advice Service, The Pensions Advisory Service and Pension Wise. It also engages with HM Treasury on policy matters relating to financial capability and debt advice.

1.7 The legislation confirms MaPS Pensions Dashboard will connect up to 52 million citizens with their pensions, working with 43,000 providers simultaneously providing an individual a view of their entire pensions provision, including state pension, in one place.

1.8 MaPS has established the Pensions Dashboards Programme (PDP) team. Its role is to design and implement the central digital architecture that will make pensions dashboards work, in close consultation with industry, the Government and regulators. They are also responsible for developing the required standards, specifications and technical requirements as well as the technology and governance to enable individuals to view all their pensions data via the Pension's Dashboard.

2.0 Legislation and Regulatory Framework

2.1 The legislation sets out a framework for the introduction of the Pensions Dashboard Service, which is a digital interface designed to enable individuals to see all their pensions information in one place.

2.2 The legislation states the date by which pensions schemes are to join the ecosystem. For WYPF this is September 2024. The Pensions Regulator (TPR) has been given the power in the legislation to ensure schemes meet their staging date. WYPF has now had four formal meetings with TPR regarding our progress.

2.3 However, on 2 March 2023 DWP issued a written ministerial statement announcing delays to the delivery of pensions dashboards. Government has announced its **intention to legislate to amend the staging timetable** (connection deadlines) to allow more time for the technological system enabling dashboards to be delivered. As a result all schemes' deadlines will be changing.

2.4 WYPF will need to:

- register with MaPS and connect to the "digital architecture" by our staging deadline.
- ensure WYPF can receive both "find" requests (a request sent as the result of an individual searching for information about their pensions) and "view" requests (a request by an individual to see detailed information about any pension which the dashboard shows they have)
- co-operate with MaPS when preparing to connect, maintain appropriate records, and report certain information to both TPR and MaPS

2.5 There is some limited flexibility in the Regulations to defer a staging deadline for up to 12 months where a scheme is in the process of changing administrator, provided certain conditions are met. The DWP has published draft guidance setting out the issues that should be considered if applying for a deferral of a scheme's staging deadline.

2.6 The Department for Work and Pensions (DWP) also announced that the Dashboard Availability Point (DAP), the point at which dashboards will be available to the public, will be announced 6 months in advance. This will give the industry time to prepare for the public go live date.

3.0 Post October 2022 Consultations

3.1 TPR's compliance and enforcement policy consultation has been issued and closed to comments on 24th February. This outlined a high-level principle based regime that will develop over time as the dashboard operation matures.

3.2 Under the Regulations, TPR will have discretion to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any single instance of non-compliance. TPR has said it will use its powers "fairly and proportionately".

3.3 It appears that the primary mechanism for establishing whether there have been compliance failures is through the digital architecture, being built by MaPS. The legislation allows MaPS to share with TPR the management information and data insights collected via real-time monitoring of the pension's dashboard ecosystem.

3.4 The Pensions Dashboards Programme (PDP), which is a function of MaPS, is responsible for designing and creating the dashboard ecosystem, including the digital architecture that is essential to make dashboards work. PDP has issued a design standard consultation which outlines how pensions information is presented to the user. This consultation closed on 16th February. The design standards are intended to be in place shortly after April 2023.

3.5 Both WYPF and the LGA have been concerned about the timing of McCloud/Sargent impacting on LG's ability to deliver both reforms to the required regulatory dates. The consultation for McCloud/Sargent was due in February with a 12 week consultation period, with legislation being laid in September and operational in October. The Matthews remedy is also due for consultation in February again with implementation in September and operational in October.

4.0 WYPF Project Update

4.1 The WYPF project remains on track and our meetings with TPR have been both positive and productive.

4.2 Within the regulations there is a concept known as "Matching". When an individual sends their data via the MaPS Pensions Dashboard all schemes need to attempt to identify whether they have a pension that matches this individual.

4.3 PDP has issued the key matching scenarios that are likely to be used. WYPF has modelled these using advanced data analytics. Our match rate runs in excess of 95% on the key scenarios.

4.4 The procurement workstream of the project has however been slower than required. This has been noted by TPR.

5.0 OTHER CONSIDERATIONS

None

6.0 FINANCIAL & RESOURCE APPRAISAL

Sufficient budget is required to ensure adequate resources are available to meet the staging date. This is factored into the annual budget setting process.

7.0 RISK MANAGEMENT AND GOVERNANCE ISSUES

Risk of not complying with the staging date and compliance with legislation.

8.0. LEGAL APPRAISAL

Under the Regulations, TPR will have discretion to issue penalties of up to £5,000 to individuals and up to £50,000 in other cases for any single instance of non-compliance.

9.0 OTHER IMPLICATIONS

None

9.1 SUSTAINABILITY IMPLICATIONS

None

9.2 GREENHOUSE GAS EMISSIONS IMPACT

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

None

10 Recommendation

It is recommended that the Pension Board note the report.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AL

Subject: Training

Summary statement:

There is a growing need for LGPS funds to demonstrate that pension committee and local pension board members ('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 their training requirements.

Members of the Joint Advisory Group, 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.

Euan Miller
Managing Director

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Assistant Director (Finance, Administration and Governance)
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Portfolio:

Overview & Scrutiny Area:

1. Training

1.1 New guidance resulting from the Good Governance Report (yet to be formally introduced) is expected to 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 Robertson. 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

CIPFA's Annual Local Pensions Board Conference
Birmingham 18 May 2023

An event specifically for Local Pension Board members giving an update on the key issues. You will get an update from the Scheme Advisory Board, the Pensions Regulator on the Single Code of Practice. Isio will give a full account of everything Boards need to know about the coming TCFD reporting and monitoring requirements that are currently out for consultation. As well as this you will hear from a series of high-quality speakers on crucial topics for Pension Boards and the Officers that support them. The event will include a breakout session, where Board members can together discuss the issues they are facing and share best practice and Officers will have the opportunity to do the same.

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 2023 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 2023 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 LPB undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.

10.2 LPB 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

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HYMANS ROBERTSON

2022 LGPS National Knowledge Assessment

West Yorkshire Pension Fund

Contents

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.

