Public Document Pack

Agenda for a meeting of the West Yorkshire Pension Fund Joint Advisory Group to be held on Thursday, 25 January 2024 at 1.30 pm in Council Chamber - City Hall, Bradford

Members of the Committee

Bradford Members	Calderdale Members
Councillors: Thornton P Clarke Alipoor Margaret Alipoor	Councillors: Lynn Hutchinson Caffrey
Kirklees Members Councillors: Firth Ramsay Crook	**Leeds Members** Councillors: Bromley Scopes Stephenson
Wakefield Members Councillors: Nicholls Swift Mitchell	**Trades Union Members** Chard, GMB Goring, UNISON Bailey, UNISON
Scheme Members Warren	

Notes:

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- 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.
- **Members of the public are respectfully reminded that this is a meeting that is being held in public NOT a public meeting. The attendance of the public to observe the proceedings is welcome.**
- 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/Su Booth
Phone: 01274 432270/07814 073884/07970 411623/07814 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 <u>unless</u> you have a dispensation.*
Other Registrable Interests (Directly Related) ***OR*** *Non-Registrable Interests (Directly Related)*	*Disclose the interest; speak on the item <u>only if</u> the public are also allowed to speak but otherwise not participate in the discussion or vote; and leave the meeting <u>unless</u> you have a dispensation.*
Other Registrable Interests (Affects) ***OR*** *Non-Registrable Interests (Affects)*	*Disclose the interest; remain in the meeting, participate and vote <u>unless</u> the matter affects the financial interest or well-being* *(a) to a greater extent than it affects the financial interests of a majority of 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 <u>only if</u> 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. MINUTES

Recommended –

That the minutes of the meeting held on 27 July 2023 be signed as a correct record (previously circulated).

(Jane Lythgow/Su Booth – 01274 432270/07814 073884)

3. INSPECTION OF REPORTS AND BACKGROUND PAPERS

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

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

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

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

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

(Jane Lythgow/Su Booth – 01274 432270/07814 073884)

B. BUSINESS ITEMS

4. GOVERNANCE REVIEW 1 - 14

The report of the Managing Director, WYPF **(Document "J")** will be presented to Members relating to the review of the effectiveness, roles and responsibilities of the WYPF Investment Advisory Panel ('IAP'), JAG and the Local Pension Board ('LPB') which is currently underway. The report summarises the initial observations and findings by Muse Advisory.

Recommended –

That the Joint Advisory Group note the report, the initial observations and findings set out in Appendix A and the proposed next steps of the Governance Review.

(Euan Miller/Matt Mott – 07815 476877)

5. WYPF FINANCE REPORT 15 - 24

The report of the Managing Director **(Document "K")** will be presented to Members in accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to the pension fund accounts and not to local authorities' general fund accounts. The budget proposals in this report will deliver pension administration, oversight and governance for over 500,000 (WYPF 323,000) pension members, 900 (WYPF 400) employers, and 26 shared service partners - pension administering organisations.

Recommended –

A. That the latest expenditure forecast of £6.91m against a budget of £7.26m for 2023/24, net underspend of £0.35m be noted.

B. That the proposed budget of £8.32m for 2024/25, with inflation increase of £1.06m (14.56%) be approved.

C. That the WYPF total cost per member of £42.68 is the lowest within LGPS (2nd £74.60). Projected total cost per member for 2024/25 of £57.34 will maintain our cost performance going forward be noted.

D. That at the time of writing this report Bradford accounts for 2021/22 and 2022/23 are delayed therefore, the WYPF accounts are also delayed, be noted.

(Ola Ajala – 01274 434534)

6. FUNDING STRATEGY STATEMENT CONSULTATION 25 - 122

The report of the Managing Director, WYPF **(Document "L")** will be presented to provide Members with details of the consultation exercise undertaken with all employers relating to updates to the Funding Strategy Statement as part of the review of the calculation methodology for the low risk exit basis.

Recommended –

1. **That the changes to the calculation methodology for the low risk exit basis be approved.**

2. **That the updates to the Funding Strategy Statement as set out in Appendix A be approved.**

3. **That the effective date of these changes at 1 February 2024 be approved.**

(Caroline Blackburn – 07790 343179)

7. WYPF ADMINISTRATION REPORT 123 - 156

The report of the Managing Director, WYPF **(Document "M")** will be presented to provide Members with an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 July 2023 to 31 December 2023.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

8. PENSION ADMINISTRATION STRATEGY AND COMMUNICATIONS POLICY 2024 157 - 184

The report of the Managing Director, WYPF **(Document "N")** will be presented to Members to provide details of the 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 in accordance with the LGPS Regulations 2013.

Recommended –

That the Pension Administration Strategy and Communications Policy 2024 be approved.

(Yunus Gajra – 01274 432343)

9. REGISTER OF BREACHES OF THE LAW 185 - 196

The report of the Managing Director, WYPF **(Document "O")** will be presented to Members in accordance with the Public Service Pensions Act 2013, that from April 2015 all Public Service Pension Schemes come under the remit of The Pensions Regulator.

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

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

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

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

Recommended –

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

(Caroline Blackburn – 07790 343179)

10. LOCAL GOVERNMENT PENSION SCHEME REGULATIONS UPDATE 197 - 206

The report of the Managing Director, WYPF **(Document "P")** will be presented to Members to provide an update on changes to the Local Government Pension Scheme (LGPS) 2014 and provides information on associated matters.

Recommended –

That the report be noted.

(Tracy Weaver – 01274 433571)

11. AVC REVIEW 207 - 270

The report of the Managing Director, WYPF **(Document "Q")** will be presented to provide Members with details of the annual review carried out by Aon's AVC Team, at the request of WYPF to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration.

West Yorkshire Pension Fund has 3 Additional Voluntary Contribution Providers, namely:

- Utmost Life and Pensions (previously Equitable Life),
- Scottish Widows, and
- Prudential

Recommended –

That the report be noted.

(Tracy Weaver – 01274 433571)

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12. BUSINESS PLAN 2024-2029 271 - 324

The report of the Managing Director, WYPF **(Document "R")** will be presented to provide Members with WYPF's five-year business plan which highlights objectives for the Fund and documents the priorities and improvements to be implemented to help achieve those objectives.

Recommended –

1. **That the progress on existing key initiatives and new initiatives listed by noted**

2. **That the Business Plan 2024-2029 be approved**

(Yunus Gajra – 01274 432343)

13. CONTINUING PROFESSIONAL DEVELOPMENT (CPD) 325 - 330

The report of the Managing Director, WYPF **(Document "S")** will be presented to members to provide them with details of training and conferences available in view of a growing need for LGPS funds to demonstrate that Members have an adequate level of knowledge to carry out their roles effectively. With the introduction of a refreshed CIPFA Knowledge & Skills Framework, the Scheme Advisory Board's Good Governance project (England and Wales) and increasing scrutiny from The Pensions Regulator (TPR), the expectation on funds has never been greater.

Recommended –

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

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

(Yunus Gajra – 01274 432343)

14. EXCLUSION OF THE PUBLIC

Members are asked to consider if the **Not for Publication Document "T**" relating to the CEM – Pensions Administration Benchmarking Survey (PABS) 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 Document "T" relating to the CEM – Pensions Administration Benchmarking Survey (PABS) because information would be disclosed which is considered to be exempt information within paragraph 3 (Financial or Business Affairs) of Schedule 12A of the Local Government Act 1972 (as amended).

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

15. CEM - PENSIONS ADMINISTRATION BENCHMARKING SURVEY (PABS) 331 - 428

The **NOT FOR PUBLICATION** report of the Managing Director, WYPF **(Document "T")** will be presented to provide Members with comparisons between 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 2023.

Recommended –

That the report be noted.

(Yunus Gajra – 01274 432343)

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of the Joint Advisory Group to be held on 25 January 2024.

J

Subject: WYPF Governance Review

Summary statement:

Further to a report presented to the July 2023 meeting of the Joint Advisory Group ('JAG') a review of the effectiveness, roles and responsibilities of the WYPF Investment Advisory Panel ('IAP'), JAG and the Local Pension Board ('LPB') is currently being undertaken.

Muse Advisory was appointed following a procurement process to provide advice and support on the review and has undertaken a range of fieldwork to help it to build a detailed picture of the way in which WYPF operates and is governed; and to enable it to form an accurate assessment of what is working well, and where improvements could be made.

Muse Advisory's report summarising their initial observations and findings is attached as an appendix to this report, which will also be presented at the meeting.

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director

Report Contact: Euan Miller
Head of Governance and Business Development
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Portfolio:

[Insert where appropriate]

Overview & Scrutiny Area:

[Insert where appropriate]

1. BACKGROUND

1.1 It was proposed at 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 its Fund oversight role (as defined by Regulations).

1.2 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 WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore the implementation of the recommendations made by a governance review will require Council approval. However, the review is being driven by WYPF (with WYPF also meeting the costs).

1.5 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 was proposed that specialist consultancy support for the review was procured via the LGPS National Frameworks.

1.6 Muse Advisory have been appointed to advise and assist on the review following a call-off from the Governance Advisory Lot of the Actuarial Framework for LGPS services administered by Norfolk County Council.

2. PROGRESS TO DATE AND NEXT STEPS

2.1 Over the last few months Muse has reviewed all relevant WYPF documentation, issued and assessed responses to a questionnaire to members of the various governing bodies and undertaken structured, confidential interviews with agreed participants. Muse has also attended as an observer meetings of the IAP, Local Board and Bradford Governance and Audit Committee.

2.2 Based on the information gathered during these exercises, Muse has made some initial observations and findings which are set out in section 4 of the report attached as Appendix A and will be presented for discussion at the meeting.

2.3 Following the meeting Muse will be working with WYPF officers and the Head of Governance at Bradford Council to develop proposed changes to governance arrangements which address Muse's observations and feedback received from members.

3 FINANCIAL & RESOURCE APPRAISAL

Specialist consultancy support for the review has been procured via the LGPS National Frameworks. Provision has been made in the 2023/24 budget for this expenditure.

4. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

5. LEGAL APPRAISAL

WYPF governance arrangements are ultimately the responsibility of the Administering Authority (i.e. City of Bradford Metropolitan District Council) and therefore any changes to governance arrangements will require Council approval.

6. OTHER IMPLICATIONS

6.1 SUSTAINABILITY IMPLICATIONS

None.

6.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None.

6.3 COMMUNITY SAFETY IMPLICATIONS

None.

6.4 HUMAN RIGHTS ACT

None.

6.5 TRADE UNION

None.

6.6 WARD IMPLICATIONS

None

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

None

6.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None.

6.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None.

7. NOT FOR PUBLICATION DOCUMENTS

None

8. OPTIONS

N/A

9. RECOMMENDATIONS

That the Joint Advisory Group note the report, the initial observations and findings set out in Appendix A and the proposed next steps of the Governance Review.

Strictly Confidential

West Yorkshire Pension Fund

Governance review – observations and key findings

City of Bradford Metropolitan District Council

muse ADVISORY

Amanda Cullen | Ellie Rowe, Rosanne Corbett | Barry Mack

11 JANUARY 2024

Table of contents

1. Executive summary

Muse Advisory was invited to carry out a governance review of the West Yorkshire Pension Fund ('WYPF') following a successful tender exercise during Summer 2023. Over the past few months the Muse team has worked closely with the WYPF officers to assess the governance of the Fund, to identify areas of good or excellent practice, and to seek out areas where changes could be made to improve the effectiveness and efficiency of governing WYPF.

We took account of LGPS regulations, Hymans Robertson's Good Governance Review Phase III and The Pension Regulator's (TPR) General Code of practice expected to come into force in 2024, as well as WYPF-specific documents comprising TPR's supervisory report and previous Governance Reviews.

This report sets out our findings, together with some suggestions for action.

In summary, we found evidence of a Fund that is run extremely well, with high quality staff, good and robust processes in place, careful and focused expense management and a clear focus on achieving excellence.

In line with many well-run Funds, seeking a review of governance is good practice in itself and should result in a programme of continual improvement. Accordingly, we identified some minor areas of operational practice that could potentially be improved.

We identified more significant scope for improvement in the process adopted for oversight of the Fund, delegated by the City of Bradford Metropolitan District Council to the Bradford Council Governance & Audit Committee ('G&AC') and in turn to other bodies. This is in order to gain greater clarity of roles and responsibility, avoid duplication, and hence increase the scope for effective oversight without increasing the burden on those who serve on the relevant bodies.

2. Introduction

The independent governance review undertaken by Muse Advisory looked at:

- The Local Pensions Board (Board), Joint Advisory Group (JAG) and Investment Advisory Panel (IAP) structures and terms of reference in place,
- The Scheme of delegation,
- The governance documents and policies,
- Other key documents including previous Governance Review reports and the TPR Supervisory report, and
- The use of external advice and support.

In general, we look at Governance from two perspectives:

- Operational governance, which covers your Board and Committee processes and supporting materials, committee composition and succession planning, looking at the role of the body, its Chair and its members, and an analysis of progress on implementing recommendations from previous reviews.
- Behavioural effectiveness, which focuses more on the way in which Board and Committee members behave with each other and how they interact with other stakeholders.

From our initial briefing it was clear that behavioural effectiveness was less relevant to this review, given the changes in personnel that take place fairly regularly. However, there were still some recommendations we could make in this area as you will see from our report, for example, regarding training and the chairing of meetings.

The key conclusions from our findings, that you will see throughout this report, are that the Fund is well run by the bodies in place and well supported by the officers, but as is to be expected, we also identified some areas for improvement.

Our process and observations are set out below. We would be happy to discuss any of these in further detail with you.

3. Methodology

The process we adopted to carry out this review is set out below.

Our methodology is designed to achieve two key objectives:

a. To help us to build a detailed picture of the way in which WYPF operates and is governed; and
b. To enable us to form an accurate assessment of what is working well, and where improvements could be made.

3.1. Initial discussions with the steering group

We met with the WYPF Managing Director, Head of Governance and Business Development and Assistant Director (Finance, Administration and Governance) to scope out the review. This enabled us to gain an overview of how WYPF operates, understand what the review sought to achieve, and agree the process by which we would gather our information, including key dates for meetings. We would like to thank those involved for their time and input.

3.2. Desktop review of relevant documents

Initially, as we do with all governance reviews, we undertook a detailed analysis of key documents, to build our understanding of WYPF, how it operates and is managed, and to test the operational effectiveness of the Fund. As the review progressed, we identified other relevant documents, including The Pensions Regulator's supervisory report on WYPF and Governance Review Reports for the last three years and reviewed those.

3.3. Preparation, issue and analysis of a tailored questionnaire

We prepared a confidential online questionnaire which was sent to all members of the WYPF Pension Board, Investment Advisory Panel ('IAP') and Joint Advisory Group ('JAG'). This was designed to give members of those bodies an opportunity to share their views on the effectiveness of their particular body - its structure, remit and operation – as well as comment on how they saw their body's role in the wider management and oversight of WYPF.

Some 30 questionnaires were issued and we received 17 responses. Graphical representations of responses to some of the questions are shown in Appendix D.

3.4. Structured, confidential interviews with agreed participants

Following completion of the questionnaires, and analysis of the responses, we invited the Chairs of each body and a cross-section of members for interview. The purpose of these interviews was to explore questionnaire responses in more depth, as well as asking key questions in areas that we had identified as meriting further examination.

We also spoke to other key stakeholders including Council representatives and WYPF officers.

3.5. Observation of meetings

We observed meetings of the Pension Board, IAP and G&AC. There were no meetings of the JAG during the period of the review.

The purpose of these observations was to assess the meeting packs and advice papers provided and see how these were used during the meeting, to observe the interactions of the meeting participants, and to assess the decision-making process.

We also assessed the way in which the different bodies complemented each other or duplicated activity, and looked at how progress was reported across the bodies and up to the G&AC.

3.6. Analysis of findings

At this stage we drew together our findings from all the previous activities to formulate our report. We also took account of LGPS regulations, Hymans Robertson's Good Governance Review Phase III and The Pension Regulator's General Code of practice expected to come into force in 2024, as well as WYPF-specific documents.

Throughout the process we checked in regularly with the members of the steering group, and with Euan Miller in particular, to report on progress, seek clarification on points of uncertainty, and test our findings as they evolved.

3.7. Our report

This report sets out our observations and some key findings. Recommendations will be developed in discussion with you.

4. Observations

4.1. What is working well

- The Fund appears to be well run in general and working effectively to fulfil its objectives.
- There is a high-quality staff in place, with all members of the governing bodies feeling well supported by the officers, and that the officers are easily contactable.
- The appointments of a separate Managing Director and CIO within the last eighteen months, splitting a large role previously covered by one person into two, has proved beneficial. There have been proactive changes/ improvements made, with more planned to come through as soon as possible.
- There was good reporting on the Fund's administration and operations, including on benefit statements delivery, GMP rectification, and data improvement plans in place and being followed.
- All members of the Fund's governing bodies behave professionally and engage well during the meetings.
- The holding of a session on investment beliefs for members of IAP, with an external facilitator, is to be applauded. This gave the members the opportunity to consider their fiduciary duties in a structured manner and will help with subsequent decision-making.