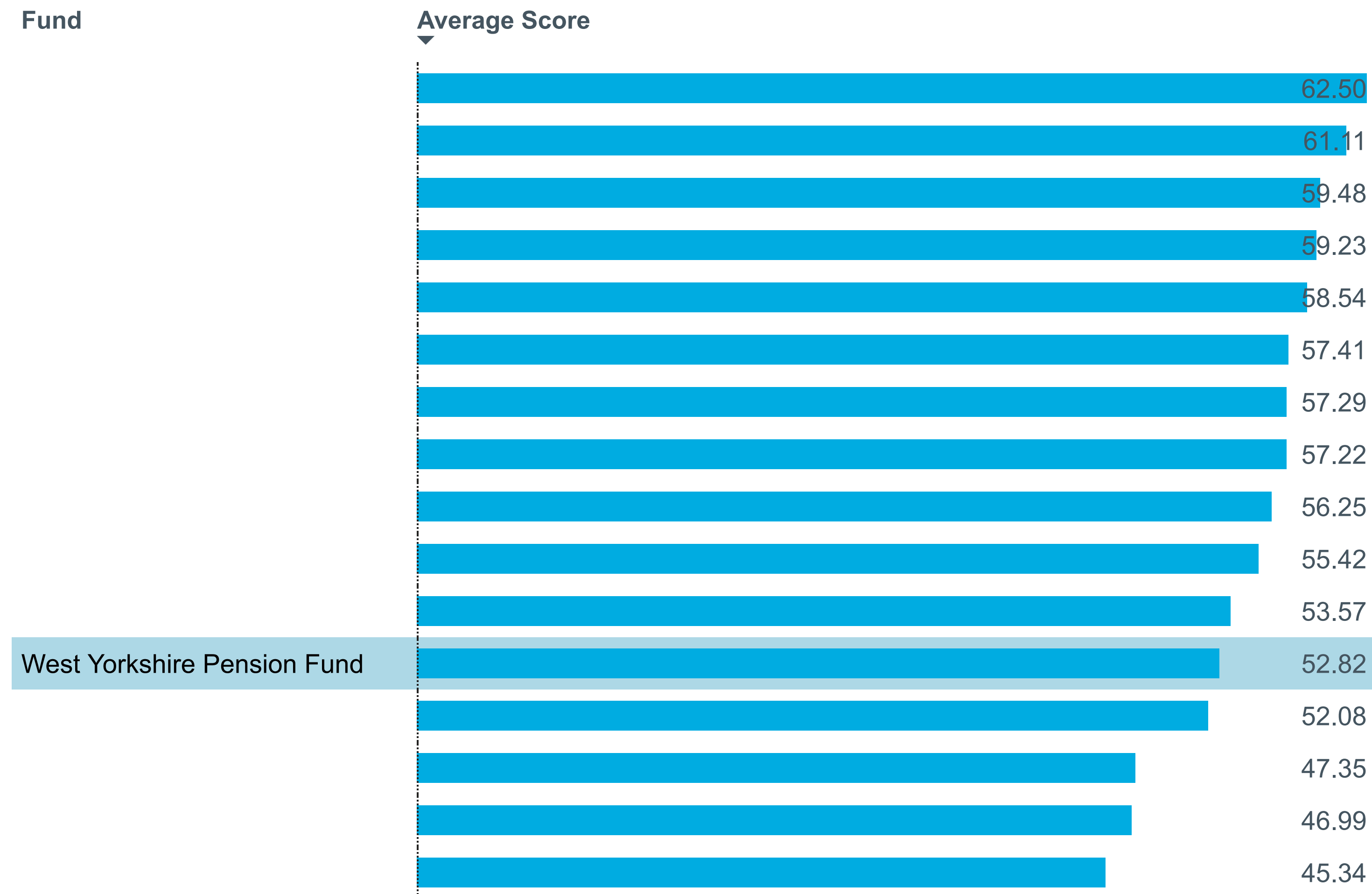
Overall Results

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.

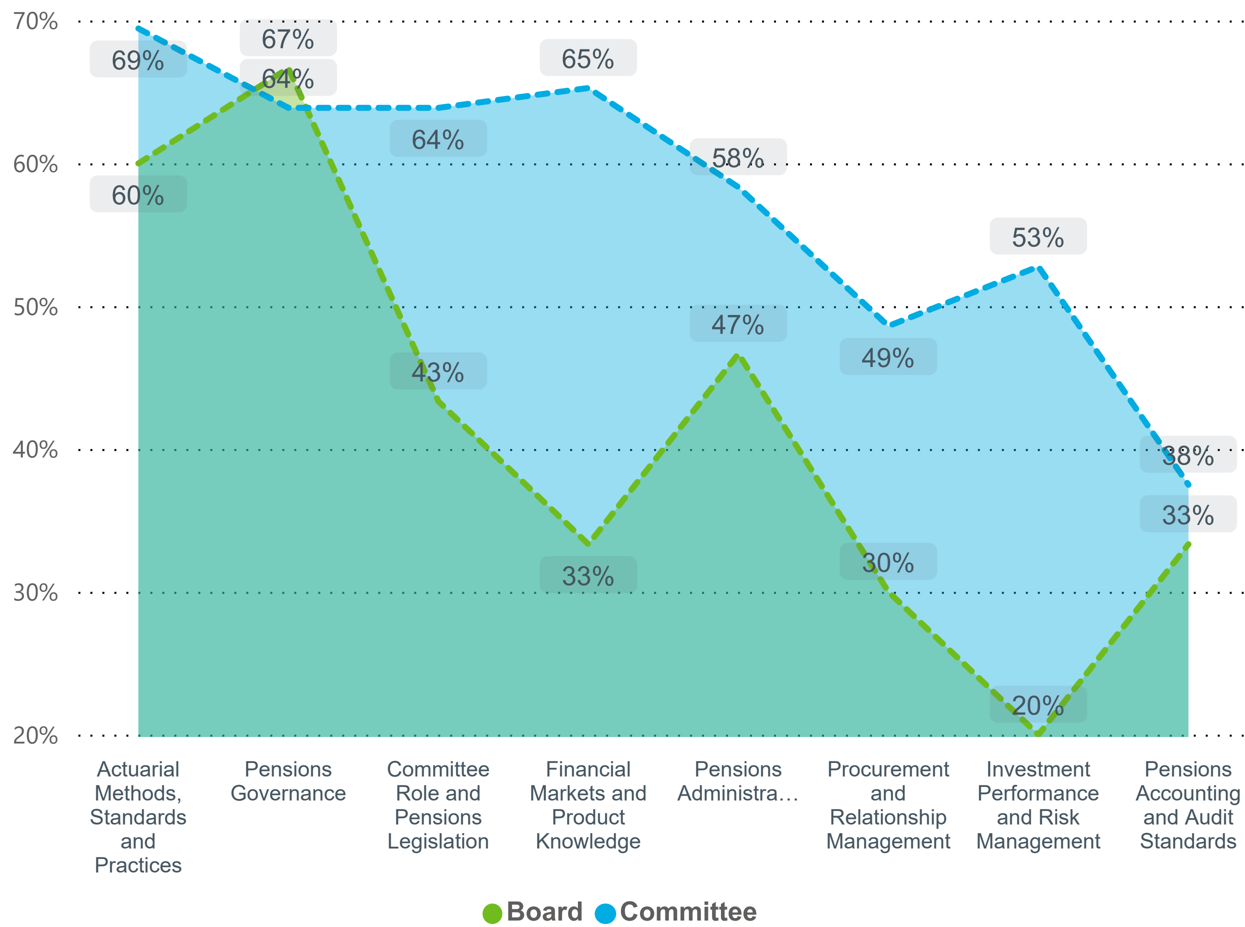
The West Yorkshire Pension Fund is in 12th out of 16 Funds.

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 Commitee 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.

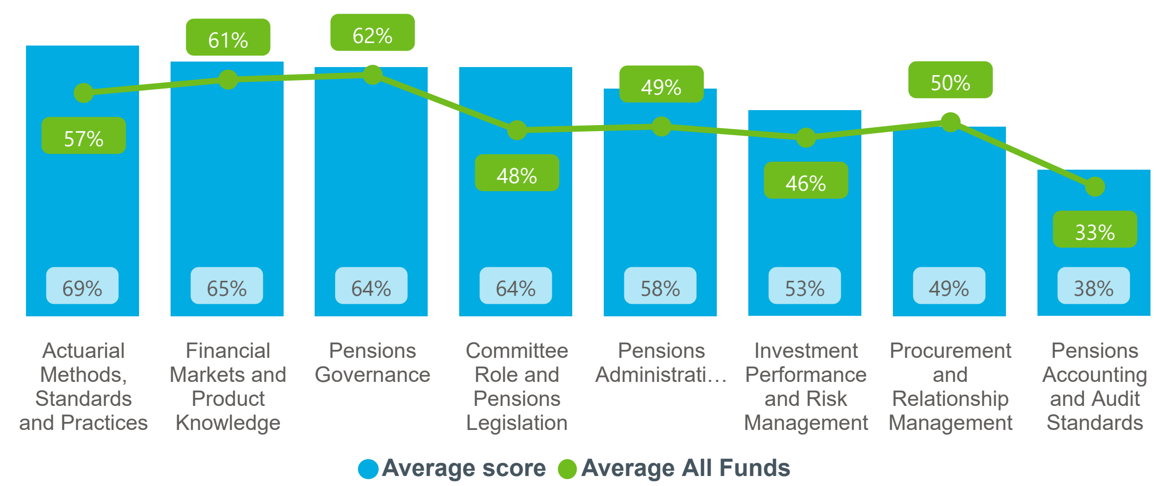
The intention is that training plans and/or timetables can be tailored to focus on the areas of least knowledge, whilst ensuring the Committee and Board maintain the high level of knowledge in the stronger areas.

- 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.