4.2. Areas for attention

- We believe there are ways that the Pension Board (required under the Public Service Pensions Act 2013) can be used more effectively, making the most of this requirement, rather than just adding another body to the Fund's governance.
- The IAP and JAG have large, rather unwieldly memberships. We also noted that attendance was somewhat patchy, with some individuals finding it difficult to commit the time to meetings.
- The roles and responsibilities of members within each group also appeared unclear at times, and there has been leakage of topics between the separate IAP and JAG; likely partly due to the overlapping membership.

Of second order:

- The content and structure of meeting papers could be improved to give greater clarity of purpose, and their presentation in meetings could be more focused to highlight key points and focus on the action required.
- The role of advisers on the IAP, and elsewhere for the Fund, could merit attention, including consideration of the metrics in place to monitor their support, and the voting rights in place; these do not appear to have been considered for some time, and voting rights, in particular, can cause confusion.
- It is important that training can be evidenced to TPR, if they were ever to ask about it. We have heard that this can be an issue, with some members (across all groups) failing to commit the time required to complete appropriate training and hence to build the appropriate understanding of pension matters to enable them to contribute as effectively as they could.

5. Next steps

We have enjoyed working with you on this review and hope that you find this report useful.

We look forward to discussing our observations and key findings with you, and working with you on developing recommendations.

Amanda, Ellie, Rosanne and Barry

Appendices

A. Meeting observations

We observed the following meetings:

- 13 September Pension Board meeting
- 26 October IAP meeting
- 23 November G&AC meeting.

B. Documents reviewed

We reviewed all of the documents publicly available, including report and accounts, key fund policies, business plans, funding and investment statements, the governance and compliance statement, terms of reference for the Pensions Board, and the last three years of governance reports from the independent advisers.

We also read the meeting packs for the meetings we observed and previous meeting packs, where relevant. For reference, we read TPR's supervisory report for the fund and Hymans Robertson's Good Governance report.

C. Interviews

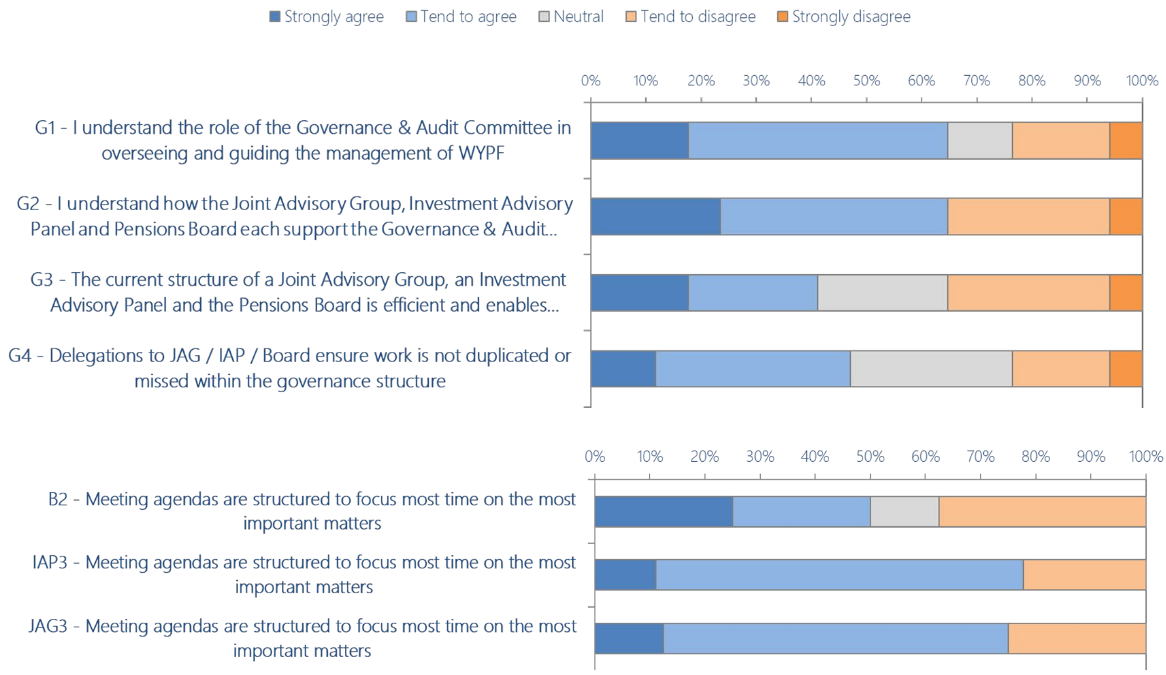
During October and November, we interviewed:

- The three independent advisers to the IAP (Marian George, Philip Hebson, Mark Stevens)
- Leandros Kalisperas, CIO
- Susan Hinchcliffe, leader of Bradford Council
- Asif Ibrahim, Borough solicitor
- Andrew Thornton, JAG & IAP Chair, and GAC member
- Angela Tait, GAC Chair
- David Pickersgill, PB member
- Isaac Dziya, PB member
- Andrew Scopes, JAG & IAP members
- Chris Greaves, IAP member
- Shakeela Lal, Board Chair

We also spoke to the members of the steering group, comprising Euan Miller, Yunus Gajra and Matt Mott, throughout the review.

D. Questionnaire results

A few findings from the questionnaire are set out below in graphs. These are the findings that are reflected in our recommendations re the need for clarity of roles on the groups and within agendas.



E. Muse governance framework

As a reminder, our governance framework supported our review, ensuring all elements of good governance were considered.

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund (WYPF), to the meeting of WYPF Joint Advisory Group 25 January 2024.

K

Subject:

West Yorkshire Pension Fund (WYPF) Finance Report.

Summary statement:

In accordance with Local Government Pension Scheme Regulations, costs of managing LGPS pension funds must be charged to the pension fund accounts and not to local authorities' general fund accounts. Cost of services in this report will be charged to WYPF accounts. The budget proposals in this report will deliver pension administration, oversight and governance for over 500,000 (WYPF 323,000) pension members, 900 (WYPF 400) employers, and 26 shared service partners - pension administering organisations. The governance element covers investment governance for £18 billion of financial assets. Our service strategy is to maintain service performance, service quality and cost performance within the LGPS. It is considered good governance for those charged with oversight of services to consider the financial resources available for all aspects of service delivery, compliance and governance.

The latest investment management expenditure forecast for 2023/24 is £6.91m against a budget of £7.26m. The result is a net underspend of £0.35m, mainly due to underspend from staff vacancies, actuary costs, use of contingency to support overspend on computer costs, and support services costs in providing critical project support across pension administration.

The proposed budget for 2024/25 is £8.32m, additional budget of £1.06m (14.56%). The budget increase addresses cost price pressures, increased staffing, and projected increase central support charges from Bradford Council.

Further to discussions at the Panels meeting of 26 October 2023, the WYPF 2021/22 Report and Accounts is still not signed due to delays in finalising the account of the Council.

Euan Miller
Managing Director WYPF
Report Contact: Ola Ajala
Financial Controller WYPF
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E-mail: ola.ajala@wypf.org.uk

Portfolio:

Overview & Scrutiny Area:

1 SUMMARY

1.1 Budget and expenditure are monitored every month and reported across WYPF, this process underpins our financial control, financial planning, and financial risk management. We use detailed activity analysis of expenditure, contracts, commitments, identified service risks, regulatory changes, and service best practice to review our financial activities each month. The resulting monthly financial reports are used to inform management reports, policies, and decisions across WYPF.

There are two significant operations for pension funds, these are:

a) Investment management and
b) Pension administration, governance, and oversight

The latest 2023/24 WYPF finance report and 2024/25 budget proposal for pension administration, oversight and governance is provided in this report. The investment management version of the same report will be provided to the WYPF Investment Advisory Panel for the 25 Jan 2024 meeting.

External Auditor work 2022/23

1.2 The Council's auditor Mazars have completed their work on the WYPF final audit of the 2022/23 accounts. We are currently waiting for the WYPF 2021/22 and 2022/23 accounts to be signed. I can report that significant progress has been made by Bradford in working with Mazars to sign the 2021/22 accounts.

Until the accounts are signed it is a reportable item for this Group. The final audit work on the 2022/23 Report and Accounts is now completed**,** both 2021/22 and 2022/23 WYPF report and accounts are waiting to be signed.

Mazars officers will be present at the Bradford Council Governance and Audit Committee meeting on the 25 Jan 2024 to discuss progress in signing the 2021/22 Bradford accounts and the work they have carried out on the Bradford accounts for 2022/23. Further update will be provided to JAG at the meeting on 25Jan2024.

2 BACKGROUND

Pension administration, oversight and governance latest expenditure forecast 2023/24.

WYPF PENSION ADMIN & OVERSIGHT	22/3 BDGT £000	22/3 FINAL £000	22/3 PER MBR	23/4 BDGT £000	23/4 FRCST £000	23/4 VAR £000	23/4 PER MBR	24/5 BDGT £000	23/4 VAR 24/5 £000	% Incrs 24/5 vs 23/4	24/5 PER PMBR
Accommodation	125	189	£0.59	171	217	-46	£0.67	227	-56	32.75%	£0.70
Actuary	350	317	£0.99	301	200	101	£0.62	200	101	-33.55%	£0.62
CBMDC Support Services	323	382	£1.20	396	412	-16	£1.28	594	-198	50.00%	£1.84
Computer	216	750	£2.35	688	847	-159	£2.63	923	-235	34.16%	£2.86
Contingency - Invest to save	500	0	£0.00	250	0	250	£0.00	250	0	0.00%	£0.78
Employees	4,257	4,439	£13.90	5,304	5,033	271	£15.60	5,807	-503	9.48%	£18.00
Other Running Costs	704	811	£2.54	726	854	-128	£2.65	859	-133	18.32%	£2.66
Printing & stationery	295	403	£1.26	346	368	-22	£1.14	368	-22	6.36%	£1.14
WYPF Support Services	2,275	2,054	£6.43	2,304	2,462	-158	£7.63	2,576	-272	11.81%	£7.99
WYPF TOTAL SERVICE EXP	**9,045**	**9,345**	**£29.25**	**10,486**	**10,393**	**93**	**£32.22**	**11,804**	**-1,318**	**12.57%**	**£36.59**
Other Income	0	-42	-£0.13	0	-74	74	-£0.23	-74	74	0.00%	-£0.23
Shared Service Income	-2,790	-3,024	-£9.47	-3,222	-3,408	186	-£10.56	-3,408	186	5.77%	-£10.56
WYPF TOTAL SERVICE NET EXP	**6,255**	**6,279**	**£19.65**	**7,264**	**6,911**	**353**	**£21.43**	**8,322**	**-1,058**	**14.56%**	**£25.80**
PER MBR			**£19.65**	**£22.31**			**-£4.38**	**£25.80**			
MBR NUMBER		**319,489**		**325,630**			**322,581**	**322,581**			**322,581**

Latest 2023/24 expenditure forecast.

2.1 Net expenditure projection is £6.91m against £7.26m budget, net underspend of £0.35m. This is mainly due to underspend from staff vacancies, actuary costs, use of contingency to support overspend on computer costs, and support services costs in providing critical project support across pension administration. We have delivered a number of invest to save service improvements for pension administration – pension data posting system refresh, system procurement for pension dashboard, disaster recovery, cyber security testing, improved external and internal audit processes, and improved financial processes.

Proposed budget for 2024/25.

2.2 The 2024/25 proposed budget was compiled using a zero-base budget approach. Every line of budget, expenditure and income were reviewed, and cost calculated to reflect current costs of services. This approach results in a base budget requirement of £8.32m an increase of £1.06m (14.56%) compared to 2023/24 budget of £7.26m.

WYPF pension administration, oversight and governance use a number of commercial contracts (Civica, HSBC, Aon, Hyman Robertson and a range of legal service providers) as expected the current RPI high rate has a significant impact on our cost of services. In addition, we are increasing service scope to address significant pension legislative change, compliance and best practice.

Inflation adjustment to 2024/25 budget.
The 2023/24 budget was based on mid 2022 prices of 5%. Since the budget build up for 2023/24 prices have increased significantly, comparing December 2022 to a year earlier December 2021, prices went up by RPI of 13.44% (317.70 to 360.40). The RPI December 2022 to November 2023 is 5.30% (360.40 to 377.30).

2.3 Detail commentary on 2023/24 latest forecast and 2024/25 proposed budget:

a) Accommodation – this is the charge for the office space occupied by investment teams in Aldermanbury House. WYPF purchased the building in 2014 as an investment, WYPF use the ground floor and all other floors are let out to commercial tenants. We charge a market rent for any use by WYPF. The rent is reviewed every year by professional valuers and St Brides Property Managers.

   Latest 2023/24 forecast is £46k overspend due to increased numbers of staff working in pension admin compared to investment management this year. This is reduced by lower utility charges.

   Proposed budget for 2024/25 is £227k, £56k more than latest forecast for 2023/24. WYPF has grown significantly and the need for more space is being considered. In the second part of 2024/25 there may be an opportunity to take up the 4th floor of the current office, or some part of the 4th floor should this not be re-let in full when the current tenant vacates. If we do take up additional space, we will look to fund the extra cost from savings elsewhere.

b) Actuary cost - the net cost of services provided by Aon, this supports a number pension compliance activities – employers contribution certificates, pension liability valuations, employers admissions and exit, deficit payments and surplus refunds to employers, above all essential support in managing employers covenants and due diligence activities.

   Over the years we have improved our works order protocol with Aon, all works ordered for WYPF and our employers are recorded and costs are pre authorised by WYPF. Any variation on cost requires approval. Work progress is reported and only completed work is paid for. We have seen significant savings from this process. We have implemented a robust monthly unitisation data process that allows work to be carried out seamlessly by Aon – data required to carry out actuarial work is provided monthly. This means less time spent by WYPF and Aon in chasing data.

   Latest 2023/24 forecast is £101k underspend due to reduced activities and moving related activities to bulk work processes..

   Proposed budget for 2024/25 is £200k, this is the same as the latest forecast for 2023/24.

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

Latest 2023/24 forecast is £16k overspend, this is due to a small increase in allocated cost from Bradford, we also increased our staff numbers compared to 2022/23.

Proposed budget for 2024/25 is £594k. we are expecting a complete review of the central support service cost from Bradford. This will increase our payment based on three facts – a) operational costs has gone up, b) reduced volume of frontline services – less base to share cost to, c) WYPF operations and staff numbers have grown.

We are working with Bradford to review this cost line. Our view is that cost is more likely to go up by £101k (50.00%).

d) Computer – this is the total cost of pension administration systems and maintenance.

Latest 2023/24 forecast is £159k overspend. The overspend is expected due to general price increases, contractual RPI increases and increased number of pension administration staff. Please note we are renegotiating prices where we can.

Proposed budget for 2024/25 is £923k. This is the impact of contract cost increases and RPI, we have increased this budget line by £235k (34.16%). We may need to increase the budget provision due to expected terms changing regulations for pension administration, dashboard, McCloud and pension cost management.

e) Invest to save resources – This is to support ongoing review of pension administration, oversight and governance service operations, staff, systems and processes. This is a contingent provision, and none is being used currently.

Latest 2023/24 forecast is £0. This may change as we make structural changes across the organisation.

Proposed budget for 2024/25 is £500k and will be released to fund specific projects after review by management.

f) Employees – Direct cost of pension administration staff.

Latest 2023/24 forecast is £271k underspend. Whilst, we have made steady improvements in recruiting staff, we still have 8.0 FTE vacancies to fill, hence the underspend.

Proposed budget for 2024/25 is £5,807k, £503k increase (9.48%). The budget is based on a full staffing structure and increased for a relative 6.5% pay award + 2.98% incremental salary drift for staff moving up within their pay grade. All current approved staffing posts for 2023/24 have been included in the base budget for 2024/25 and there is 5 FTE (3 FTE ICT) new posts requested for 2024/25, these will be funded out of savings elsewhere.

g) Other running costs – this is the cost of professional fees, banking charges for pension admin payroll payments, ISO 27001 quality audit, LGPS framework consultancy and subscriptions.

   Latest 2023/24 forecast is £128k overspend, mainly due to increased tax reclaim activities, WYPF governance review and service quality audits.

   Proposed budget for 2024/25 is £859k. An increase of £133k (18.32%) to address inflation cost increases.

h) Printing and stationery – This covers postage, printing and courier services.

   Latest 2023/24 forecast is £22k overspend, due to increased printed communications for new shared service partners' members. We expect this forecast to go down – we are pushing our services to use emails, electronic processes, and documents when communicating with members and clients.

i) WYPF Support Services – this is made up of departmental support costs within WYPF (finance, IT, facilities management, service development, staff training, health and safety, contact centre, communication and website services). Charge to investment management is based on specific usage factors.

   Latest 2023/24 forecast is £158k overspend, increase operational costs – system operational costs.

   Proposed budget for 2024/25 is £2,576k. An increase of £272k (11.81%) compared to 2023/24 budget, this is mainly due to increased contractual costs, staff pay and central support costs.

j) Other income – this is for services provided to a number of pension services across the UK for pension independent dispute resolution – we charge a minimal fee to support the LGPS and fire authorities.