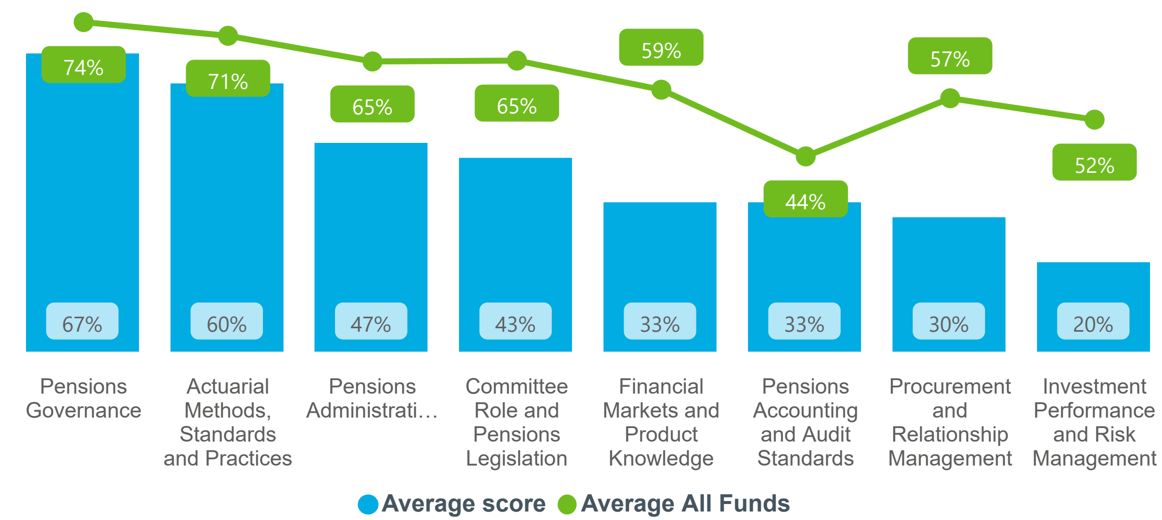
It's clear that there are some areas where knowledge levels are lower than hoped for, and these areas of Procurement and Relationship Management and
Pensions Accounting and Audit Standards would be a sensible focus of training for the Committee.

- 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 Commitee Average vs. Average All Funds



Pension Board Average vs. Average All Funds



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Commentary on results

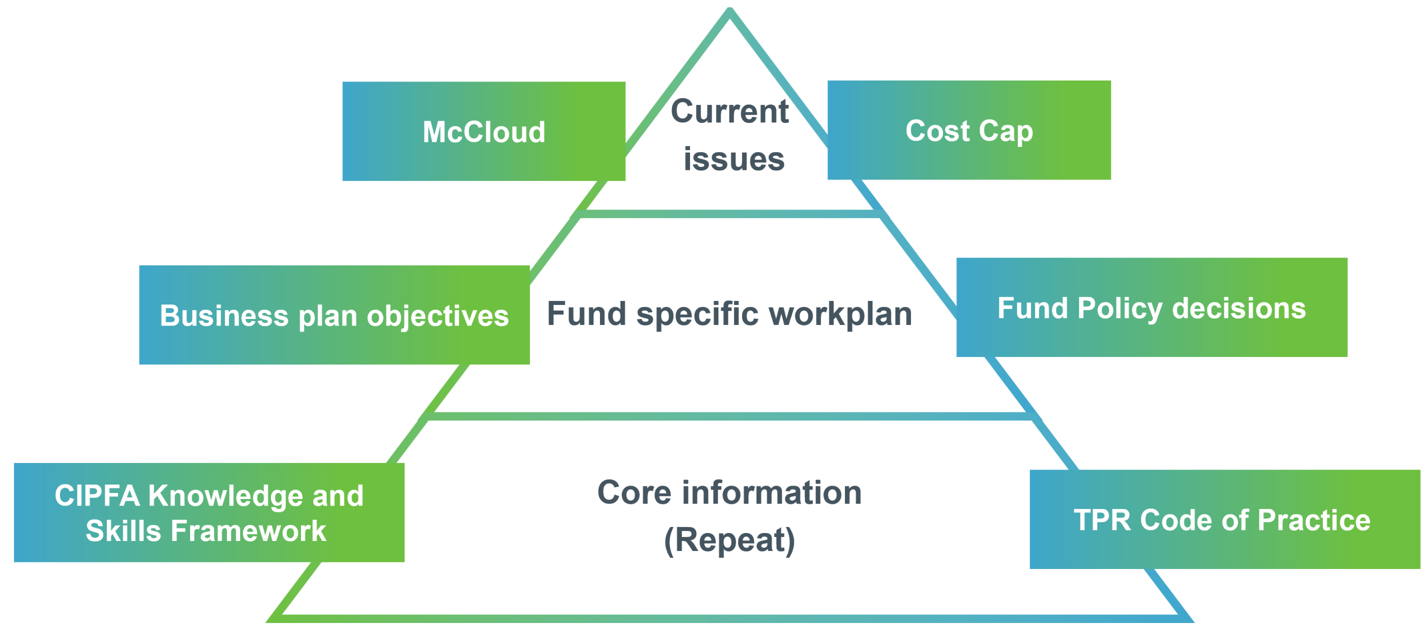
It's encouraging that 17 participants from your Fund took part in the assessment. Overall, the results were positive and it's clear that there are areas of greater knowledge levels as well as areas in which knowledge should be developed over time.

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.



Commitee

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.

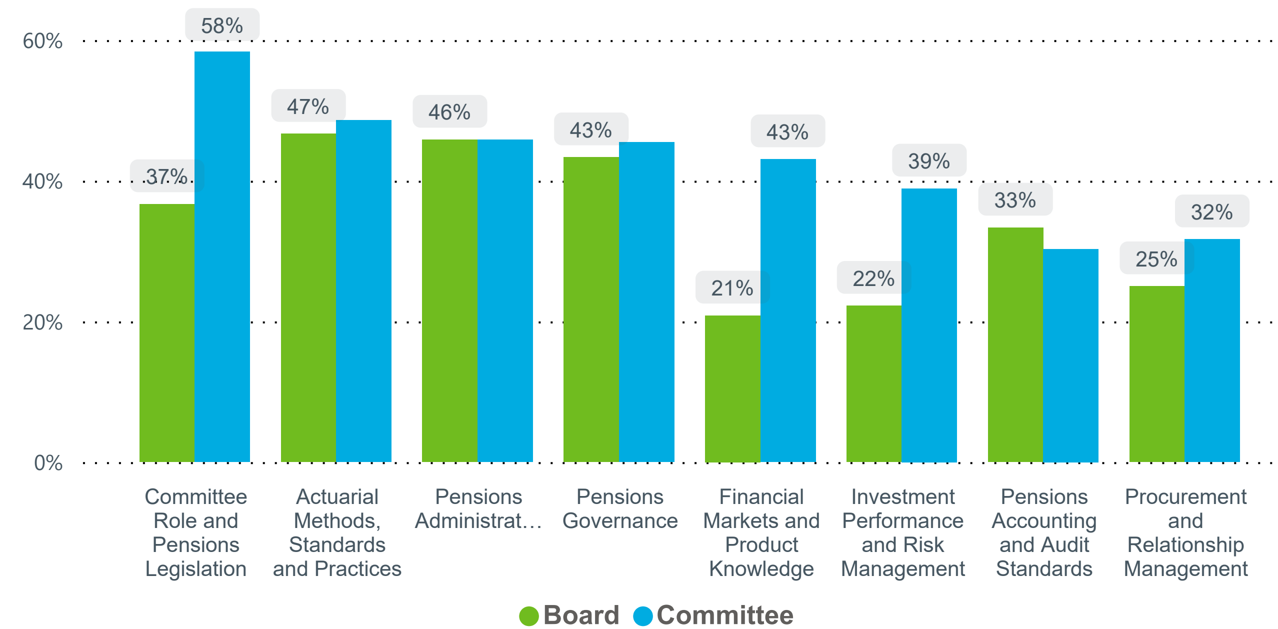
Some next steps to consider are:

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 IDRP 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.

Average Score by Section (Technical Questions)



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.