   Latest 2023/24 forecast is £74k underspend, no budget was set for 2023/24, because activities in this area reduced significantly during the pandemic.

   Proposed budget for 2024/25 is £74k. same projected for 2023/24.

k) Shared service income – this is income from recharge of costs to pension shared service partners. We charge the actual total cost of providing pension administration to all partners including WYPF based on the total member number within the group. This ensures we share cost savings across the group, keeping our cost low and bringing in more business.

   Latest 2023/24 forecast is £186k underspend, this is due to increased number of partners, however total member numbers across all pension partners has stagnated, We forecast over 511k member for end of March 2024, when compiling the budget in December 2023 for the financial 2023/24, the current count is just below 504k members.

Proposed budget for 2024/25 is £3,408k the same as the latest projection.

WYPF total service expenditure.

2.4 This is made up of pension administration, oversight and investment management.

WYPF TOTAL SERVICE	22/3 BDGT £000	22/3 FINAL £000	22/3 PER MBR	23/4 BDGT £000	23/4 FRCST £000	23/4 VAR £000	23/4 PER MBR	24/5 BDGT £000	23/4 VAR 24/5 £000	% Incrs 24/5 vs 23/4	24/5 PER PMBR
01 PENSION ADMINISTRATION	5,250	5,270	£16.49	6,265	5,970	295	£18.50	7,307	- 1,042	16.63%	£22.65
03 OVERSIGHT	1,004	1,009	£3.16	998	942	56	£2.92	1,017	-19	1.90%	£3.15
WYPF PENSION ADMIN & OVERSIGHT	**6,254**	**6,279**	**£19.65**	**7,263**	**6,912**	**351**	**£21.42**	**8,324**	**- 1,061**	**14.61%**	**£25.80**
02 INVESTMENT MANAGEMENT	**8,496**	**7,322**	**£22.92**	**9,346**	**7,669**	**1,677**	**£23.77**	**10,174**	**-828**	**8.86%**	**£31.54**
TOTAL WYPF NET EXP	**14,750**	**13,601**	**£42.57**	**16,609**	**14,581**	**2,028**	**£45.20**	**18,498**	**- 1,889**	**11.37%**	**£57.34**
PER MBR		**£42.68**		**£51.01**			**-£12.15**	**£57.34**			
MBR NUMBER		**319,489**	**319,489**	**325,630**			**322,581**	**322,581**			**322,581**

Latest 2023/24 forecast is £2.03m underspend, made up of investment management £1.68m underspend and pension admin and oversight & governance £0.35m overspend. Latest 2023/24 forecast for total cost per member is £45.20.

Proposed budget for 2024/25 is £18.50m. Budget increased in total by £1.89m (11.37%) compared to 2023/24 budget.

Cost performance 2022/23

2.5 Based on the latest government statistics - sf3, result for 2022/23. The table below gives a snapshot of funds ranked 1 to 10. We have also included a few funds we work with, and we are closely aligned in terms of management.

WYPF annual cost per member:

Pension administering pension members is	£16.55	(4th)
Investment management	£22.97	(2nd)
Oversight & Governance	£3.17	(2nd)
Total management cost per member	£42.68	(1st).

East Riding is 2nd in terms of total costs with £74.60 and this is 74.8% more than WYPF. The average for LGPS is £310.08 and this is 626.53% more than WYPF.

Local Authority SF3 2022/23 (RANK 1 TO 10) + PARTNERS TOTAL NUMBER OF LGPS 87	2022/23										2021/22	
	Invst	Rnk	bps	Rnk	Admin	Rnk	O&G	Rnk	Tot	Rnk	Tot	Rnk
West Yorkshire Superannuation Fund	**22.97**	**2**	**4.08**	**2**	**16.55**	**4**	**3.17**	**2**	**42.68**	**1**	**34.06**	**1**
East Riding of Yorkshire UA	40.49	3	7.92	3	24.73	24	9.38	21	**74.60**	**2**	68.48	3
Environment Agency Closed Fund	4.49	1	1.68	1	51.82	69	29.85	72	**86.16**	**3**	287.99	0
Middlesbrough UA	90.33	6	14.48	5	26.08	30	7.85	14	**124.26**	**4**	103.34	4
Cardiff UA	96.44	8	18.88	8	27.38	32	3.82	4	**127.64**	**5**	192.94	15
Bedfordshire	94.52	7	24.44	12	21.23	15	17.56	52	**133.31**	**6**	139.30	6
Lewisham	101.59	9	16.47	7	32.05	49	19.54	61	**153.22**	**7**	147.98	8
Lincolnshire	**138.28**	**15**	**37.83**	**29**	**16.75**	**5**	**11.04**	**31**	**166.07**	**8**	**179.14**	**11**
Somerset	137.38	14	34.82	24	20.29	12	9.18	19	**166.86**	**9**	150.41	9
Nottinghamshire	139.74	17	33.77	21	17.19	6	10.88	29	**167.82**	**10**	68.19	2
Hounslow	**191.27**	**25**	**38.32**	**30**	**47.38**	**65**	**9.18**	**18**	**247.83**	**30**	**277.03**	**34**
Tameside	**231.58**	**38**	**32.77**	**19**	**17.47**	**7**	**4.89**	**6**	**253.95**	**32**	**299.00**	**41**
Merseyside Pension Fund	**270.08**	**50**	**38.68**	**34**	**21.62**	**16**	**16.18**	**47**	**307.88**	**46**	**326.04**	**47**
Barnet	**450.69**	**74**	**88.33**	**78**	**33.19**	**51**	**30.44**	**74**	**514.31**	**72**	**458.29**	**68**
England & Wales AVERAGE	**268.10**		**49.45**		**27.43**		**14.55**		**310.08**	**-3%**	**320.20**	

3 OTHER CONSIDERATIONS

The financial accounts for the Council will be approved by the Governance and Audit Committee later in the year and an update will be provided the WYPF Joint Advisory Group as part of the regular finance update.

4 FINANCIAL & RESOURCE APPRAISAL

Financial resources presented in this paper will be charged to the WYPF accounts.

5 RISK MANAGEMENT AND GOVERNANCE ISSUES

The finance report is a key element of WYPF financial risk management and governance, it is used to monitor and financial activities and performance of key financial controls in operation during the financial year.

6 LEGAL APPRAISAL

There are no other legal issues.

7 OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

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

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

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

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

In order to maintain a balance service, we have moved to a hybrid operation on a mixture of two or three days office working, depending on business needs. This approach is supported by most staff members.

7.3 COMMUNITY SAFETY IMPLICATIONS

None.

7.4 HUMAN RIGHTS ACT

None.

7.5 TRADE UNION

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

7.6 WARD IMPLICATIONS

None.

7.7 AREA COMMITTEE LOCALITY PLAN IMPLICATIONS

None.

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None.

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None.

8 NOT FOR PUBLICATION DOCUMENTS

No.

9 OPTIONS

The WYPF Joint Advisory Group note the contents of this report and may make additional recommendations to WYPF management on any part of this report.

10 RECOMMENDATION

That the WYPF Joint Advisory Group:

A. Note the latest expenditure forecast of £6.91m against a budget of £7.26m for 2023/24, net underspend of £0.35m.
B. Approve the proposed budget of £8.32m for 2024/25, with inflation increase of £1.06m (14.56%).
C. Note the WYPF total cost per member of £42.68 is the lowest within LGPS (2nd £74.60). Projected total cost per member for 2024/25 of £57.34 will maintain our cost performance going forward.
D. Note that at the time of writing this report Bradford accounts for 2021/22 and 2022/23 are delayed. Therefore, the WYPF accounts are also delayed.

11 APPENDICES

None.

12 BACKGROUND DOCUMENTS

None.

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director – West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2024

L

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

Summary statement:

The Fund has undertaken a consultation exercise with all employers on updates to the Funding Strategy Statement as part of the review of the calculation methodology for the low risk exit basis.

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director - WYPF

Portfolio:

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Overview & Scrutiny Area:

1. SUMMARY

1.1 The Fund has undertaken a consultation exercise with all employers on updates to the Funding Strategy Statement as part of the review of the calculation methodology for the low risk exit basis.

2. BACKGROUND

2.1 One of the most important aspects of any Local Government Pension Fund's funding strategy is how liabilities are valued for non-tax raising employers that cease to participate in the fund. This employer exit event occurs when an employer has no remaining contributing active members (known as orphan exits) and is not expected to admit any new members in the short to medium term.

2.2 Amendments to the Local Government Pension Scheme (LGPS) Regulations between 2018 and 2020 allowed for exiting employers to potentially receive a return of surplus and introduced the need for LGPS funds to develop relatively detailed exit policies.

2.3 Following the introduction of these amending regulations WYPF (the Fund) and its actuary Aon undertook a review of how liabilities are calculated for non-tax raising employers whose liabilities become orphaned on exit.

2.4 The Fund adopted a 'Probability of Funding success' approach, moving away from the more traditional method of assuming future investment returns would be in line with risk-free UK Government Bond yields (gilts based approach). At the time this change typically reduced the value placed on the exiting employers' liabilities and therefore reduced the cost to employers of exiting the Fund. In addition the Fund operates a single investment strategy and exiting employers were previously concerned that they were asked to pay contributions assuming investment in gilts after exit when the Fund wasn't actually investing in that way.

2.5 However, due to the significant increases in bond yields over the last couple of years, the current methodology now typically places a higher value on the exiting employer's liabilities than the gilts based approach and may potentially be viewed as overly prudent.

2023 REVIEW OF LOW RISK EXIT BASIS

2.6 Following the review of the strategic asset allocation which was agreed at the 27th July 2023 Investment Advisory Panel meeting, the Fund Actuary (Aon) was asked to review the impact any changes to the asset allocation may have on the exit basis using the current methodology to see if it could justify reducing the level of prudence without adding undue additional risk for the remaining employers.

2.7 A detailed analysis was carried out by Aon investigating a number of different options. Based on the information provided by Aon and presented to the Joint Advisory Group sub-group at their meeting on 16 October 2023, it was proposed to reduce the Probability of Funding Success parameter by 5% (from 95% to 90%) since this improved the position for exiting employers without increasing the risks for remaining employers beyond the level which the subgroup felt was appropriate.

(All other parameters underpinning the discount rate remain unchanged from the 2022 valuation approach).

2.8 **Why change the Probability of Funding Success from 95% to 90%**
A reduction from 95% to 90% was suggested as it demonstrably reduces prudence (a lower Probability of Funding Success gives a higher discount rate so giving exiting employers slightly greater credit for future investment returns and thus lower exit payments) but at the same time is more prudent than the 85% Probability of Funding Success which underpins the most prudent of the three ongoing intermediate funding targets. It wasn't considered appropriate to reduce the Probability of Funding Success below 90% - to ensure there was a clear difference between the exit basis and the intermediate funding targets. (There are other parameters which influence the discount rate but the Probability of Funding Success tends to be the main area of focus in terms of quantifying the level of prudence.)

2.9 **Financial impact**
As you would expect, the reduction in the Probability of Funding Success to 90% increases the discount rate used to value the liabilities on exit and hence leads to lower liabilities relative to the existing approach of adopting a Probability of Funding Success of 95%. The effect will vary over time depending upon expected returns on assets, and the interaction and volatility of those returns, based on Aon's Capital Market assumptions, which are re-assessed every quarter. Based on back-testing carried out by the actuary we expect the discount rate could increase by around 0.6%, equivalent to a reduction in liabilities of c8%-15% depending upon the profile of the employer's membership. This is not guaranteed and the effect will vary from quarter to quarter as well as between individual employers.

2.10 **Why shouldn't the Fund move back to a gilts based approach for determining the exit basis discount rate?**
The historic approach to (orphan) exit valuations was to value exit liabilities on a discount rate based on government bond yields. WYPF's strategy is to target the eventual exit position for closed employers when setting ongoing contributions however we had feedback from nearly all of these employers when undertaking triennial valuations that this was unaffordable and as a result, in order to ensure contributions were affordable the Fund ended up compromising on the level of contributions to set for these employers at successive valuations.

2.11 In the run up to the 2022 valuation the Fund moved away from using a gilts basis to determine the exit discount rate, triggered by very low gilt yields in 2021 and employer feedback - the Fund operates a single investment strategy and exiting employers had been complaining that they were being asked to pay contributions assuming investment in gilts after exit when the Fund wasn't actually investing in that way. The exit basis was re-structured for consistency with the ongoing funding targets, using a Probability of Funding Success approach based on the underlying investment strategy. The Joint Advisory Group has been clear in the past that the Fund should maintain a single investment strategy (although this question will be revisited at future valuations). Arguably it would unjustifiably increase risk for remaining employers if a gilts based exit basis wasn't matched by a change in investment strategy.

2.12 It should also be noted that using a gilts-based approach for calculating exit liabilities whilst also investing in gilts does not fully remove the risk of the assets not being sufficient to meet the liabilities. For example, it is not possible to accurately hedge future pension increases using UK government bonds and it is difficult to ensure the expected payments from a bond portfolio approximately match the timing of pension payments being made to members. There is also the risk of members living longer than expected, albeit this risk has not materialised over recent years.

2.13 A short presentation will be made by Aon to explain the changes at the meeting. A copy of the slides can be found at Appendix E

CONSULTATION

2.14 A consultation exercise with all WYPF employers was launched at the Employers' Annual meeting in early November which included a presentation by Aon on the proposed changes.

2.15 On the 10 November 2023 this was followed by a communication to all employers and further details of the proposed updates to the Funding Strategy Statement. The proposed changes are fairly limited, with only parts of the Funding Strategy Statement relating to the exit basis being updated.

2.16 The consultation was open for 8 weeks and closed on 5th January 2024, which given the specific nature of the proposed changes appeared an appropriate timeframe.

2.17 A copy of the Funding Strategy Statement (with all proposed changes tracked for ease of reference) can be found at Appendix A.

2.18 The Fund received 4 responses to the consultation exercise and copies of all 4 responses are shown at Appendix B, C and D. Two of the responses are supportive of the proposed changes whereas two of the responses have raised a number of matters related to the Funding Strategy, not all of which are directly relevant to the changes being considered. WYPF officers intend to discuss with these employers the matters they have raised (and has already met with one of these employers).

2.19 It should be noted that the exit basis is not directly relevant to employers that are required to admit new employees to the Scheme, such as local authorities and academy schools (albeit there is a secondary impact as all ongoing employers effectively guarantee the orphan liabilities). It is therefore not surprising that the number of consultation responses is relatively low in the context of WYPF's overall employer numbers.

2.20 All aspects of the Funding Strategy Statement, including the exit basis will be reconsidered and consulted on with employers at the time of the next triennial actuarial valuation (effective date 31 March 2025). WYPF officers and the WYPF Actuary are strongly of the view that it is not appropriate to undertake funding valuations outside of the triennial valuation cycle due to the changes in market conditions and are disappointed by the assertion in the consultation responses that this is due to resourcing considerations.

3. LEGAL CONSIDERATIONS

In accordance with the Local Government Pension Scheme Regulations (LGPS 2013):

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

4. OTHER CONSIDERATIONS

None

5. FINANCIAL & RESOURCE APPRAISAL

None

6. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

7. LEGAL APPRAISAL

None

8. OTHER IMPLICATIONS

None

8.1 SUSTAINABILITY IMPLICATIONS

None

8.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None

8.3 COMMUNITY SAFETY IMPLICATIONS

None

8.4 HUMAN RIGHTS ACT

None

8.5 TRADE UNION

None

8.6 WARD IMPLICATIONS

None

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

None

8.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

8.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

9. NOT FOR PUBLICATION DOCUMENTS

None

10 RECOMMENDATIONS

10.1 The Joint Advisory Group approve the changes to the calculation methodology for the low risk exit basis.

10.2 The Joint Advisory Group approve the updates to the Funding Strategy Statement as set out in Appendix A

10.3 The Joint Advisory Group approve the effective date of these changes as 1 February 2024.

11. APPENDICES

- Appendix A – Draft Funding Strategy Statement circulated to all employers with tracked changes for ease of reference.

- Appendix B, C and D – Comments received from the consultation exercise on the principles and approaches set out in the Funding Strategy Statement.

- Appendix E – Copies of the slides which will accompany the short presentation by Aon on the proposed changes.

WYPF
Funding Strategy Statement

January 2024 ~~March 2023~~

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 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 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 funding level falls below 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 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 liabilities which are orphaned following the exit of a participating employer, a more prudent approach will be taken. 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 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.

Funding Target

5.10 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 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).

5.11 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.

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

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

5.13 The Fund is deemed to be fully funded when the assets are equal to or greater than 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.

5.14 At the 2022 actuarial valuation, the discount rates were~~ill 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 (employers who have already exited)	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. The discount rates derived using the parameters set out above are shown in the Report on the Actuarial Valuation of the Fund.

Recovery Periods

5.15 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 5.32 below, employers' contributions may be adjusted to target a fully funded position over the Recovery Period. The Fund's strategic aim is to achieve 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.