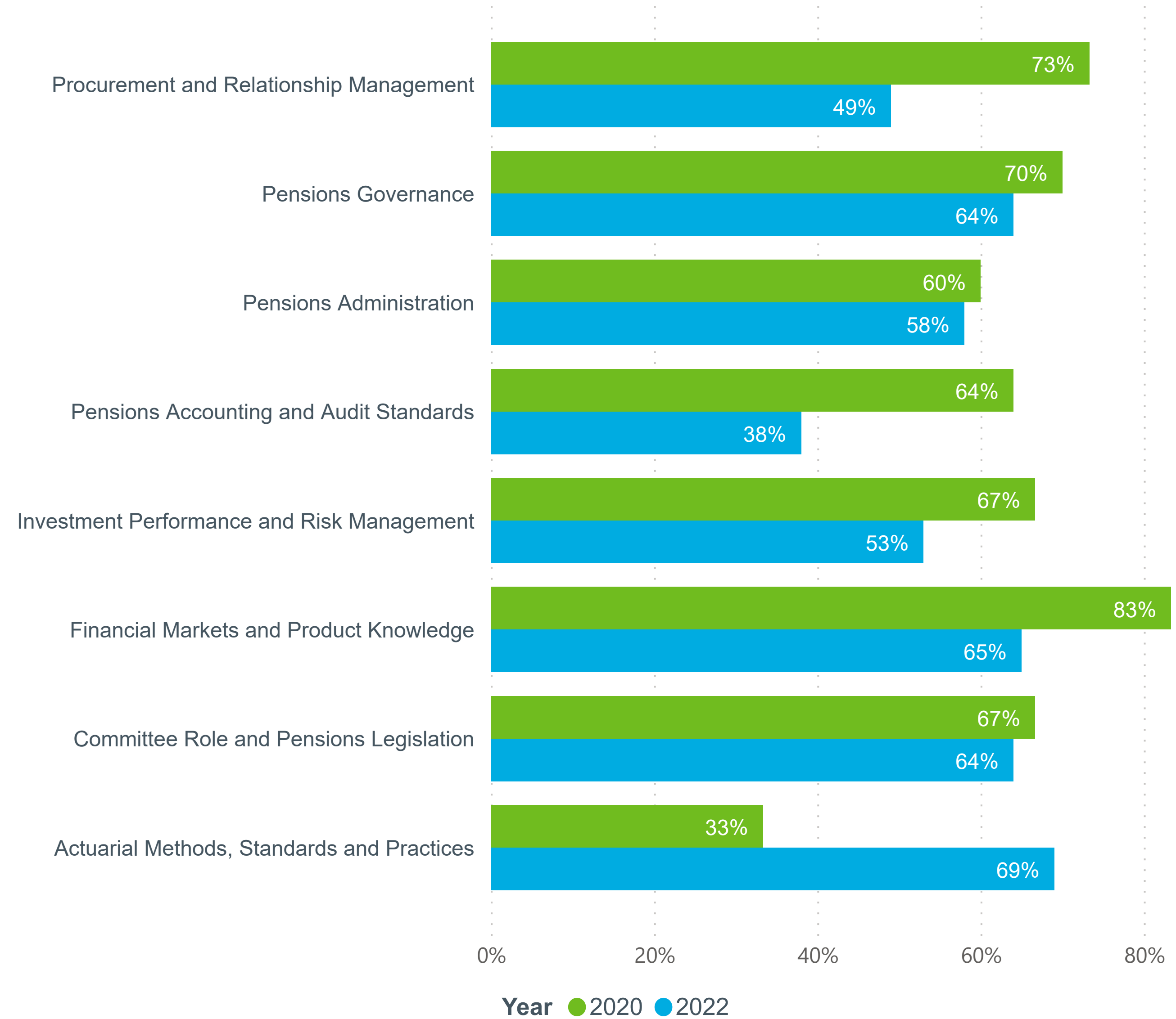
The average score for each topic this year is compared with that from the 2020 assessment. This has been broken down to show the results for the Committee and Board separately.

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.

Committee Results

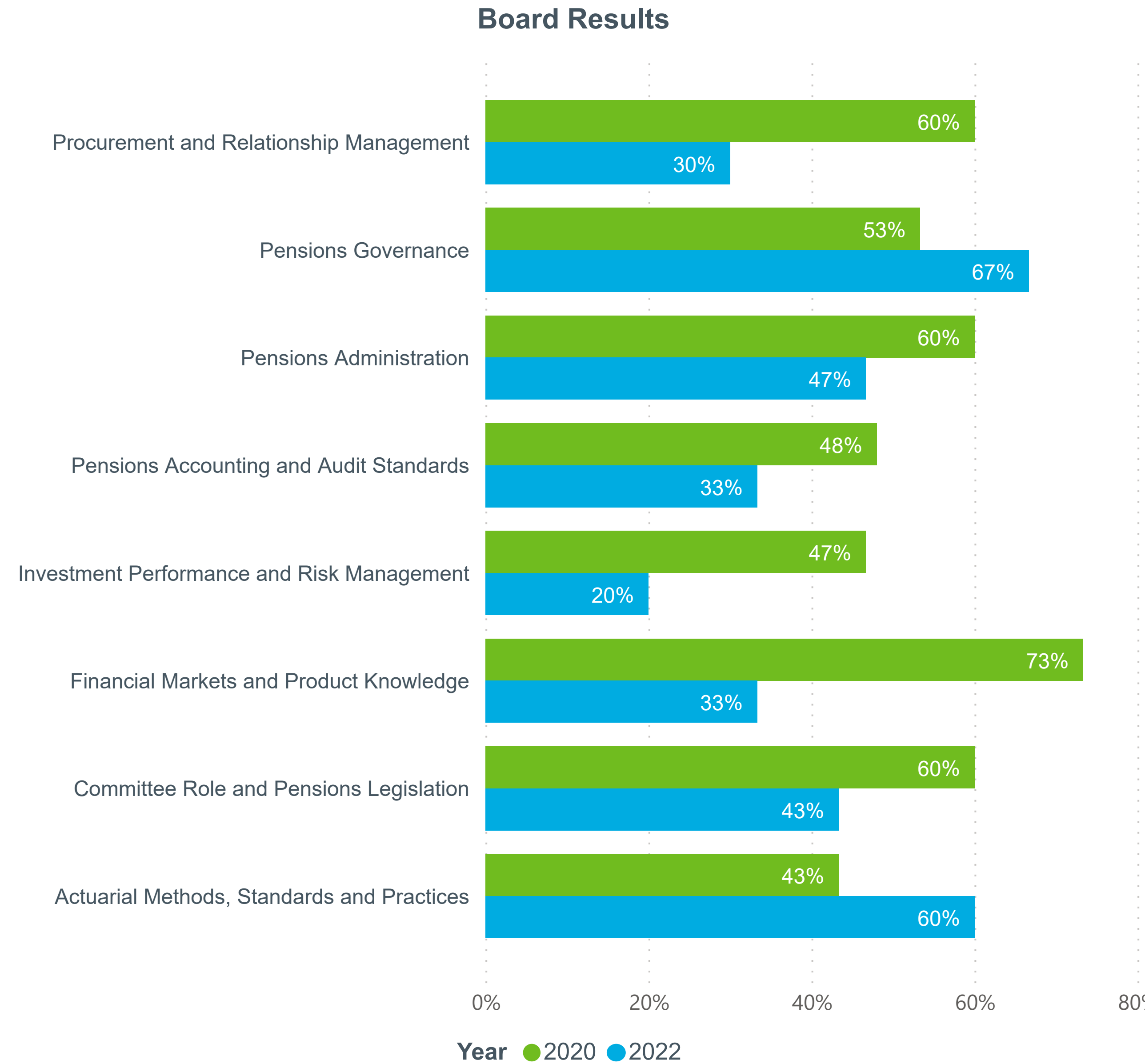


The same comparison can be made for the Board. The chart on the right shows these results.

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.