5.16 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.

5.17 Additional contributions to meet any 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: -

- 5.17.1 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

- 5.17.2 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

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

- 5.17.4 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)
- 5.17.5 deferred employers – remaining period of the deferred debt agreement

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

- 5.18.1 the type/group of the employer
- 5.18.2 the size of the funding deficit or surplus;
- 5.18.3 the business plans of the employer;
- 5.18.4 the assessment of the financial covenant of the employer;
- 5.18.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
- 5.18.6 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

5.19 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers. The Administering Authority also monitors the position and may amend contributions between valuations as permitted by Regulations 64 and 64A. Further details of the Administering Authority's policy in relation to Regulation 64A are set out in Appendix 2 Amending Employer Contributions between Valuations.

5.20 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.

5.21 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.

5.22 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.

5.23 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.

5.24 Employer contributions may be reduced below the primary rates 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 deficit of assets below the funding target. Assets are notionally allocated to employers via a process of unitisation as described in paragraph 5.40. The past service (“secondary”) contributions are assessed taking into account the following:

- 5.24.1 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) in the Fund, and

- 5.24.2 the appropriate recovery period for the employer or group in line with the principles set out in paragraph 5.15 above.

5.25 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.

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

5.27 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:

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

5.28 On the cessation of an employer's participation in the 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 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.

5.29 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 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.

5.30 Two key principles making up the funding strategy and to be adopted for the 2022 actuarial valuation are to:

- 5.30.1 provide stability in primary employer contribution rates and secondary employer contribution amounts where possible, avoiding wide fluctuations year on year. To achieve this stability and ensure gradual movements in employers' contribution levels, the practice of phasing any increases or decreases in employers' contribution requirements up to 6 years from 1 April 2023 will be adopted where appropriate and required. In addition, for most employers an adjustment to the surplus used to reduce employer contributions below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging economic outlook. It is intended to reduce the risk of employer contributions reducing from 1 April 2023, only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation;

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

5.31 It may not be possible to adopt the two principles outlined in paragraph 5.27 for all employers, . Individual decisions may have to be taken for an employer or group 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.

5.32 The strategic aim of the Fund is to operate within a funding range of 90% to 110%. Whenever the Fund as a whole is operating within this range of funding then for the majority of 'high covenant' employers it is anticipated that their contribution rates will remain stable as long as the requirement for contributions to be set so as to ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

Long-term cost efficiency

5.33 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

5.34 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.

5.35 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, the Administering Authority considers that relaxing the requirement that the contribution rate targets full funding for admission bodies will only be permitted in exceptional circumstances, e.g.:

- 5.35.1 where there is clear evidence higher pension contributions may precipitate an employer's failure
- 5.35.2 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. .

5.36 Where contribution rates for admission bodies subject to the ongoing orphan funding target are relaxed i.e. set at a level lower than full funding would require, the bodies should be aware that, this 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 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)

5.37 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.

5.38 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.

5.39 With effect from 1 April 2016 a unitised approach has been taken to track the notional employer sub-funds. The unitisation model 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 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

5.40 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 1.

5.41 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, in proportion to notional asset share.~~.~~

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 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 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 Employers within the AG will share all risks in proportion to liabilities. Subject to 6.10 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.

6.9 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.

6.10 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, or the stepped rate for the MAT they are joining where academies in the MAT pay the same contribution rate~~.~~

7 Link to investment policy set out in the Investment Strategy Statement (ISS)

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, taking 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.

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. Identification of risks and counter-measures

8.1 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

8.2 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:

- 8.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
- 8.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
- 8.2.3 insufficient funds to meet liabilities as they fall due

- 8.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
- 8.2.5 counterparty failure

8.3 The specific risks associated with assets and asset classes are:

- 8.3.1 equities – industry, country, size and stock risks
- 8.3.2 fixed income - yield curve, credit risks, duration risks and market risks
- 8.3.3 alternative assets – liquidity risks, property risk, alpha risk
- 8.3.4 money market – credit risk and liquidity risk
- 8.3.5 currency risk
- 8.3.6 macroeconomic risks

8.4 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.

8.5 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.

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

Liquidity and Maturity risk

8.12 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 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
- 8.12.2 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 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 lower member contribution rates or a change in the contribution bands, agreed as part of the cost management process or otherwise, may lead to lower contribution income if not immediately matched by higher employer contributions;
- 8.12.5 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) will reduce member contributions to the Fund.

8.13 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 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 The approach to "Teachers' Excess Service" as part of the proposals to remedy illegal age discrimination in the public service pension schemes following ~~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 The outcome of the cost management process as at 31 March 2020 (and the Judicial Review of the 2016 process)

- 8.14.3 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 Redundancy early retirement provisions following previous consultations and indications from Government that it still intends to impose a cap on exit costs for public sector employers which could include pension strain costs. ~~- Government recently consulted on proposals to control exit costs for central government employers but 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.~~

8.15 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 and changes to the status of FE colleges. 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 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 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a deficit in payments and/or orphaned liabilities where employers are unable to meet their obligations to the Scheme. Public sector spending challenges and inflation may have adverse consequences 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 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 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~~ 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 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 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 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 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 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 The Administering Authority ~~has~~ commissioned scenario analysis modelling on the potential effect on funding from the Fund's Actuary which was ~~ill be~~ reported in the 2022 valuation report. This modelling was ~~is~~ intended ~~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..

9. Monitoring and Review

9.1 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.

9.2 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.

9.3 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:

- 9.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
- 9.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.
- 9.3.3 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
- 9.3.4 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 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 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 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 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 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.

2.10 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.

2.11 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 deficit would normally fall on the employers pro-rata to their liabilities in the Fund. Unless the deficit amount were material, the allocation of the 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 new academy will be included within the Academies Group, 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.
- ~~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, in some cases ~~for new employers joining after 31 March 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 2022~~ (see paragraph 8.14of the Funding Strategy Statement) are resolved, or where approximations are required due to data not being available to carry out the calculations accurately.~~.~~

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 the Academies Group, it will generally pay the Academies Group contribution rate. However, where the new academy is joining a multi-academy trust (MAT), and the MAT is paying different contributions to the 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.

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 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 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 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 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 exit date ~~this statement comes into force,~~ the following refinements will be made to the approach at the 2022 funding valuation:

- the allowance 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
- 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

- The probability of funding success adopted for orphan exits will be reduced from 95% to 90%. All other parameters underpinning the discount rate will be unchanged from the 2022 valuation approach.

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~~ 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 of the exit date. Where the employer has not provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit within 2 months of the exit date, the employer will be deemed to have agreed that the 6-month period should run from the date all the necessary data has been provided. In determining the amount of any exit credit payable the Administering Authority will take the following factors into consideration:

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

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

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

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

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

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

10 Multi-academy trusts

10.1 Where an employer within a multi-academy trust (MAT) fails, unless that academy is an employer in its own right there is no power within the Regulations for the Administering Authority to commission an exit valuation under Regulation 64, unless it considers that the MAT itself may become an exiting employer and so a valuation under Regulation 64(4) is appropriate. In that case, where an employer within the MAT has failed, irrespective of whether or not the Department for Education guarantee applies, the liabilities of the exiting academy will fall to be funded by the remaining employers within the MAT rather than becoming orphaned liabilities.

10.2 Where the MAT participates in the Academies Group the Administering Authority may direct the Fund Actuary to carry out a valuation of the liabilities of the exiting academy in the Fund at the date of exit in order to assess the effect of its failure on the remaining employers within the MAT, and ensure the remaining MAT employers (and any new employers joining the MAT) are aware of the extent of these liabilities. The Administering Authority may also direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT if this is considered necessary to protect the other employers in the Academies Group. The contribution rate for the MAT may be adjusted at the next triennial Actuarial Valuation, or earlier if considered material and the circumstances meet the criteria for a review of contributions under Regulation 64A - see Appendix 2 for details of the Administering Authority's policy in this area.

10.3 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 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.

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

10.5 Where an academy moves to a MAT which does not participate in the Fund, unless otherwise advised by the Fund Actuary, or required by a Direction Order, the assets to be transferred will 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. The Funding position will be monitored quarterly and the risk/covenant ~~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 Managing Director within 6 months of being notified of the decision.

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

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

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Appx B

Responses to the Funding Strategy Consultation exercise November 2023

Wakefield MDC - Finance Director,Caroline Cater

I just wanted to confirm, as per our discussion shortly before Christmas that I have no issues with the proposed changes.

Skills for Care – People and Development Partner, Courtney Yates

Further to the email regarding the Funding Strategy Statement consultation, I wanted to provide a response on behalf of Skills for Care to confirm that Skills for Care are in support of the proposed changes and the timescales set out.

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UNIVERSITY of BRADFORD
Offices of the Vice-Chancellor

Andrew Lang
Chief Finance Officer

Caroline Blackburn

Head of Employer Services and Compliance

West Yorkshire Pension Fund

(by email)

21 December 2023

Re: WYPF Funding Strategy Statement consultation 2023

Dear Caroline,

Please find below our response to the Funding Strategy Statement consultation. We welcome the opportunity to engage with the Fund and agree it's an important time for review given the new funding and investment landscape created by the recent significant market changes.

Prior to providing our formal response, whilst we were aware that a consultation was being conducted, we did not receive a communication on the process, and formal request, until we chased this ourselves. Although we understand that mistakes can happen with circulation lists (which was acknowledged by your team) we hope that is not a broader indication that other employers have also been omitted from the request for responses as it is important that all have an opportunity to contribute.

We note that the consultation communication focuses only on the exit valuation basis, but we also consider that the Funding Strategy Statement must be consulted on as a whole, and not just in part, and so we have raised some wider considerations as part of our response. We view these as important issues, directly connected to the exit basis discussion, and we very much hope they are considered by the Joint Advisory Group.

Informed employer

As you are aware in our ongoing communications, we have taken detailed advice from our pension advisers, Isio. They are a firm with a specialist public services team with Local Government Pension Scheme expertise. Considering the investment we have made in becoming an informed employer, we believe our response should significant weight as part of the consultation. We also recognise that there is a history of inertia amongst LGPS employers, not just in WYPF, many of whom do not respond at all to such consultations, either through lack of expertise, or lack of time. There is a danger that nil responses are deemed to constitute a position of agreement. We do not think this is appropriate and we consider, taking into account our concerns around the quality of the consultation, that nil responses should not be counted.

Feedback on the employers' annual meeting

Thank you for the time given to preparing for and presenting at the recent annual employer meeting and signposting the consultation that would be shared. We do not believe that this has been done for previous consultations and we found this valuable to help us prepare. Thank you.

The session was useful to understand the Fund's view on the current funding position, the investment strategy, and the proposed consultation. However, there was no engagement with the audience (perhaps only because of technology failings), and limited evidence that the employers' perspectives

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Andrew Lang
Chief Finance Officer

were understood or being considered. There were a few points raised by the actuary that we did not agree with (some of which are raised later in this document), or we wanted to understand further, but did not have the opportunity to question them at the time. We note that even though it was intended to give employers the opportunity to ask questions at the very end of the meeting, the technology wasn't switched on and so we were not able to contribute. Therefore, it should not be considered that there was general understanding and agreement from the audience as part of that helpful meeting.

Please can we ask that the Fund considers ways this could be improved in the future, such as changing the format of the meeting, and making sure there is a facility to ask questions and to hear the voice of the employers (without which there would be no fund).

We also suggest that a feedback request is issued following the meeting, providing an opportunity to follow up and to ask questions, which would be normal practice after a webinar.

Our response to the WYPF Funding Strategy Statement consultation November 2023

Executive summary

As you know from our previous correspondence, we strongly agree that the Fund's current exit valuation approach leads to poor outcomes in current market conditions. We are pleased this has been recognised and changes are being made. However, we are concerned the proposed changes aren't sufficient.

Our strong view is that WYPF should move back to a gilts based discount rate approach, rather than look to refine the current approach, which isn't working. We also consider that WYPF should adopt low-risk investment strategies for orphan liabilities and for participating employers as an option. These two changes should come hand in hand, but not changing the latter should not be an excuse for not considering the former.

We believe the current exit basis, combined with wider policies in the Funding Strategy Statement and Statement of Investment Principles are, through a number of different threads, limiting opportunities available to employers to utilise the significantly improved funding in their participations. In particular:

- The ongoing funding approach is not being changed, even though it is based on the same approach as the exit valuation approach – this hides recent funding improvements
- The policy for reviewing contributions between valuations seeks to disallow changes on account of changes to market conditions, which goes beyond the regulations and the statutory guidance
- The WYPF only supports a single investment strategy, which makes a gilts based exit valuation approach risky and results in a proposed approach which cannot be hedged
- Partial exit, whilst possible in theory, is not in practice because the proposed exit valuation basis continues to over-charge exiting employers, to the benefit of the remaining employers

We request the Fund also carries out a wider review of the Funding Strategy Statement in the context of the recent market changes, to enable employers to manage their cost and risk objectives and the Fund to meeting its cost efficiency objective. We also request the Fund reconsiders its decision to continue with a single investment strategy.

We outline our considerations supporting these views below.

Andrew Lang
Chief Finance Officer

1. **A gilts-based approach for exit valuations**

   In our view a gilts-based discount rate approach remains the most appropriate method for the exit valuation and the Fund should revert back to a gilts based discount rate.

   a. A gilts-based approach is in line with the pension industry standard approach for valuing "settlement amounts" and is also widely used across the LGPS, although we are aware of a recent trend towards alternative approaches used to discourage employer exits. (Note: we believe the best way to discourage employer exits would be to provide better risk management options.)

   b. A gilts-based approach is able to be hedged. It allows assets to be invested in a way that closely matches the funding approach. The current and proposed approach cannot be hedged.

      One of the arguments for the proposed new approach is that it provides more stability, but we do not believe this to be true. The Fund's assets and the proposed exit liabilities do not move in line and we are not aware of any investment strategy that can hedge the proposed approach. It is very important that the Fund considers what this means for employers for whom LGPS obligations often represent a very material balance sheet risk. Having an exit position that is not able to be hedged is not acceptable to us.

      Note that the fact that there is currently a single investment strategy, including for orphan liabilities, is not a reason to dismiss this argument in our opinion. The decision to stick with a single investment strategy is also not one we agree with.

   c. The current and proposed exit valuation approach is complex and non-transparent. It is not replicable, even with the assumptions disclosed. This means that employers cannot easily understand their underlying exposure to the Fund or the options available to them to manage risk. A gilts-based approach is more transparent and easily replicable and enables employers to understand and track their exit valuation.

   d. WYPF previously adopted a gilts-based approach. We do not believe it was appropriate to move away from this approach and the WYPF should now consider reverting to the approach applied prior to 2021.

      i. Whilst the previous consultation resulted in an improvement in exit positions for employers, had we had the chance to respond fully at the time (noting that it was a very short consultation, with little notice, held over the Christmas holiday period) we would have disagreed with the methodology even then.

      ii. We understand the consultation on the exit debt basis in 2021 was driven by market conditions at the time. The environment has now changed and the conditions that drove the previous change are no longer relevant.

          In 2021, the Fund's view was index-linked gilt prices did not represent value for money and so it was not appropriate to continue assuming that orphan exit liabilities would be backed by them. Whilst this may have helped reduce the cost of exit for employers at the time, we still consider it is appropriate to invest the assets in respect of settled liabilities with matching assets (i.e. an appropriate mix of index-linked bonds). Given the change in gilt prices, the Fund could now quite easily opt to back the orphan liabilities with gilts in a cost-efficient way, significantly reducing the level of risk for these liabilities.

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Chief Finance Officer

iii. Has the WYPF considered reverting back to the gilts based approach rather than trying to fix an approach that you believe is no longer working? The consultation, including the responses to our questions, does not provide any supporting evidence of the alternative approaches considered.

e. We do not agree that with the assertion that the Fund and Aon are presenting gilts as risky. If you invest in gilts, but do not measure the liabilities using gilt yields then this creates funding risk, but this is an entirely unnecessary risk and should not be presented as a reason not to use a gilts-based approach. Even if you choose not to offer employers a low risk investment option (which we disagree with), the orphan liabilities should be invested in a low risk way. Also, reference to the crisis faced by trust-based schemes in 2022 as being evidence of gilts being risky is not appropriate. This was not about gilts being risky – if those schemes had been invested directly into gilts rather than LDI there would not have been a crisis for trust based schemes.

2. **Significant prudence**

The current approach results in an overly prudent basis that will overfund the Fund, overcharging exiting employers to the benefit of the remaining employers (who should not feel comfortable with this cross subsidy in their favour). We can see from the information received, that the current approach results in a single equivalent discount rate that is significantly below gilt yields and we expect this to remain the case after the proposed changes.