Engagement

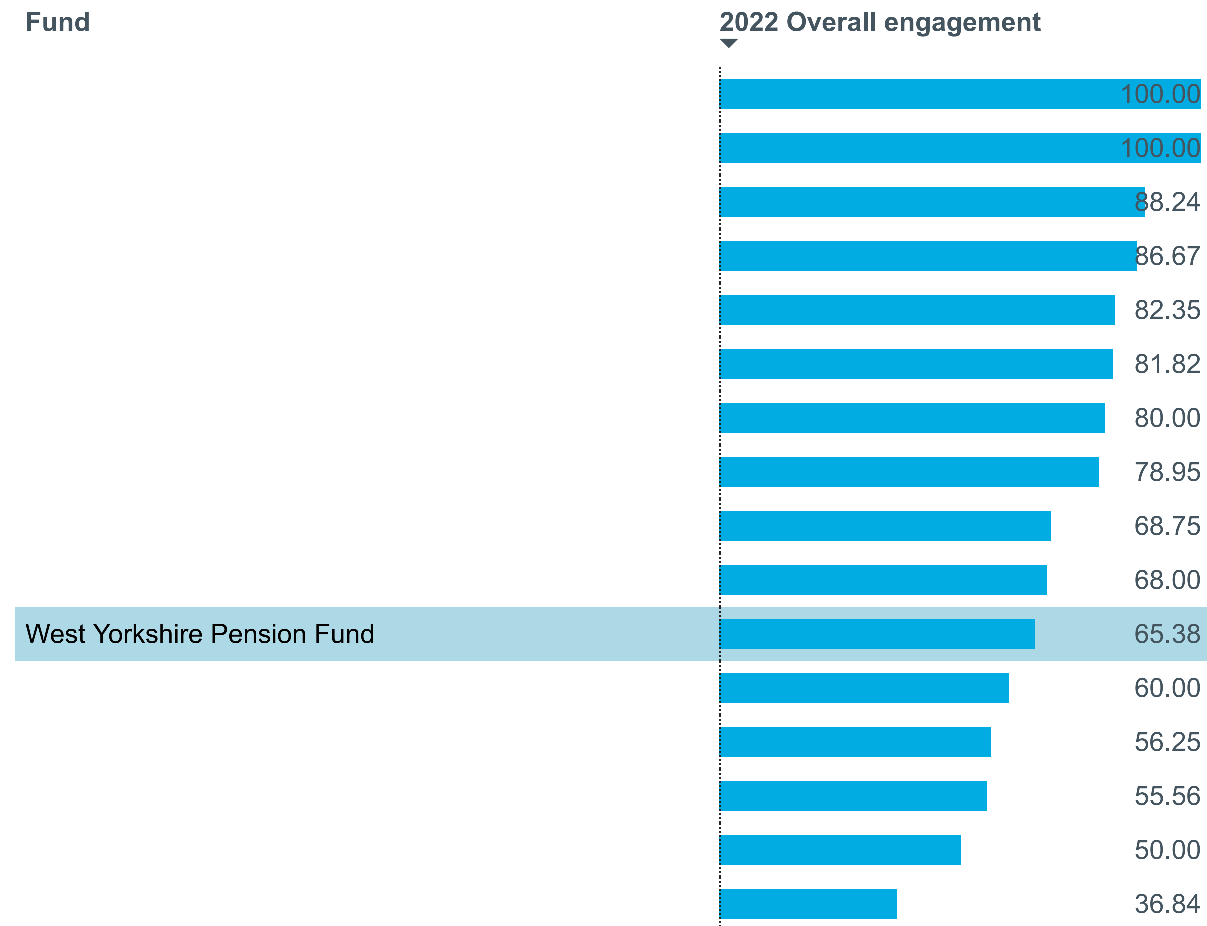
One of the key areas that we recommend funds focus on is Committee and Board training engagement.

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%



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

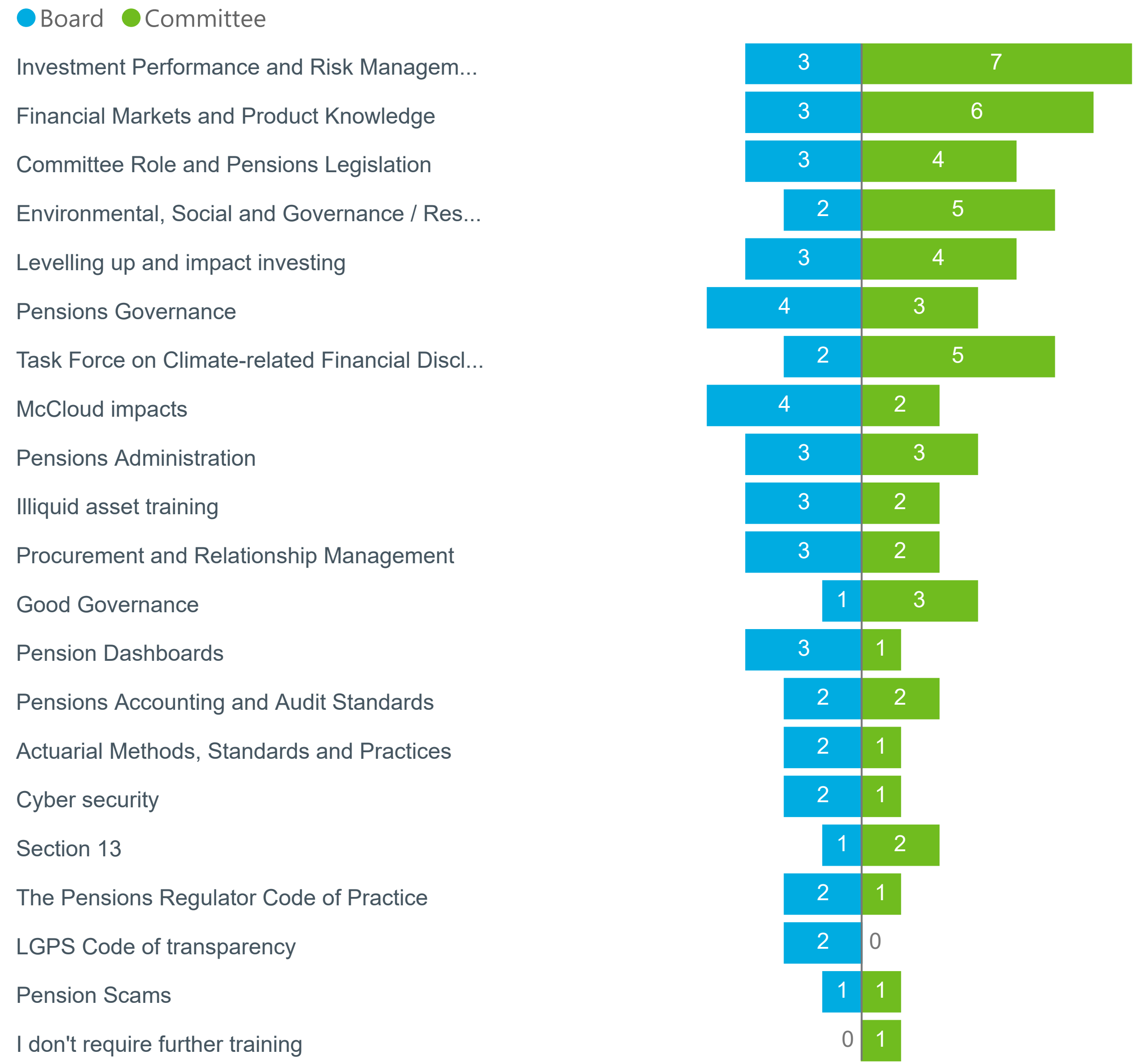
One of the final sections of the survey asked participants to indicate which topics they would like to receive training on.

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



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.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AM

Subject: Cyber Security

Summary statement:

Cyber attacks and threats are one of the biggest challenge organisations, like WYPF, face today. Cyber attacks in recent times have become more specialised and criminals are focusing now on using deceptive techniques to target individuals.

This growing trend of attacks have resulted in significant damages to organisations that not only includes financial losses and operational disruptions, but also significant reputational damage. In the light of current regulation (e.g. General Data Protection Regulation), these risks become particularly relevant for organisations that store financial information and personal identifiable information about individuals, as is the case for WYPF.

Staff working from home has increased cyber security fears as it is much harder to keep an eye on everyone.

Cyber readiness of WYPF (led by Bradford Council) is therefore vital in aiding the ability to detect, prevent, contain and respond to evolving threats in the digital environment, which have had a severe effect in similar institutions

EQUALITY & DIVERSITY:

None.