We also anticipate the current approach is more prudent than current insurer pricing. It is difficult to see how the WYPF can reasonably charge more than a third-party insurer.

a. High level analysis completed by our advisors on the 31 December 2022 exit valuation we received indicated the effective discount rate using the current approach was comparable to gilt yields less 0.9%. Based on the answers to our consultation questions, we can now see this difference is 1.2%. We can see that, as expected, the difference has extended much further and was 1.95% as at 30 September 2023. (We note that we would not have this information if we were only looking at the consultation materials.)

b. The consultation suggests the proposed changes reduce the discount rate by 0.6%, meaning the revised discount rate will still be significantly more prudent than a gilts-based approach. This is supported by the answers we have received to our previous questions.

c. We agree that, as stated in the employers' annual meeting, LGPS liabilities cannot be "bought-out", but this is a misleading statement and we do not believe that this argument should be used to support the justification for the change to the exit valuation basis. The important and relevant point is that the Fund could buy a "buy-in" product with a third-party insurer. This has been demonstrated by other LGPS funds.

d. A buy-in, save failure of the insurance provider, represents a complete de-risking of pension liabilities. Furthermore, a third-party insurer is going to take an approach to valuing liabilities which seeks to make profit. With the limited information they have available our advisers estimate the Fund's proposed approach is more prudent than the insurance market at the current time, reinforcing why it is not appropriate. In addition, for reasons discussed above, the proposed approach moves out of line with the cost of a buy-in policy.

3. **Detailed methodology and review of the proposed funding approach**

   You have not provided details supporting the proposed discount rate change which makes it difficult to understand how it has been derived, or what supporting analysis the WYPF has completed to arrive at the proposed approach. This is both disappointing and concerning.

   a. The proposal shared reduces the Probability of Funding Success from 95% to 90%. Whilst helpful to have an indication of the impact on the effective discount rate in current market conditions, it is difficult to understand how this is derived. The response to our questions does not shed any more light on this, it only goes to confirm that advice was given to the Fund and the Fund and the actuary used that advice.

   b. Crucially, you did not offer any details of Aon's asset return assumptions on which the whole approach rides. You have offered it as part of the answer to questions, but in a way which makes it difficult to share with our advisers. We do not have time to review the full information shared ahead of submitting our consultation response. We would also note that these were not provided at the annual employers meeting, despite these assumptions being a crucial part of the conclusion that the funding position has not improved. Not only do we not know the assumptions, we do not know how they are derived. In the answers to our questions it is stated that "..it is clear what the underlying parameters are..". This is not the case.

   c. You have not provided details of any analysis carried out to support the 5% change. How are you comfortable this reduction is sufficient? We would like to have a very clear explanation as to why the Fund believes the revised discount rate approach represents an acceptable level of prudence in current and future market conditions. The answers to our questions suggest that this finds the right balance between exiting and remaining employers, but without any detailed explanation or quantification.

   d. Presumably, there will be a need to regularly review the Probability of Funding Success in the future, given the fact that it is not resilient in the face of changing market conditions. This will add further complexity to the approach and make it even more difficult for employers to understand and track their exit position.

4. **Wider implications for the Funding Strategy Statement**

   a. ***Section 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency***

      The ongoing funding approach, which drives the cash contributions employers pay, adopts the same methodology as the exit valuation with a different Probability of Funding Success. The unprecedented changes in market conditions have led to the review of the exit valuation approach. We strongly believe that the Fund should also review the ongoing valuation approach. Your answer to our consultation question on this simply states that this does not need to be reviewed until 2025, by which we infer it should be reviewed. But, by delaying this review, we believe opportunities to create good outcomes for your employers (including councils) are being missed.

      We are concerned that the underlying reason for not choosing to review the ongoing funding position is the significant potential practical consequences for the Fund. If this is the case, then the resourcing issues should be tackled head on and in a transparent manner.

Andrew Lang
Chief Finance Officer

b. ***Appendix 2: Policy on reviewing Employer Contributions between Triennial Valuations.***

Given the significant improvements in market conditions since the last valuation date, we are in discussion with WYPF on the options available for reviewing our contributions. We understand your view is that this would not result in a contribution reduction given:

- The Funding position hasn't improved under your funding strategy approach (even though you acknowledge it has on a typical exit basis)
- You are constrained under your funding strategy by how you categorise Employers. You state in your response dated 16 November 2023 that you don't believe it is appropriate to include University of Bradford in the lower risk contributions category as we are not a scheduled body.

In our view, given our position with a surplus on a very low risk basis, our covenant is now very strong, and it wouldn't be unreasonable to treat us as a lower risk employer. Furthermore, we believe that very high surpluses should be able to be recovered over short time periods.

Whilst the regulations on employer flexibilities are quite open, WYPF is constrained by the policies set out in the current Funding Strategy Statement. Given this was created in a very different market environment we believe that WYPF should now be reviewing these important elements of your funding policy as part of this consultation to provide better outcomes for the fund and its employers.

5. **Utilising surplus objective**

As you know we are having ongoing conversations with WYPF on the options available to utilise our surplus, ideally by de-risking our participation.

We can't meet our de-risking objectives for reasons we don't agree with, which means the University has value trapped in the Fund.

This issue will not be unique to us and there will be other employers in a similar position. We consider that through a combination of this consultation, and other factors that the Fund is not consulting on but should be (see above), the Fund is preventing good outcomes from taking place.

a. Our participation has a surplus on the ongoing basis, and even has a surplus on a low-risk (gilts based) basis. In our view, if there is a surplus in the Fund an employer should be able to use this, either to de-risk their participation or reduce the level of contributions paid.

b. We are not able to utilise the funding improvements seen:

- We can't de-risk through the investment strategy, given the Fund continues with a single investment strategy and has no plans to offer any de-risked options.
- We can't de-risk using partial exit, despite the fact that you have confirmed that this is possible, as it remains poor value for money with the current and proposed exit valuation basis.
- We can't reduce our contributions, because, despite the adjustments to the exit valuation approach you consider the ongoing valuation approach should not be reviewed until 2025,

Andrew Lang
Chief Finance Officer

c. We understand there are wide implications of making change, but the Fund must engage with current market conditions rather than avoid them. If additional resources are required for the Fund to deal with these, then these must be found and can be paid for from Fund assets.

d. We believe that the Joint Advisory Group should be able to deal with individual employer concerns, noting that this is not presently its remit. The Fund's role is to find the best balance of funding and risk between themselves and their employers and JAG needs to listen to the voice of the employers who support their Fund.

e. We would ask again for the Fund to urgently consider whether alternative investment options could work. We appreciate that providing the option for all employers to have a bespoke investment strategy will be complex, but we know a number of other funds within the LGPS do offer a lower risk investment strategy option as an alternative for employers.

6. Consultation approach

We would like to feedback that the timescales for the consultation period have again been very tight for employers to respond. We are also concerned about the validity of the consultation and whether the proposed changes are already a pre-made decision.

a. The consultation spans the Christmas period and also overlays with busy audit seasons for many of your education employers. As employers we need time to understand the proposals and what is being consulted on, seek advice, discuss, and agree our position internally and then draft the consultation response. Please can this be considered for future consultations to ensure all employers are given the chance to give this the time it needs. Otherwise, there is a risk to you that the consultation is not effective.

   We have raised several technical questions to help support our consultation response and only recently received a response on 18 December. Given we need to respond in this week before Christmas to meet the consultation deadlines, due to team holidays between Christmas and the consultation deadline, we haven't been able to fully incorporate them into our response.

b. The employer meeting gave the impression the proposed changes are a pre-made decision ready to be ratified at the January meeting. This is reinforced by the short consultation period, and the short amount of time given between the end of the consultation period and the JAG meeting on 25 January. Do you have sufficient time to review and fully consider all the consultation responses in the very short amount of time between closure of the consultation and the meeting papers being finalised in advance of the meeting? We hope the Fund has taken legal advice on the legal validity of the consultation and would be pleased to see this.

We expect the Fund to take full consideration of the points we have raised in this response when making their decision and provide feedback on the points we've raised. We would welcome the opportunity to discuss this response further and to present our views as part of the deliberations.

Yours sincerely,

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WYPF Funding Strategy Statement consultation 2023

Please find below our response to the Funding Strategy Statement consultation. We welcome the opportunity to engage with the Fund and agree it's an important time for review given the new funding and investment landscape created by the recent significant market changes.

Whilst the consultation communication focuses only on the exit valuation basis, we consider that the Funding Strategy Statement has to be consulted on as a whole and not just in part and so we have also raised some wider considerations. We view these as important issues, directly connected to the exit basis discussion, and we very much hope they are considered by the Joint Advisory Group.

Informed employer

We've taken detailed advice from our pensions advisers Isio. They are a firm with a specialist public services team with Local Government Pension Scheme expertise. Taking into account the investment we have made in becoming an informed employer, we believe our response should hold significant weight. Our concern is that there is a danger, nil responses are deemed to constitute a position of agreement. We do not think this is appropriate and we consider, taking into account our concerns around the quality of the consultation, that nil responses should not be counted.

Feedback on the employers' annual meeting

Thank you for the time given to preparing for and presenting at the recent annual employer meeting and signposting the consultation that was coming.

The session was useful to understand the Fund's view on the current funding position, the investment strategy, and the proposed consultation. However, we felt there was limited engagement with the audience, and limited evidence that the employers' perspectives were understood or being considered. There were a few points raised by the actuary that we did not agree with (some of which are raised later in this document), or we wanted to understand further, but did not have the opportunity to question them at the time. One thing to note is that at the end of the meeting, when employers were given the opportunity to ask questions, we don't think the Q&A and microphone facilities were switched on, which might be the reason why there were no questions or comments.

Please can we ask that the Fund considers ways this could be improved in the future, such as changing the format of the meeting, and making sure there is a facility to ask questions and to hear the voice of the employers.

We also think it would have been helpful for you to issue feedback requests and a follow up opportunity to ask questions, which would be normal practice after a webinar.

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Our response to the WYPF Funding Strategy Statement consultation November 2023

Executive summary

We strongly agree that the Fund's current exit valuation approach leads to poor outcomes in current market conditions. We are pleased this has been recognised and changes are being made. However, we are concerned the proposed changes don't go far enough.

Our strong view is that the WYPF should move back to a gilts based discount rate approach, rather than look to refine the current approach. We also consider that WYPF should adopt low-risk investment strategies for orphan liabilities and for participating employers as an option. These two changes should come hand in hand, but not changing the latter should not be a rationale for not considering the former.

We believe the current exit basis, combined with wider policies in the Funding Strategy Statement and Statement of Investment Principles are, through a number of different threads, limiting the opportunities available to employers to utilise the significantly improved funding in their participations. In particular:

- The ongoing funding approach is not being changed, even though it based on the same approach as the exit valuation approach – this hides recent funding improvements
- The policy for reviewing contributions between valuations seeks to disallow changes on account of changes to market conditions, which goes beyond the regulations and the statutory guidance
- The WYPF only supports a single investment strategy, which makes a gilts-based exit valuation approach risky and results in a proposed approach which cannot be hedged
- Partial exit, whilst possible in theory, is not in practice because the proposed exit valuation basis continues to over-charge exiting employers, to the benefit of the remaining employers. This will be the same for merging our two participations within the WYPF

We request the Fund also carries out a wider review of the Funding Strategy Statement in the context of the recent market changes, to enable employers to manage their cost and risk objectives and the Fund to meeting its cost efficiency objective. We also request the Fund reconsiders its decision to continue with a single investment strategy.

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We outline our considerations supporting these views below.

1. A gilts-based approach for exit valuations

In our view a gilts-based discount rate approach remains the most appropriate method for the exit valuation and the Fund should revert back to a gilts based discount rate.

a. A gilts-based approach is in line with the pension industry standard approach for valuing "settlement amounts" and is also widely used across the LGPS, although we are aware of a recent trend towards alternative approaches used to discourage employer exits. (Note: we believe the best way to discourage employer exits would be to provide better risk management options).

b. A gilts-based approach is able to be hedged. It allows assets to be invested in a way that closely matches the funding approach. The current and proposed approach cannot be hedged.

   One of the arguments for this new approach is that it provides more stability, but this is not true. The Fund's assets and the proposed exit liabilities do not move in line and we are not aware of any investment strategy that can hedge the proposed approach. It is very important that the Fund considers what this means for employers for whom LGPS obligations often represent a very material balance sheet risk. Having an exit position that is not able to be hedged is difficult to accept due to the risk attached.

   Note that the fact that there is single-investment strategy, including for orphan liabilities, is not a reason to dismiss this argument. The decision to stick with a single investment strategy is not one we agree with.

c. The current and proposed exit valuation approach is complex and non-transparent. It is not replicable, even with the assumptions disclosed. This means that employers cannot easily understand their underlying exposure to the fund or the options available to them to manage risk. A gilts--based approach is more transparent and easily replicable and enables employers to understand and track their exit valuation.

d. WYPF previously adopted a gilts-based approach. We don't believe it was appropriate to move away from this approach and the WYPF should now consider reverting to the approach applied prior to 2021.

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i. Whilst the previous consultation resulted in an improvement in exit positions for employers, had we had the chance to respond fully at the time (noting that it was a very short consultation, with little notice, held over the Christmas holiday period) we would have disagreed with the methodology even then.

ii. We understand the consultation on the exit debt basis in 2021 was driven by market conditions at the time. The environment has now changed and the conditions that drove the previous change are no longer relevant.

    In 2021, the Fund's view was index-linked gilt prices didn't represent value for money and so it wasn't appropriate to continue assuming that orphan exit liabilities would be backed by them. Whilst this may have helped reduce the cost of exit for employers at the time, we still consider it's appropriate to invest the assets in respect of settled liabilities with matching assets (i.e., an appropriate mix of index-linked bonds). Given the change in gilts prices, the Fund could now quite easily opt to back the orphan liabilities with gilts in a cost-efficient way, significantly reducing the level of risk for these liabilities.

iii. Has the WYPF considered reverting back to the gilts-based approach rather than trying to fix an approach that you believe is no longer working? The consultation, including the responses to our questions, does not provide any supporting evidence of the alternative approaches considered.

e. We are not comfortable with the fact that the Fund and Aon are presenting gilts as risky. If you invest in gilts, but do not measure the liabilities using gilt yields then this creates funding risk, but this is an entirely unnecessary risk and should not be presented as a reason not to use a gilts-based approach. Even if you choose not to offer employers a low risk investment option (which we disagree with), the orphan liabilities should be invested in a low risk way. Also, reference to the crisis faced by trust based schemes in 2022 as being evidence of gilts being risky is not appropriate. This was not about gilts being risky – if those schemes had been invested directly into gilts rather than LDI there would not have been a crisis for trust based schemes.

2. Significant prudence

The current approach results in an overly prudent basis that will overfund the Fund, overcharging exiting employers to the benefit of the remaining employers (who should not feel comfortable with this cross subsidy in their favour). We can see from the information received, that the current approach results in a single

equivalent discount rate that is significantly below gilt yields and we expect this to remain the case after the proposed changes.

We also anticipate the current approach is more prudent than current insurer pricing. It is difficult to see how the WYPF can reasonably charge more than a third-party insurer.

a. High level analysis completed by our advisors on the 31 December 2022 exit valuation we received indicated the effective discount rate using the current approach was comparable to gilt yields less 0.9%. Based on the answers to our consultation questions, we can now see this difference is 1.2%. We can see that, as expected, the difference has extended much further and was 1.95% as at 30th September 2023. (We note that we would not have this information if we were only looking at the consultation materials).

b. The consultation suggests the proposed changes reduce the discount rate by 0.6%, meaning the revised discount rate will still be significantly more prudent than a gilts-based approach. This is supported by the answers we have received to our questions.

c. We agree that, as stated in the employers' annual meeting, LGPS liabilities cannot be "bought-out", but this is not a relevant point and we feel it should not have been used to support the justification for the change to the exit valuation basis. The important and relevant point is that the Fund could purchase a "buy-in" product with a third-party insurer. This has been demonstrated by other LGPS funds.

d. A buy-in represents, save failure of the insurance provider, a complete de-risking of pension liabilities. Furthermore, a third-party insurer is going to take an approach to valuing liabilities which seeks to make profit. With the limited information they have available our advisers estimate the Fund's proposed approach is more prudent than the insurance market at the current time, reinforcing why it is not appropriate. In addition, for reasons discussed above, the proposed approach moves out of line with the cost of a buy-in policy.

3. Detailed methodology and review of the proposed funding approach

You have not provided details supporting the proposed discount rate change which makes it difficult to understand how it has been derived, or what supporting analysis the WYPF has completed to arrive at the proposed approach.

a. The proposal shared reduces the Probability of Funding Success from 95% to 90%. Whilst helpful to have an indication of the impact on the effective discount rate in current market conditions, it's very difficult to understand how this is derived. The response to our questions does not shed any more light on this, it confirms that advice was given to the Fund and the Fund and the actuary used that advice.

b. Crucially, no details were received of Aon's asset return assumptions on which this whole approach rides. While you have offered it as part of the answer to questions, we do not have time to review the full information shared ahead of submitting our consultation response. We would also note that these were not provided at the annual employers meeting, despite these assumptions being a crucial part of the conclusion that the funding position has not improved. Not only do we not know the assumptions, we do not know how they are derived. In the answers to our questions it states "..it is clear what the underlying parameters are..". This is not the case.

c. We've not received details of any analysis carried out to support the 5% change. How are you comfortable this reduction is sufficient? We would like to have a very clear explanation as to why the Fund believes the revised discount rate approach represents an acceptable level of prudence in current and future market conditions.