Euan Miller
Managing Director

Portfolio: Leader of Council & Corporate

Report Contact: Yunus Gajra
Assistant Director (Finance, Administration and Governance)
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Overview & Scrutiny Area: Corporate

1.0 BACKGROUND

1.1 Cyber security consists of technologies, processes and controls designed to protect systems, networks and data from cyber attacks. Effective cyber security reduces the risk of cyber attacks and protects against the unauthorised exploitation of systems, networks and technologies.

1.2 The global cyber security landscape has seen increased threats in recent years. Through the pandemic, cyber criminals took advantage of misaligned networks as businesses moved to remote work environments. In 2020, malware attacks increased 358% compared to 2019.

1.3 From here, cyber attacks globally increased by 125% through 2021, and increasing volumes of cyber attacks continued to threaten businesses and individuals in 2022.

1.4 Russia's invasion of Ukraine has had a massive impact on the cyber threat landscape. Since the start of the war, Russian-based phishing attacks against email addresses of European and US-based businesses have increased 8-fold. Nearly 3.6 million Russian internet users have also experienced breaches in the first quarter of 2022, an 11% increase quarter-on-quarter.

2.0 Why is cyber security important?

2.1 With the GDPR (General Data Protection Regulations) now in force, organisations could be faced with fines of up to €20 million or 4% of annual global turnover for certain infractions. There are also non-financial costs to be considered, such as reputational damage and loss of customer trust.

2.2 Cyber attacks have become more sophisticated with attackers using an ever-growing variety of tactics to exploit vulnerabilities, such as social engineering, malware and ransomware.

3.0 What are the consequences of a cyber attack?

3.1 Cyber attacks can disrupt and cause considerable financial and reputational damage to even the most resilient organisation like WYPF. If we suffer a cyber attack, we stand to lose assets, reputation and business, as well as, potentially, fines and litigation.

4.0 Types of cyber security threats

4.1 Ransomware

One of the fastest growing forms of cyber attack, ransomware, is a type of malware that demands payment after encrypting the victim's files, making them inaccessible. Paying the ransom does not guarantee the recovery of all encrypted data.

4.2 Phishing

Phishing attacks are continually on the rise. Often indistinguishable from genuine emails, text messages or phone calls, these scams can inflict enormous damage organisations.

Bradford Council captures and blocks approximately 65,000 spam emails each month to prevent them from arriving in inboxes but the originators of these types of email are constantly evolving their methods and despite us being up to date with the latest IT security systems and filters occasionally staff may still receive one. Some of these emails are easy to identify because they have odd looking subject titles or sender email addresses, however, some spam emails are less easy to detect and even when opened can look legitimate.

4.3 Malware

Malware is a broad term used to describe any file or programme intended to harm a computer, and encompasses trojans, social engineering, worms, viruses and spyware.

4.4 Social Engineering

Social engineering is used to deceive and manipulate victims to gain computer access. This is achieved by tricking users into clicking malicious links or by physically gaining access to a computer through deception.

4.5 Outdated Software

The use of outdated (unpatched) or unsupported software (e.g. Microsoft XP) opens up opportunities for criminal hackers to take advantage of known vulnerabilities that can bring entire systems down.

4.6 Vulnerabilities in web applications and networks

Cyber criminals are constantly identifying new vulnerabilities in systems, networks or applications to exploit. These activities are conducted via automated attacks and can affect anyone, anywhere

5 Elements of Cyber Security

5.1 Application Security

Web application vulnerabilities are a common point of intrusion for cyber criminals. As applications play an increasingly critical role in business, organisations urgently need to focus on web application security to protect their customers, their interests and their assets. WYPF's applications are thoroughly tested and access is by user registration and passwords.

5.2 Information security

Information is at the heart of our business, whether it's business records, personal data or intellectual property. ISO 27001:2013 (ISO 27001) is the international standard that provides the specification for a best-practice information security management system (ISMS). WYPF has gained accreditation for this standard.

5.3 Network Security

Network security is the process of protecting the usability and integrity of your network and data. This is usually achieved by conducting a network penetration test, which aims to assess our network for vulnerabilities and security issues in servers, hosts, devices and network services. Regular installation of patches is done by Bradford Council and WYPF to ensure that any bugs are fixed. WYPF has successfully carried out penetration testing on our systems and will continue to do so on a regular basis.

5.4 Business Continuity Planning

Business continuity planning (BCP) involves being prepared for disruption by identifying potential threats early and analysing how day-to-day operations may be affected. WYPF has a full BCP in place.

5.5 End-user education

Human error remains the leading cause of data breaches, Bradford Council has a number of IT policies in place to ensure that every employee is aware of the potential threats they face, whether it's a phishing email, sharing passwords or using an insecure network. Staff are required to undergo mandatory security training annually.

5.6 Investment in Infrastructure

WYPF has invested heavily in upgrading our server hardware and infrastructure to ensure that it is compliant with the latest technology and ensure security risks are minimised.

5.7 Recent Cyber attacks

- In January 2022, KP Snacks suffered a ransomware attack. The company was unable to 'safely process orders or dispatch goods' as a result of the attack. As a result, supply chain issues continued until the end of March. It is likely a ransom was paid.

- An attack on 4 August 2022 caused widespread outages across the NHS. The target was Advanced, a company that provides software for various parts of the health service. It affected services including patient referrals, ambulance dispatch, out-of-hours appointment bookings, mental health services and emergency prescriptions.

- Over 170 email addresses of customers were mistakenly copied into an email by the UK Home Office's visa service in April. An email was sent to inform the customer that their appointment time had been changed. Emails included in this breach were both personal and those sent by lawyers on behalf of clients. It is likely that the breach was caused by a malicious insider.

- In January 2023 Royal Mail was hit by cyber attack by a Russian linked ransomware gang, which caused "severe disruption" to its international export services. It was unable to dispatch items, including letters and parcels, overseas, however domestic mail was not affected. It took six weeks to resume full international service.

6.0 WYPF (CBMDC – City of Bradford Metropolitan District Council) controls in place

WYPF takes a wide-ranging approach to cyber security. This has been demonstrated by:

- ISO 27001 – Information standard for Information Security Management Systems
- PSN Certificate – Public Sector Network security standard
- WYPF/CBMDC have a robust set of IT Security and Information policies, and staff must undertake e-learning training. Policies are regularly reviewed and adjusted in accordance with new research and industry best practice; for example, CBMDC are widening the use of multi-factor authentication for external access to systems.
- There is a comprehensive risk assessment process for new IT solutions as well as regular assessment of existing solutions. Independent Penetration Testing is carried out where necessary to provide assurance of WYPF's infrastructure.
- CBMDC deploy multiple firewalls and boundary controls including web filtering. There are numerous alerting and monitoring tools, a web application firewall that protects our public facing sites. CBMDC provides resilience and recovery through load balancers, replication across data centres and backup tools, and desktop anti-virus is deployed across the whole estate.
- E-mail represents one of the biggest attack vectors globally and it has recently been the entry point for most ransomware outbreaks. In order to combat this, CBMDC has multiple layers of defences covering reputation, spam, content and virus filtering. CBMDC deploys multiple antivirus engines in addition to leveraging the security and scanning provided by Microsoft's O365 filtering.
- Many threats still leverage known vulnerabilities that have not been fixed. CBMDC follow a regular patching programme for all devices and infrastructure across the network and makes use of industry standard deployment tools.

7.0 Horizon scanning

The key actions that should be taken / reinforced in order to build up cyber resilience and ensure effective management of risks:

a. Undertake training in order to gain an understanding of the Fund's cyber security approach and its recovery plan
b. Understand the reach of the Fund's cyber footprint - including collaboration with external partners
c. Engage with the host council to understand the current cyber security arrangements and where the Fund fits into these
d. Review the Fund's governance arrangements and polices to incorporate the evolving cyber risk
e. Ensure the administration function has robust business continuity / incidence response plans in place which are known to key officers, Board and Committee members

8.0 The Pension Regulator's view

8.1 WYPF, in common with many LGPS funds, is heavily reliant on the host authority for its security systems and, although this is not optimal, tPR believes that it need not be a problem as long as the managers have a good understanding of the IT systems in place and have given careful consideration to the risks of cyber crime.