   The answers to our questions suggest that this finds the right balance between exiting and remaining employers, but without any detailed explanation or quantification.

d. Presumably, there will be a need to regularly review the Probability of Funding Success in the future, given the fact that it's not resilient in the face of changing market conditions. This will add further complexity to the approach and make it even more difficult for employers to understand and track their exit position.

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4. Wider implications for the Funding Strategy Statement

a. ***Section 5. Solvency Issues, Target Funding Levels and Long-term Cost Efficiency***

The ongoing funding approach, which drives the cash contributions employers pay, adopts the same methodology as the exit valuation with a different Probability of Funding Success. The unprecedented changes in market conditions have led to the review of the exit valuation approach. We strongly believe that the Fund should also review the ongoing valuation approach. Your answer to our consultation question on this simply states that this does not need to be reviewed until 2025, by which we infer it should be reviewed. But by delaying this review opportunities to create good outcomes for your employers (including councils) are being missed.

We are concerned that the underlying reason for not choosing to review the ongoing funding position is the significant potential practical consequences for the Fund. If this is the case then the resourcing issues should be tackled head on and in a transparent manner.

b. ***Appendix 2: Policy on reviewing Employer Contributions between Triennial Valuations.***

Given the significant improvements in market conditions since the last valuation date, as part of the valuation discussions, we asked the WYPF what options were available for reviewing our contributions to take into account post valuation experience. We understand your view is that this would not result in a contribution reduction given:

- The Funding position hasn't improved under your funding strategy approach (even though we believe it has on a typical exit basis)
- You are constrained under you funding strategy by how you categorise Employers

In our view, given our position with a surplus on a very low risk basis, our covenant is now very strong, and it wouldn't be unreasonable to treat us as a lower risk employer.

Whilst the regulations on employer flexibilities are quite open, WYPF is constrained by the policies set out in the current Funding Strategy Statement. Given this was created in a very different market environment we believe that WYPF should now be reviewing these important elements of your funding policy as part of this consultation to provide better outcomes for the fund and its employers.

5. **Utilising surplus objective**

As you know we have previously discussed with the WYPF what options are available to utilise our surplus, ideally by de-risking our participation, and potentially merging our two participations. We can't meet our de-risking objectives for reasons we don't agree with, which means we have value trapped in the Fund. This issue will not be unique to us and there will be other employers in a similar position. We consider that through a combination of this consultation, and other factors that the Fund is not consulting on but should be (see above), the Fund is obstructing good outcomes from taking place.

a. Our participation has a surplus on the ongoing basis, and even has a surplus on a low-risk (gilts based) basis. In our view, if there is a surplus in the Fund an employer should be able to use this, either to de-risk their participation or reduce the level of contributions paid.

b. We are not able to utilise the funding improvements seen:

   - We can't de-risk through the investment strategy, given the Fund continues with a single investment strategy and has no plans to offer any de-risked options
   - We can't de-risk using partial exit, despite the fact that we believe this is possible, or by merging our participations, as it remains poor value for money with the current and proposed exit valuation basis
   - We can't reduce our contributions, because, despite the adjustments to the exit valuation approach you consider the ongoing valuation approach should not be reviewed until 2025

c. We understand there are wide implications of making change, but the Fund must engage with current market conditions rather than avoid them. If additional resources are required for the Fund to deal with these, then these must be found and can be paid for from Fund assets.

d. We are concerned that the Joint Advisor Group does not deal with individual employer issues. The Fund's role is to find the best balance of funding and risk between themselves and their employers and JAG needs to listen to the voice of the employers who support their Fund.

e. We would ask again for the Fund to urgently consider whether alternative investment options could work. We appreciate that providing the option for all employers to have a be-spoke investment strategy will be complex, but we know a number of other funds within the LGPS do offer a lower risk investment strategy option as an alternative for employers.

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6. Consultation approach

We would like to feedback that the timescales for the consultation period have been very tight for employers to respond. We are also concerned about the outcome of the consultation and whether our voice will be heard.

a. The consultation spans the Christmas period. As employers we need time to understand the proposals and what is being consulted on, seek advice, discuss and agree our position internally and then draft the consultation response. Please can this be considered for future consultations to ensure all employers are given the chance to give this the time it needs. Otherwise, there is a risk to you that the consultation is not effective.

   We've raised a number of technical questions to help support our consultation response and have only just received a response on 19 December. However, given the consultation deadline, we haven't been able to fully incorporate them into our response.

   We note the Fund's query on Together's commitment to the LGPS and can confirm that Together Housing values the LGPS and we know our members value being part of this scheme. We plan to continue to offer this to our employees, including to new employees, but are keen to ensure we have a sustainable position with the right balance of cost and risks to help us do this.

b. As the Joint Advisory Group meeting is scheduled for the 25th January do you have sufficient time to review and fully consider all the consultation responses in the short amount of time between closure of the consultation and the meeting papers being finalised in advance of the meeting? This does cause us some concern.

We would like the Fund to take full consideration of the points we have raised here when making their decision and provide feedback on the points we've raised. We would welcome the opportunity to discuss this response and to present our views as part of the deliberations.

Mark Dunford

Executive Director of Finance & Commercial

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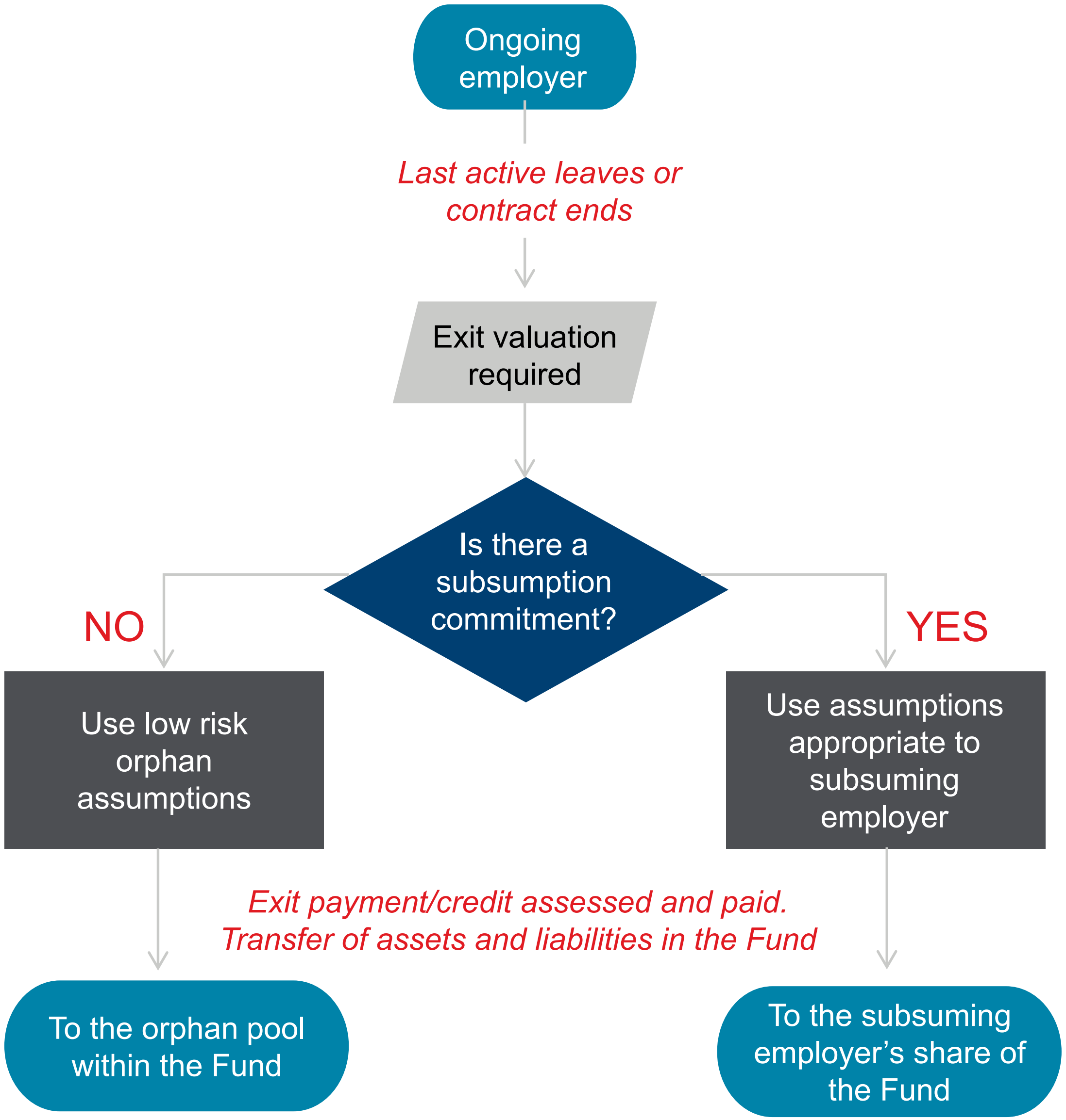
WYPF: Review of orphan exit basis

Prepared for: City of Bradford Metropolitan District Council as Administering Authority to the West Yorkshire Pension Fund

Prepared by: Sam Ogborne FIA and Alison Murray FFA

Date: 25 January 2024

What is an orphan exit?



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

4.4.1 Where an employer ceases its participation in the Fund such that it will no longer have any contributing members….unless any residual liabilities are to become subsumed liabilities, the Administering Authority will act on the basis that it will have no further access for funding from that employer once any exit valuation….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….. 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.

Simplified process to illustrate the principles – in practice there may be a DDA or pass-through and the subsuming employer can elect to subsume the deficit too

Reminder of funding strategy

- Demographic assumptions set as best estimate at each triennial valuation
- Prudence concentrated in the discount rate (investment return assumption)
- Risk-based approach to setting the discount rate comprising 3 elements:

Trajectory Period

The period over which the stochastic modelling is carried out

Solvency Target

The measure of liabilities targeted at the end of the modelling period

Probability of Funding Success

The chance the assets will meet or exceed the liabilities at the end of the modelling period

Investment strategy

The Fund has always operated a single investment strategy for all employers/ liabilities

- Expected returns based on Fund’s investment strategy
- Modelling to determine/quantify level of risk / prudence - “**probability of funding success**”
- Prior to 2021 applied to long-term secure employers only
- Discount rate for orphan exit basis was linked to government bond yields

2021 review of exit basis

Reviewed in 2021 since real gilt yields were very low

Historic approach to orphan exits

Orphan exit liabilities were valued using a discount rate based on the yield on government bonds

Principal objective

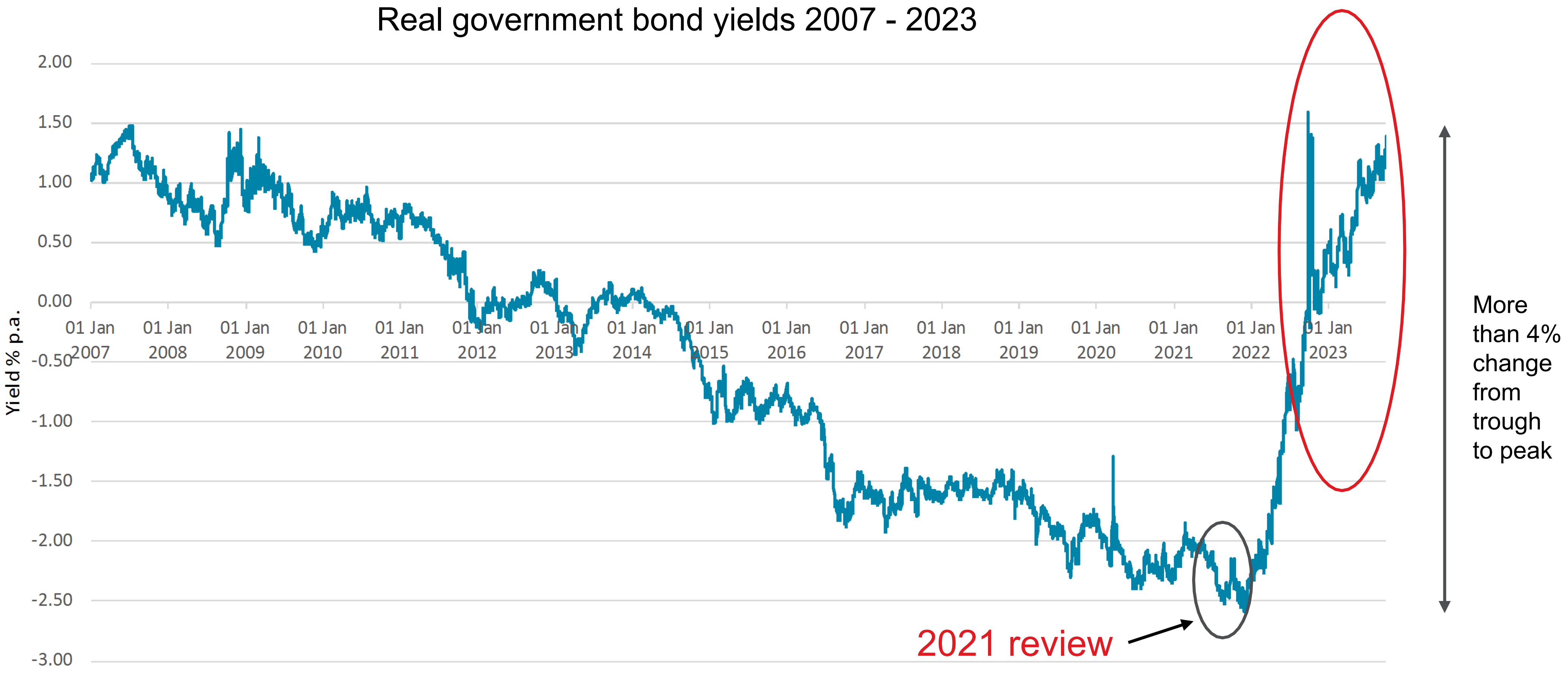
To reduce the risk of challenge from exiting employers through consistency in how funding targets are set, noting a Probability of Funding Success approach is adopted for the long-term secure scheduled bodies

The Administering Authority's preferred option was to set the discount rate for the orphan exit basis based on a Probability of Funding Success approach, in line with that adopted for the Scheduled and Subsumption Body Funding Target, but with additional prudence.

AON

Government bond yields

Real gilt yields (i.e. after allowing for inflation) rose dramatically in late 2022



Liability values are very sensitive to the discount rate

A 1% change in the real discount rate changes liabilities by 10%-20%

Key objectives for current review of orphan exit basis

Retain a probability of funding success approach

to determining the discount rate

Reflects commitment to retaining a single investment strategy

Reduce the level of prudence

acknowledging that a gilt yield linked approach would lead to significantly lower exit liabilities (noting parameters were set very prudently in 2021 when gilt yields were much lower)

Key takeaway

The Administering Authority has a fiduciary duty to all Fund employers and scheme members.

Also conscious of the need to avoid inadvertently “encouraging” employers to exit.

AON

Options considered

Probability of funding success

95% (current basis) and 90% (slightly less prudent)

Trajectory (modelling) period

15 years (current basis) and 20 years (used for long-term employers).

Solvency target

2% (current basis), 4% (used for long-term employers) and 3%

Testing

- Discount rates generated at 31/3/2022, 31/12/2022, 31/3/2023 and 30/06/2023
- Discount rates compared with gilt yield approach at the same dates
- Effect on orphan employers as at 30/06/ 2023 also considered

Reminder

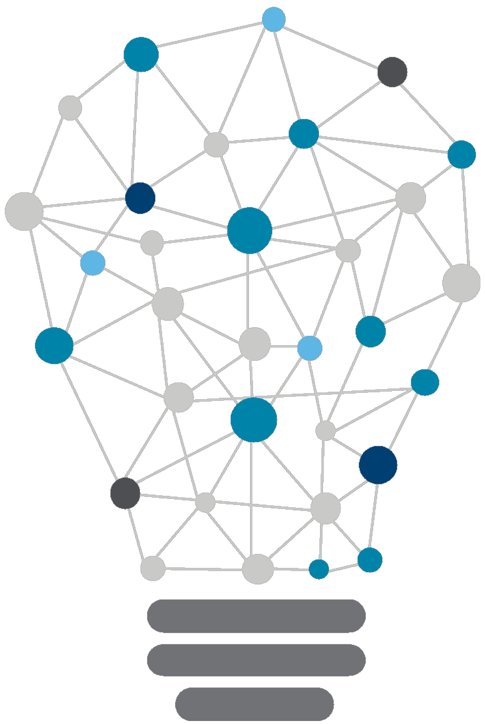
Probability of Funding Success for most prudent intermediate funding target is 85%
Exiting employers generally have shorter-term liabilities
Asset values (and membership movements) also affects exit payment/credit due

Conclusion from results/next steps

All scenarios met your objective of reducing the prudence whilst retaining a risk-based approach

Some big surpluses
Considered too much weakening of prudence and hence insufficient protection for remaining employers

Intermediate funding target employers
only one employer likely to show a surplus on any new orphan exit basis



90% probability of funding success
(retaining 15 year trajectory period and 2% solvency target) considered most appropriate by sub-group:

- modest improvement in exit position
- protects ongoing employers
- avoids encouraging employer exit

Already orphan liabilities
c£134M of liabilities at 2022 valuation will also be impacted by any change in the orphan exit basis (will affect ongoing employers)

JAG Sub-Group agreed approach and consultation with employers closed
Full JAG now asked to approve the proposals and updated FSS

Appendix

Further detail of options considered

Options considered

Discount rates	31 March 2022	31 December 2022	31 March 2023	30 June 2023
2022 valuation	1.60%			
Current approach*	1.50%	1.90%	1.75%	1.60%
Gilt yield approach**	0.60%	3.10%	2.80%	3.30%
PoFS 90%, 15yr TP, 2% ST	2.10%	2.50%	2.35%	2.20%
PoFS 90%, 20yr TP, 2% ST	2.50%	2.95%	2.80%	2.65%
PoFS 95%, 15yr TP, **4% ST**	2.60%	3.00%	2.85%	2.70%
PoFS 95%, **20yr TP, 4% ST**	2.80%	3.30%	3.15%	2.95%
PoFS 95%, 15yr TP, **3% ST**	2.05%	2.45%	2.25%	2.15%
PoFS 95%, **20yr TP, 3% ST**	2.35%	2.80%	2.65%	2.50%

* This allows for the impact of the updated strategic asset allocation on the discount rate modelling

** The figures have been adjusted to allow for the difference between the CPI inflation rate implied by gilt yields and our long-term best estimate CPI assumption so will not match observed nominal long-dated gilt yields. The adjustment ensures the discount rates can be validly compared

PoFS = Probability of Funding Success, TP = Trajectory Period, ST = Solvency Target

High level results for groups of employers

Exit surplus/deficit (£M)	31 March 2022			31 December 2022			31 March 2023			30 June 2023		
2022 valuation	-33.3	-840.4	0.0									
	Orphan	Intermed.	Exited	Orphan	Intermed.	Exited	Orphan	Intermed.	Exited	Orphan	Intermed.	Exited
Current approach* (PoFS 95%, 15yr TP, 2% ST)	-38.3	-890.2	-1.7	-24.3	-729.5	1.9	-20.3	-716.2	4.5	-24.2	-748.4	2.9
Gilt yield style approach	-88.4	-1393.3	-17.7	26.7	-244.9	19.5	25.4	-280.5	20.1	46.3	-82.3	27.4
PoFS 90%, 15yr TP, 2% ST	-9.3	-607.4	8.0	2.6	-471.0	11.1	6.9	-454.8	13.7	3.2	-484.0	12.1
PoFS 90%, 20yr TP, 2% ST	8.3	-438.9	14.0	21.0	-298.6	17.5	25.4	-280.5	20.1	21.9	-307.7	18.6
PoFS 95%, 15yr TP, **3% ST**	-11.6	-629.5	7.2	0.5	-491.2	10.3	2.6	-496.0	12.2	1.1	-504.7	11.4

* This allows for the impact of the updated strategic asset allocation on the discount rate modelling

PoFS = Probability of Funding Success, TP = Trajectory Period, ST = Solvency Target

In practice, the assets notionally allocated to liabilities in respect of employers who have already exited would be set equal to the liabilities at each triennial valuation and the surplus of assets would be notionally re-distributed between the ongoing employers in the Fund.

Please note that these figures are projected from the results of the 2022 valuation and are therefore approximate. Since they are not based on up-to-date membership data, they become more approximate the longer the period of time that has elapsed.

Not shown all scenarios here

Only shown those we believe best meet your objectives. Full table of results shown in the report

City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director, West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2024.

M

Subject:

Pensions Administration

Summary statement:

This report gives an update on West Yorkshire Pension Fund's (WYPF) pensions administration activities for the period 1 July 2023 to 31 December 2023.

EQUALITY & DIVERSITY:

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

Mr 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:

Overview & Scrutiny Area:

1.0 Background

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

2.0 Performance and Benchmarking

2.1 The table below shows the performance against key areas of work for the period 1 July 2023 to 31 December 2023.

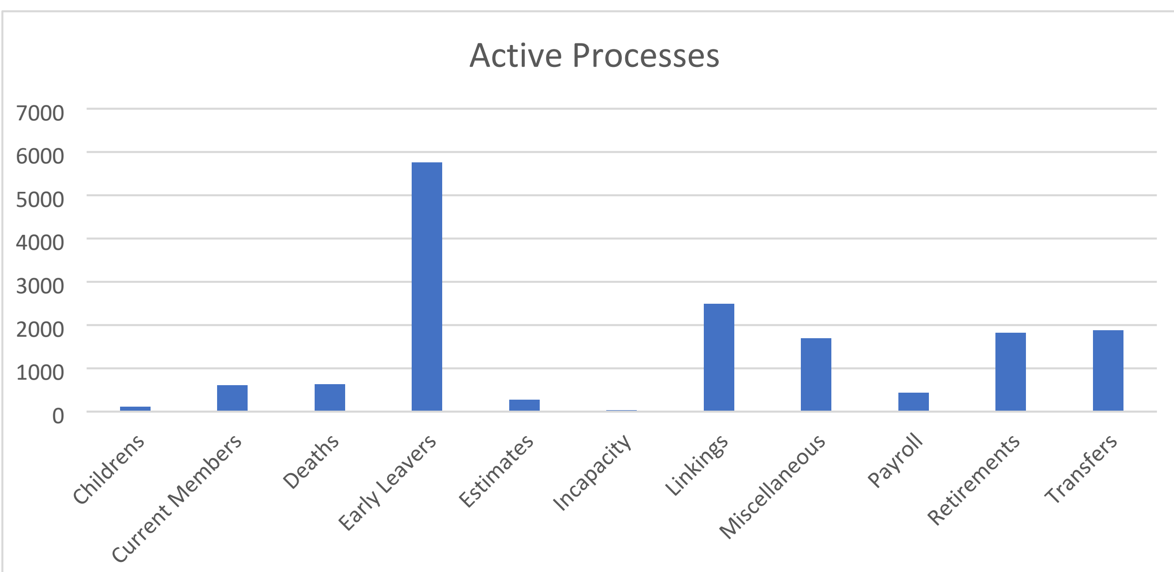
WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
Age 55 Increase to Pension	5	20	5	85	100
AVC In-house (General)	701	20	675	85	96.03
Change of Address	1812	20	1798	85	99.23
Change of Bank Details	1174	20	1168	85	99.49
Death Grant to Set Up	508	10	111	85	21.85
Death In Retirement	2086	10	1281	85	61.41
Death In Service	81	10	54	85	66.67
Death on Deferred	118	10	97	85	83.62
Deferred Benefits Into Payment Actual	2413	10	2375	90	98.43
Deferred Benefits Into Payment Quote	2947	35	2790	85	94.64
Deferred Benefits Set Up on Leaving	9241	20	4872	85	52.72
Dependant Pension To Set Up	895	5	706	90	78.87
Divorce Quote	517	40	490	85	94.78
Divorce Settlement Pension Sharing order Implemented	16	80	16	100	100
DWP request for Information	23	20	21	85	91.3
Estimates for Deferred Benefits into Payment	34	10	32	90	94.12
General Payroll Changes	1386	20	1383	85	99.78
Interfund Linking In Actual	1016	35	614	85	60.43
Interfund Linking In Quote	677	35	305	85	45.05
Interfund Out Actual	914	35	631	85	69.04
Interfund Out Quote	912	35	601	85	65.9
Life Certificate	332	10	307	85	92.47

WORKTYPE	TOTAL CASES	TARGET DAYS FOR EACH CASE	TARGET MET CASES	MINIMUM TARGET PERCENT	TARGET MET PERCENT
Linking Quote UPM	4796	5	3897	85	81.26
Monthly Posting	4990	10	4714	95	94.47
NI adjustment to Pension at State Pension Age	117	20	113	85	96.58
Pension Estimate	2889	10	2048	90	70.89
Pension Saving Statement	10	20	10	100	100
Phone Call Received	11646	3	11158	95	95.81
Refund Actual	2025	10	2024	90	99.95
Refund Quote	3429	35	3416	85	99.62
Retirement Actual	2353	10	2207	90	93.8
Retirement Quote	3002	10	18.02	85	59.99
Transfer In Actual	351	35	190	85	54.13
Transfer In Quote	783	35	768	85	98.08
Transfer Out Payment	138	35	97	85	70.29
Transfer Out Quote	1398	35	1266	85	90.56
Update Member Details	9264	20	8787	100	94.85

Reasons for underperforming KPI's:

1. **Death in service** – Delays in receiving information from beneficiaries.
2. **Deferred Benefits set up on leaving -** Moved to low priority.
3. **Dependant Pension to set up -** Delays in receiving information from beneficiaries.
4. **Pension Estimates** – High volumes of requests.
5. **Retirement quote –** Quotes requested for future dates, priority given to those that were retiring.
6. **Transfer/Interfund -** Work had to be put on hold due to changes in calculation factors which were not released by the Government Actuary's department until recently.

2.2 Work in progress



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

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

Linkings – multiple employments where member can link those employments

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

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

3.0 Scheme Information

3.1. Membership for all schemes administered as at 31 December 2023 was 503,488. A full breakdown between the different Funds and Schemes is shown at Appendix A.

3.2 Number of Employers in the West Yorkshire Pension Fund

	Actives	**Ceased**	**Total**
Scheme	275	0	275
Admission	144	3	141
Total	**419**	**3**	**416**

4.0 Praise and Complaints

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

Appendix B - WYPF
Appendix C – Lincolnshire Pension Fund
Appendix D – London Borough of Hounslow Pension Fund
Appendix E – Barnet Pension Fund

5.0 Internal Disputes Resolution Procedures

5.1 All occupational pension schemes are required to operate an IDRP. The LGPS has a 2-stage procedure. Stage 1 appeals, which relate to employer decisions or actions, are considered by a person specified by each employer to review decisions (the ‘Adjudicator’). Stage 1 appeals relating to appeals against administering authority decisions or actions are considered the Managing Director of WYPF. Stage 2 appeals are considered by the Chief Executive of the City of Bradford MDC.

A summary of the IDRP decisions for the period 1.7.23 to 31.12.23 is shown below:

West Yorkshire Pension Fund

	Number of Determinations	Outcomes	Type
STAGE 1	6		
		1 Upheld	1 Delays in providing deferred retirement quote
		5 Turned down	2 Distribution of death grant. 1 Not entitled to child's pension 1 Not entitled to transfer out 1 Reductions not waived on early payment of deferred benefits.
STAGE 2	7		
AGAINST EMPLOYER	4		
		2 Referred back	1 Tier of ill health retirement 1 Reductions not waived on flexible retirement
		2 Turned down	1 Increase in member contributions rate 1 Extending transfer in time limit
AGAINST WYPF	3	3 Turned down	1 Delays in dealing with AVCs 1 Errors dealing with transfer in 1 Reductions not waived on early payment of deferred benefits

Lincolnshire Pension Fund

	Number of Determinations	Outcomes	Type
STAGE 1	2		
		2 Turned down	1 Delays in providing retirement options 1 Not entitled to spouse's pension
STAGE 2	0		

London Borough of Barnet Pension Fund

	Number of Determinations	Outcomes	Type
STAGE 1	3		
		3 Turned down	1 Allowed to transfer out 1 LTA Tax Charge 1 Date for payment of pension credit benefits

London Borough of Hounslow Pension Fund

	Number of Determinations	Outcomes	Type
STAGE 1	1		
		1 Turned down	1 Distribution of death grant
STAGE 2	2		
Against Employer	0		
Against LHPF	2	2 Turned down	1 Payment of deferred benefits from Normal Retirement Date 1 Payment date of deferred benefits

6.0 Administration Update

6.1 ISO 9001:2015 Re-certification

A successful Quality Management System Re-certification took place in December 2023. No non conformities or observations were identified The Assessor commented ‘The organisation continues to manage their quality and risks effectively with embedded processes and a high level of organisational knowledge’.

Internal Quality Audits
The following internal quality audits were completed by WYPF staff:
Diary control – Childrens’ Pensions
Guaranteed Minimum Pensions

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

6.2 Pension Awareness Week

Following last year's resounding success WYPF produced another great week of events engaging with close to 1,000 LGPS members during a series of online events. We launched 'engage with your pension' sessions which pull in over 100 members every month on a variety of LGPS topics. It is intended to continue with these sessions as there is clearly member demand.

6.3 Employer Engagement Forum

We were joined by 115 employers at our Employer Engagement Forum this month which was open to all the employers we work with across each of our shared service partners. Employers heard about up and coming priorities as well key messages that are all part of the roles and responsibilities associated with being an LGPS employer. The event was run over a morning online via Microsoft Teams and included:

- Guest Speaker from 'The Pensions Regulator'
- Preparation for pensions dashboards
- Employer Relations Team update
- Introduction to new monthly postings
- Communications Update

6.4 Recruitment

Recruitment to staffing in our pensions administration team is ongoing. However, we have struggled to fill a Team Manager post which remains vacant.

6.5 Ransomware Test

WYPF took part in an Incident Response (IR) Exercise with the City of Bradford Metropolitan District Council (CBMDC). Incident Response exercises, and the associated testing of Business Continuity (BC) and Disaster Response (DR) plans are a key element of proactive incident response planning. This exercise focused specifically on challenging the IT and management team's responses to multiple cyber incidents, offering an opportunity to review plans, rehearse situations, and to learn if improvements can be made.

The exercise provided CBMDC and WYPF's management teams with an effective mechanism to assess and validate our existing response procedures. The processes were clarified at each step, roles and responsibilities confirmed, and recommendations for improvement provided. Furthermore, the exercise included extended scenarios designed to elicit worst case scenarios and identify the limitations of the business continuity and disaster response plans.

6.6 Annual Meetings

Our annual meetings for Employers and Members were held on 26 October and 1 November respectively. Both meetings were held online. The agenda included an update and strategic overview and there was also input from the Actuary at the employers' meeting.

6.7 Monthly Posting Phase 3 (MP3)

MP3 has finally gone live after undergoing rigorous penetration testing. A phased rollout out will take place over the next few months.

8. Staffing

8.1 WYPF headcount is 211 (199 full time equivalent staff) with an average age of 45.9 (Appendix F).

8.2 For the year ending 1 April 2023 the average number of days absence due to sickness is 6.11 per staff member. This compares with the Council average of 14.04 days (Appendix G).

8.3 There were 15 new starters during the last 12 months (Appendix H)

8.4 There were 10 leavers during the last 12 months (see Appendix I).

8.5 A number of recruitment exercises are ongoing to fill vacancies and also for new posts created as a result of increasing workloads.

9.0. Member Portal

9.1 Web Registrations

The number of members registered for online member web are:

Membership Type	Number	Percentage
Active	50,613	46.39%
Deferred	28,311	32.56%
Pensioner	44,616	41.16%

10.0 OTHER CONSIDERATIONS

None

11.0 FINANCIAL & RESOURCE APPRAISAL

Sufficient budget to ensure adequate resources to deliver contractual obligations.

12.0 RISK MANAGEMENT AND GOVERNANCE ISSUES

Failure to meet contractual obligations to our shared service partners may result in contract termination.

13.0 LEGAL APPRAISAL

Not applicable.

14.0 OTHER IMPLICATIONS

14.1 SUSTAINABILITY IMPLICATIONS

None

14.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None

14.3 COMMUNITY SAFETY IMPLICATIONS

None

14.4 HUMAN RIGHTS ACT

None.

14.5 TRADE UNION

None

15.0 NOT FOR PUBLICATION DOCUMENTS

None

16.0 OPTIONS

None.

17.0 RECOMMENDATIONS

It is recommended that the report be noted.