8.2 Scheme managers should be aware of the risks associated with cyber crime and have robust resilience procedures in place and maintain and review a cyber risk register.

8.3 Scheme managers and pension boards should understand the risks posed to data and assets held by the fund so that steps can be taken to mitigate them and this should be reflected in the risk register.

8.4 Regular independent penetration testing should be carried out and scheme managers should consider physical security as well as protection against remote attacks.

8.5 Scheme managers should be aware of the cyber security processes used by third party providers, such as the actuary or the custodian, that handle fund assets or data.

8.6 The Pension Regulator has published "Cyber security principles for pension schemes" as part of Code of Practice 14, which will be assimilated into the Single Code in Due Course.

9.0 Training

9.1 WYPF is currently finalising a training plan for Board and Committee members. Cyber security will be incorporated into that training plan.

10.0 OTHER CONSIDERATIONS

None

11.0 FINANCIAL & RESOURCE APPRAISAL

WYPF's training budget for 2023/24 incorporates costs for member training, which includes cyber training.

12.0 RISK MANAGEMENT AND GOVERNANCE ISSUES

Cyber risk is identified in WYPF's risk management register and has a D2 Amber rating (Likelihood Low, Impact Critical).

13.0. LEGAL APPRAISAL

None

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. RECOMMENDATIONS

It is recommended that the report is noted.

17. APPENDICES

Appendix A – The Pensions Regulator – Cyber Security Principles.

18. BACKGROUND DOCUMENTS

None

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Cyber security principles for pension schemes

Guidance

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

Issued: April 2018

Introduction

Pension schemes hold large amounts of personal data and assets which can make them a target for fraudsters and criminals. As trustees and scheme managers, you need to take steps to protect your members and assets accordingly, which includes protecting them against the 'cyber risk'. This is an issue which all trustees and scheme managers, regardless of the size or structure of their scheme should be alert to.

The cyber risk can be broadly defined as the risk of loss, disruption or damage to a scheme or its members as a result of the failure of its information technology systems and processes. It includes risks to information (data security) as well as assets, and both internal risks (eg from staff) and external risks (eg hacking).

You should take steps to build your cyber resilience – your ability to assess and minimise the risk of a cyber incident occurring, but also to recover when an incident takes place. You should work with all relevant parties (including in-house functions, third party service providers and employers) to define your approach to managing this risk. This guide sets out good practice for pension schemes, which can be adopted proportionately to the profile of your scheme. A glossary of key terms is included at the end of this guide.

Did you know?

Internal controls are systems, arrangements and procedures for administering and managing the scheme, systems and arrangements for monitoring the administration and management of the scheme and ensuring the safe custody and security of scheme assets.

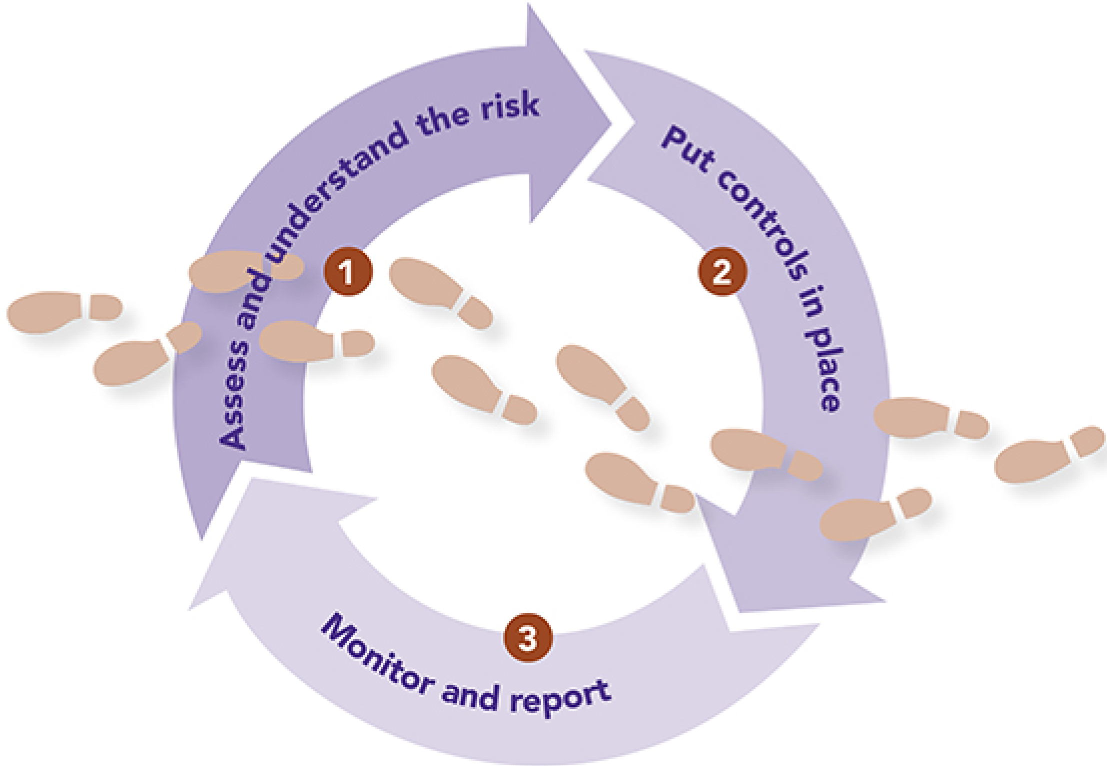
Trustees and scheme managers are required by law to establish and operate adequate internal controls to ensure their scheme is operated in accordance with scheme rules and the law. The regulator may intervene where trustees and scheme managers fail in their duties to operate adequate internal controls.

A key part of internal controls is having in place processes to identify, evaluate and manage risks. Building cyber resilience is simply one example of operating adequate internal controls.

Summary

- Trustees and scheme managers are accountable for the security of scheme information and assets.
- Roles and responsibilities should be clearly defined, assigned and understood.
- You should have access to the required skills and expertise to understand and manage the cyber risk in your scheme.
- You should ensure sufficient understanding of the cyber risk: your scheme's key functions, systems and assets, its 'cyber footprint', vulnerabilities and impact.
- The cyber risk should be on your risk register and regularly reviewed.
- You should ensure sufficient controls are in place to minimise the risk of cyber incident, around systems, processes and people.
- You should assure yourselves that all third party suppliers have put sufficient controls in place. Certain standards and accreditations can help you and your suppliers demonstrate cyber resilience.
- There should be an incident response plan in place to deal with incidents and enable the scheme to swiftly and safely resume operations. You should ensure you understand your third party suppliers' incident response processes.
- You should be clear on how and when incidents would be reported to you and others, including regulators.
- The cyber risk is complex and evolving, and requires a dynamic response. Your controls, processes and response plan should be regularly tested and reviewed. You should be regularly updated on cyber risks, incidents and controls, and seek appropriate information and guidance on threats.

Cyber risk assessment cycle



Assess and understand the risk

- Do you understand the cyber risk facing your scheme:
  - your key functions, systems and assets
  - your cyber footprint, vulnerabilities and impacts?
- Is the cyber risk on your risk register and is it regularly reviewed?
- Do you have access to the right skills and expertise to understand and manage the risk?

Put controls in place

- Are sufficient controls in place to minimise the risk of a cyber incident occurring:
  - IT security controls
  - processes
  - people?
- Have you assured yourselves of your third party providers' controls?
- What standards or accreditations help you or your suppliers demonstrate cyber readiness?
- Do you have an response plan in place to deal with any incidents which occur and help you swiftly and safely resume operations? Do your suppliers?
- Are you compliant with data protection legislation (including readiness for the General Data Protection Regulation)?

Monitor and report

- Are your controls, processes and response plans regularly tested and reviewed?
- Are you clear on how and when incidents would be reported to you and others including regulators?
- Are you kept regularly updated on cyber risks, incidents and controls?
- Are you keeping up to date with information and guidance on threats?

Governance

1. You are accountable for the security of scheme information and assets, even where you delegate or outsource day-to-day functions of your scheme. You should be clear on your accountabilities, and the roles and responsibilities in respect of cyber resilience (including those of other parties such as third party providers and employers) should be clearly defined and documented. This will ensure everyone understands their role and support effective communication between relevant parties.

2. You should receive regular training and have access to the required skills and expertise to understand and manage the cyber risk.

3. You should ensure that you have sufficient understanding of the cyber risk:

- Understand your scheme's key functions, systems and assets (including data assets), their value to a criminal and their vulnerability to a cyber incident
- Understand the potential impact of a cyber incident on your scheme and, where appropriate, the sponsoring employer – operational, reputational, financial
- Understand the likelihood of different types of breaches occurring in your scheme, including accidental, staff-related, hacking, malware, ransomware, phishing attempts, and coordinated DDOS (distributed denial of service) attacks
- Understand the 'cyber footprint' of your scheme, ie the extent of the digital presence of all the parties involved in your scheme, and the risk posed by these parties. These can be both internal and external and include the sponsoring or participating employers, administrator, other advisers (auditor, actuaries, investment manager or consultant, lawyers), members (especially if offering online access) as well as the trustees or scheme managers themselves.

What about you?

Trustees and scheme managers themselves receive and send large amounts of potentially sensitive scheme information. You should ensure you have the right controls around your own work, eg clear policies on what can and can't be sent to personal email addresses or accessed on tablets and mobile phones.

4. The cyber risk should be included on your risk register and reviewed regularly (at least annually) and where there are substantial changes to scheme operations (eg a new IT system is put in place, or there is a change of administrator).

5. You should ensure sufficient and proportionate controls are put in place to minimise the risk of a cyber incident occurring, and reduce the impact of any that occur (set out below).You should work with all relevant parties (eg in-house functions, third party service providers and employers) to define these controls.

6. You should understand what, if anything, your internal or external auditors are looking at for you, and what is and isn't covered by any insurance you may have.

7. In some cases you may want or need to have the effectiveness of your cyber risk management independently assessed (eg by an auditor) or seek specialised accreditation, such as Cyber Essentials or ISO 27001.

8. Critically, you should assure yourselves that all third party suppliers have put sufficient controls in place to protect your member data and scheme assets:

- You should require suppliers to have, or adhere to, cyber security standards or good practice guides and monitor their performance. You may wish to look for information security certificates or other accreditation. You may also ask them to provide copies of relevant policies or reports (eg penetration testing reports).
- Cyber security should be an active consideration in the selection of a supplier and suitable provisions should be included in contracts.

9. All organisations will experience security incidents at some point, even those with the most rigorous controls. As such you should ensure an incident response plan is put in place (see below) to minimise the impact of a cyber incident.

Controls

10. IT infrastructure and security should be sufficient for the work undertaken. There should be multiple layers of security put around systems in line with the **Information Commissioner's Office's (ICO) guidance on IT security** (https://ico.org.uk/media/fororganisations/documents/1575/it_security_practical_guide.pdf) . Where necessary you should seek expert advice on IT security.

11. Physical and virtual access to systems and data should be controlled. Staff should be suitably vetted and have just the right level of access. Access should be regularly reviewed, and closed down for leavers or where no longer relevant to a role.

12. Critical systems and data should be regularly backed up. This should include, if appropriate, one or more offline back-ups, to stop these from being affected by a cyber incident. Processes to restore backed-up data should be tested.

13. There should be a range of policies and processes in place around:

- acceptable use of devices (including removable and personal devices), email and internet (including social media)
- use of passwords and other authentication
- home and mobile working
- data access, protection (including encryption), use and transmission, in line with data protection legislation and guidance.

14. All staff, and trustees, should receive training appropriate to their role at an appropriate frequency. This should include awareness of cyber risks and how to report incidents.

15. Good monitoring is essential in order to effectively respond to incidents. Systems and networks should be monitored and logs analysed for unusual activity or unauthorised access or connections which may indicate an issue.

Incident response

16. You should have systems and processes in place to ensure the safe and swift resumption of operations. This should include an incident response plan which sets out:

- roles and responsibilities of the incident response team. You should ensure that your scheme has access to sufficient capability to investigate a cyber incident
- critical functions (eg payments of benefits) and processes, and what assurances need to be in place before these come on board
- in-crisis communications including how and when reporting will be made to trustees
- the process, thresholds and time limits for notifying other parties including the ICO, The Pensions Regulator (TPR) or the Financial Conduct Authority (FCA) as appropriate, law enforcement (in cases of fraud), third parties, and if necessary, scheme members

17. The plan should cover a range of scenarios, based on your scheme’s assessment of key functions and assets, and the likelihood of different types of incident.

18. You should ensure that you understand your third party suppliers’ incident processes, including how and when you would be informed of a cyber incident at the supplier.

19. Incidents should be documented and major incidents should be followed by a post-incident review. Plans should be updated in light of lessons learnt.

Final word - dealing with an evolving risk

20. The cyber risk is complex and evolving and requires a dynamic response:

- controls, processes and response plans should be regularly tested and reviewed
- you should be regularly updated on cyber risks, incidents and controls

- you and other parties should seek appropriate information and guidance on cyber security threats (such as that provided by the National Cyber Security Centre), to enhance your ability to respond to, and recover from, cyber incidents. Sharing information and experiences with trusted stakeholders and peers can also be a valuable source of intelligence.

Additional links

National Cyber Security Centre

- Guidance (https://www.ncsc.gov.uk/guidance)
- Threat advice (https://www.ncsc.gov.uk/section/keep-up-to-date/threat-reports?q=&defaultTypes=report&sort=date%2Bdesc&start=0&rows=20)
- Cyber essentials (https://www.cyberessentials.ncsc.gov.uk/)
- 10 steps to cyber security (https://www.ncsc.gov.uk/guidance/10-steps-cyber-security)

Information Commissioner's Office

- Guidance on breach management
- Guidance on IT security

Glossary

Cyber risk

Risk of loss, disruption or damage to a scheme or its members as a result of the failure of IT systems and processes.

Cyber resilience

Ability to assess and minimise the risk of a cyber incident occurring and ability to recover when an incident occurs.

Cyber footprint

The digital presence of all the parties involved in the pension scheme, and relevant outsourcers and service providers (eg Cloud service providers), which creates vulnerabilities for your scheme.

Cyber incident

A breach, whether accidental or malicious, of the security rules for a system, service, process or policy.

Incident response plan

A documented plan to swiftly respond to a cyber incident and enable service to resume safely and as quickly as possible.

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City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Local Pension Board to be held on 21 March 2023.

AN

Subject: WYPF Governance Review

Summary statement:

It has been proposed at recent meetings of the Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG') that a review of the effectiveness, roles and responsibilities of the IAP, JAG and the Local Pension Board ('LPB') be undertaken. A review of this nature was previously added to WYPF Business Plan. For the reasons set out in the report this would appear a particularly opportune time for such a review to take place.

This reports sets out at a high level a proposed process for undertaking a WYPF governance review and initial feedback is sought from Pension Board Members.

A similar report was recently presented to JAG and IAP and will be discussed at the forthcoming meeting of the Bradford Council Governance & Audit Committee.

EQUALITY & DIVERSITY:

None

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Managing Director

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Portfolio:

Leader of Council & Corporate

Overview & Scrutiny Area: Corporate

1. BACKGROUND

1.1 It has been proposed at recent meetings of the Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG') that a review of the effectiveness, roles and responsibilities of the IAP, 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)

1.4 The IAP and JAG were generally supportive of the proposals and provided helpful comment on some of the things they would like to see considered as part of the review.

2. Scope of review

2.1 It is proposed that the scope of the review also considers delegated powers, which in relation to WYPF investments 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 and it is due to be discussed at the forthcoming meeting of the Bradford Governance & Audit committee.

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. Obtain support for the proposed review from the CMBDC Governance & Audit Committee.
2. Procure independent consultancy support via the National Frameworks and prepare detailed scope.
3. 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 FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

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.

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 ASSESEMENT

None.

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

N/A

10. RECOMMENDATIONS

That the Panel note and provide any comments on the outline of the proposed governance review set out in the report

11. APPENDIX

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

Agenda Item 16/

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