18.0 APPENDICES

Appendix A	Membership Numbers
Appendix B	Customer Survey Results- WYPF
Appendix C	Customer Survey Results - Lincolnshire Pension Fund
Appendix D	Customer Survey Results - London Borough of Hounslow Pension Fund
Appendix E	Customer Survey Results - Barnet Pension Fund
Appendix F	Headcount
Appendix G	Absence Performance
Appendix H	New Starters
Appendix I	Leavers

19.0 BACKGROUND DOCUMENTS

None

Membership Numbers

SCHEME NAME	ACTIVES	DEFERREDS	PENSIONERS	BENEFICIARIES
Councillors	0	73	152	22
Gratuity Payments	0	0	3	0
LGPS	107470	89085	98522	11902
Teachers Compensation	0	0	1014	241
West Yorkshire Fire (1992 Scheme)	0	79	1967	358
West Yorkshire Fire (2006 Scheme)	0	89	8	6
West Yorkshire Fire (2006/RDS Scheme)	0	11	40	0
West Yorkshire Fire (2015 Scheme)	1008	154	45	10
West Yorkshire Fire (2015/RDS Scheme)	19	1	4	0
South Yorkshire Fire (1992 Scheme)	0	40	1102	207
South Yorkshire Fire (2006 Scheme)	0	34	3	1
South Yorkshire Fire (2006/RDS Scheme)	0	1	14	0
South Yorkshire Fire (2015 Scheme)	665	106	34	2
South Yorkshire Fire (2015/RDS Scheme)	4	1	0	0
North Yorkshire Fire (1992 Scheme)	0	27	424	93
North Yorkshire Fire (2006 Scheme)	0	143	22	4
North Yorkshire Fire (2006/RDS Scheme)	0	24	60	2
North Yorkshire Fire (2015 Scheme)	636	273	30	4
North Yorkshire Fire (2015/RDS Scheme)	31	3	1	0
Humberside Fire (1992 Scheme)	0	37	817	161
Humberside Fire (2006 Scheme)	0	102	19	4
Humberside Fire (2006/RDS Scheme)	0	5	76	3
Humberside Fire (2015 Scheme)	714	184	43	0
Humberside Fire (2015/RDS Scheme)	40	3	8	0
Lincolnshire Councillors	0	24	53	4
Lincolnshire LGPS	26228	25686	25575	2691
Lincolnshire Fire (1992 Scheme)	0	18	259	49
Lincolnshire Fire (2006 Scheme)	0	313	40	7
Lincolnshire Fire (2006/RDS Scheme)	1	9	42	1
Lincolnshire Fire (2015 Scheme)	584	347	27	4
Lincolnshire Fire (2015/RDS Scheme)	20	1	1	0
Royal Berks Fire (2015/RDS Scheme)	6	1	0	0
Royal Berks Fire (1992 Scheme)	1	48	413	59
Royal Berks Fire (2006 Scheme)	1	61	11	0
Royal Berks Fire (2006/RDS Scheme)	0	8	29	2
Royal Berks Fire (2015 Scheme)	409	140	17	0
Bucks and MK Fire (1992 Scheme)	0	30	358	61
Bucks and MK Fire (2006 Scheme)	0	155	20	14
Bucks and MK Fire (2006/RDS Scheme)	0	10	26	0
Bucks and MK Fire (2015 Scheme)	441	183	13	5
Bucks and MK Fire (2015/RDS Scheme)	3	1	0	0
Devon and Somerset Fire (1992 Scheme)	0	49	905	156
Devon and Somerset Fire (2006 Scheme)	1	403	142	19
Devon and Somerset Fire (2006/RDS Scheme)	0	67	213	3
Devon and Somerset Fire (2015 Scheme)	1588	715	73	14
Devon and Somerset Fire (2015/RDS Scheme)	56	8	13	0
Dorset and Wiltshire Fire (1992 Scheme)	0	58	640	97
Dorset and Wiltshire Fire (2006 Scheme)	0	266	41	17
Dorset and Wiltshire Fire (2006/RDS Scheme)	4	43	170	2

Dorset and Wiltshire Fire (2015 Scheme)	903	439	47	6
Dorset and Wiltshire Fire (2015/RDS Scheme)	75	4	14	0
Unknown Modified Scheme	0	0	1	0
Tyne and Wear Fire (1992 Scheme)	0	63	1210	202
Tyne and Wear Fire (2006 Scheme)	0	31	5	0
Tyne and Wear Fire (2006/RDS Scheme)	0	1	1	0
Tyne and Wear Fire (2015 Scheme)	561	64	22	0
Tyne and Wear Fire (2015/RDS Scheme)	0	0	1	0
Northumberland Fire (1992 Scheme)	0	18	276	47
Northumberland Fire (2006 Scheme)	0	82	15	6
Northumberland Fire (2006/RDS Scheme)	0	11	35	1
Northumberland Fire (2015 Scheme)	323	136	10	0
Northumberland Fire (2015/RDS Scheme)	5	3	4	0
Norfolk Fire (1992 Scheme)	0	42	377	68
Norfolk Fire (2006 Scheme)	0	100	23	7
Norfolk Fire (2006/RDS Scheme)	1	7	64	3
Norfolk Fire (2015 Scheme)	640	218	32	16
Norfolk Fire (2015/RDS Scheme)	15	2	2	0
Staffordshire Fire (1992 Scheme)	0	23	552	106
Staffordshire Fire (2006 Scheme)	1	306	32	7
Staffordshire Fire (2006/RDS Scheme)	0	30	90	1
Staffordshire Fire (2015 Scheme)	583	361	31	14
Staffordshire Fire (2015/RDS Scheme)	28	4	3	0
LB Hounslow LGPS	6943	7731	7368	919
LB Hounslow Teachers Compensation	0	0	121	43
Hereford and Worcester (1992 Scheme)	0	31	385	65
Hereford and Worcester (2006 Scheme)	0	126	31	8
Hereford and Worcester (2006/RDS Scheme)	0	9	44	1
Hereford and Worcester (2015 Scheme)	568	282	29	3
Hereford and Worcester (2015/RDS Scheme)	17	2	6	0
Durham and Darlington (1992 Scheme)	0	28	466	91
Durham and Darlington (2006 Scheme)	0	71	14	1
Durham and Darlington (2006/RDS Scheme)	0	9	27	0
Durham and Darlington (2015 Scheme)	437	174	20	3
Durham and Darlington (2015/RDS Scheme)	7	2	3	0
East Sussex (1992 Scheme)	0	56	512	104
East Sussex (2006 Scheme)	0	124	13	6
East Sussex (2006/RDS Scheme)	0	15	41	0
East Sussex (2015 Scheme)	543	199	24	2
East Sussex (2015/RDS Scheme)	8	2	2	0
LB Barnet Councillors	0	10	15	2
LB Barnet LGPS	9596	9711	8584	1041
LB Barnet Teachers Compensation	0	0	328	41
Derbyshire (1992 Scheme)	0	30	603	99
Derbyshire (2006 Scheme)	0	129	20	10
Derbyshire (2006/RDS Scheme)	0	29	69	1
Derbyshire (2015 Scheme)	671	235	20	3
Derbyshire (2015/RDS Scheme)	15	7	5	0
Leicestershire (1992 Scheme)	0	35	535	77
Leicestershire (2006 Scheme)	0	135	29	2
Leicestershire (2006/RDS Scheme)	0	9	53	2
Leicestershire (2015 Scheme)	584	181	36	2

Leicestershire (2015/RDS Scheme)	5	2	2	0
Nottinghamshire (1992 Scheme)	0	39	702	126
Nottinghamshire (2006 Scheme)	0	159	31	11
Nottinghamshire (2006/RDS Scheme)	0	31	68	0
Nottinghamshire (2015 Scheme)	612	193	44	1
Nottinghamshire (2015/RDS Scheme)	15	3	3	0
Cambridgeshire (1992 Scheme)	0	25	369	53
Cambridgeshire (2006 Scheme)	0	200	12	1
Cambridgeshire (2006/RDS Scheme)	0	10	48	0
Cambridgeshire (2015 Scheme)	459	254	29	0
Cambridgeshire (2015/RDS Scheme)	5	2	4	0
Northamptonshire (1992 Scheme)	0	19	351	55
Northamptonshire (2006 Scheme)	0	92	6	1
Northamptonshire (2006/RDS Scheme)	0	10	28	0
Northamptonshire (2015 Scheme)	399	237	11	0
Northamptonshire (2015/RDS Scheme)	9	0	0	0
Shropshire (1992 Scheme)	0	19	248	36
Shropshire (2006 Scheme)	0	104	6	10
Shropshire (2006/RDS Scheme)	0	11	69	1
Shropshire (2015 Scheme)	425	178	19	9
Shropshire (2015/RDS Scheme)	20	2	4	0
Warwickshire (1992 Scheme)	0	21	347	68
Warwickshire (2006 Scheme)	0	93	6	3
Warwickshire (2006/RDS Scheme)	0	7	19	0
Warwickshire (2015 Scheme)	391	155	13	3
Warwickshire (2015/RDS Scheme)	3	1	0	0

Appx A

PRESERVED REFUND	
0	247
0	3
12976	319955
0	1255
0	2404
2	105
0	51
1	1218
0	24
8	1357
1	39
0	15
3	810
0	5
0	544
1	170
0	86
11	954
0	35
0	1015
2	127
0	84
2	943
0	51
0	81
2671	82851
1	327
20	380
0	53
15	977
0	22
0	7
2	523
0	73
0	39
1	567
1	450
2	191
0	36
3	645
0	4
1	1111
9	574
0	283
7	2397
0	77
3	798
3	327
0	219

1	1396
0	93
0	1
0	1475
0	36
0	2
0	647
0	1
0	341
2	105
0	47
0	469
0	12
0	487
0	130
0	75
7	913
0	19
0	681
2	348
0	121
15	1004
0	35
1357	24318
0	164
0	481
1	166
0	54
3	885
0	25
0	585
0	86
0	36
0	634
0	12
1	673
3	146
0	56
1	769
0	12
0	27
1389	30321
0	369
0	732
5	164
0	99
8	937
0	27
1	648
9	175
0	64
1	804

0	9
1	868
6	207
0	99
0	850
0	21
4	451
3	216
0	58
4	746
0	11
0	425
10	109
0	38
4	651
0	9
2	305
4	124
0	81
2	633
0	26
0	436
2	104
0	26
3	565
0	4
	503488

Appx B

Customer Survey Results – WYPF Members
(1st July to 30th September 2023)

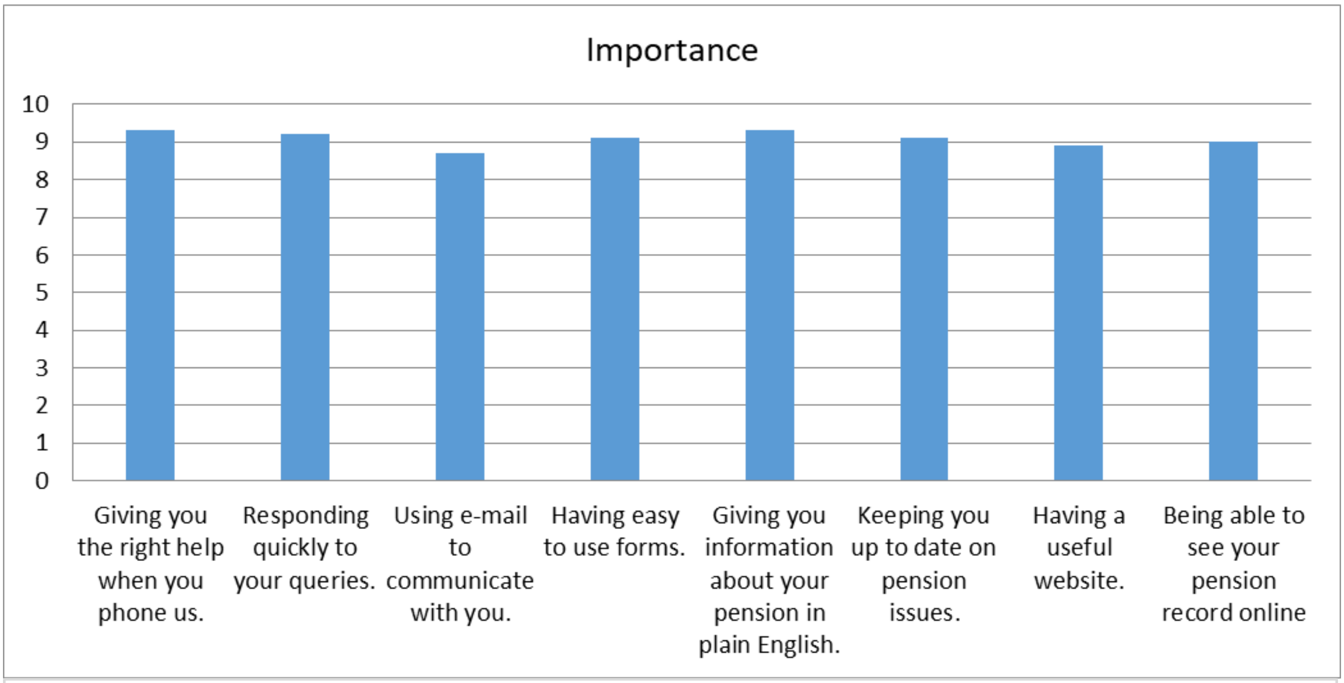
Over the quarter July to September, we received **1** online customer response.

Over the quarter July to September we sent **186** sample survey letters and **1266** email surveys and **102 (7.1%)** returned.

Overall Customer Satisfaction Score:

July to September 2022	October to December 2022	January to March 2023	April to June 2023	July to September 2023
93.2%	96.9%	93.2%	98.8%	92.2%

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



Sample of positive comments:

Member Name /Number	Comments
	Great help when I rang as I needed prompt response before travelling to New Zealand. Brilliant service.
	Prompt and efficient and met my needs and assured my query to satisfaction. Staff on phone to me were very lovely.
	Generally, I feel that service was good, my conversation with xx was helpful.
	It has been a fabulous experience dealing with the WYPF's service. I was very impressed at the efficient way my pension claim was processed. It was extremely smooth and much quicker than i had anticipated. Thank you.
	Extremely satisfied, everything was made very clear with options and my lump sum was paid within 2 days of finishing work. Really pleased with the service, no complaints at all. On the couple of occasions I called for advice both the people I spoke to were very helpful and knowledgeable.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
	Slow to cancel and reimburse. I am retired. I didn't want to join, It took almost an year to get my contribution returned, less tax.	The reason for the delay in paying refund was due to the fact that WYPF only received leavers notification from employer on the 31 May 2023. We then sent refund quote on the 6 June 2023 and then member returned this to us with the bank details on the 19 June 2023. WYPF paid the refund on the 21 June 2023.
	Extremely poor. I retired on 31.3.23 and received my first pension payment on 16.7.23 which I found unacceptable, the ladies I dealt with who eventually sorted the issues were the only staff worth dealing with.	Member was unhappy about the delay in the time that she retired and then when her benefits were paid. When a member retires and they have AVCs, we have to abide by over-riding HMRC legislation. This means that where your benefits are paid they have to all be paid at the same time. This is called a Benefit Crystalisation Event (BCE). If they are not paid at the same time then your tax free lump sum, including any AVCs, can become compromised and a tax charge may be payable. Therefore we rely on the AVC provider paying your AVCs in a timely manner. In your case we sent Prudential several requests and reminders in respect of your AVC. They informed us that they were awaiting WYPF to reply to an email that they had sent us. Unfortunately we didn't receive this email. After contacting Prudential by phone it came to light that they had missed a digit out of our email address. Therefore we didn't receive their original email.

		Once they had resent the email to the correct email address we were able to query a discrepancy that Prudential had with your employer regarding the amount of AVCs you had paid. Once this was resolved Prudential were then able to pay your AVC fund to WYPF and we were able to crystalise your benefits and make payment of your lump sum on a tax free basis, and pay the arrears of pension that were due to you.
	I have never had anything from you. I called to transfer my pension to you but have not had a reply.	The reason for the Customer Survey isn't clear - I can only see a welcome pack and ABS on file prior to the survey being sent out. The member responded to say that they have previously asked to transfer in benefits and have had no response from us. On further investigation it has highlighted that the NM2 process was completed and the PO did not note the additional pages attached and therefore the transfer in quote process was not started. The member has another record and has also made a request to transfer on this record previously. I apologised to the member for the delay in responding to their request to transfer and arranged for a transfer pack to be sent out immediately. I have also raised the training issue in relation to the NM2 process and dealing with attached forms, with the relevant Team Manager.
	Last correspondence was extremely helpful. wypf wrote to ask if I wanted refund , I completed the paperwork , its bit outdated should be online, I had to pay postage, then I got a one sentence letter saying I can't have a refund with no explanation I am still confused.	Confusion in the team arisen as a result of the previous LGPS membership that the member had but they had elected for a transfer out to Pension Bee in October 2021. Subsequently the member had rejoined the LGPS in this folder and then left on 04/04/2022 with less than 2 years membership. A refund is not permitted if a previous transfer payment has been made to an overseas pension scheme. Payment of transfer values to UK pension scheme prior to a member rejoining the LGPS do not debar the member from a refund if they leave the subsequent period of membership within 2 years. Action taken: Correct process started on UPM for Team Early Leaver to process Letter of apology and explanation has been sent to the member. WIs to be amended so that it is clear. The information is available in the 'refund entitlement' section but it either hasn't been found or not understood. UPM 'refund actual' process to be reviewed and

		amended to ensure that team members are signposted to the correct route to allow payment in this scenario.
	Rubbish, can't find how much is in it. Want to opt out but cant find out how	Statements are generated on a rolling basis from May through to August each year because member joined the scheme in July 2023 their first statement will be generated around May 2024. Email sent attached an opt out form.
	Disappointing. I returned a form regarding transferring my fund 6 or 7 weeks ago and have had no response. I can see no details on the website regarding my pension fund. No electronic communication appeared possible.	Member returned refund option form for a transfer out but the casual member of staff dealing with this didn't inform the transfer team so no action was taken. today i spoke to the transfer team who asked me to create a process for them marked urgent and they will contact the member.

Customer Survey Results - Lincolnshire Members
(1st July to 30th September 2023)

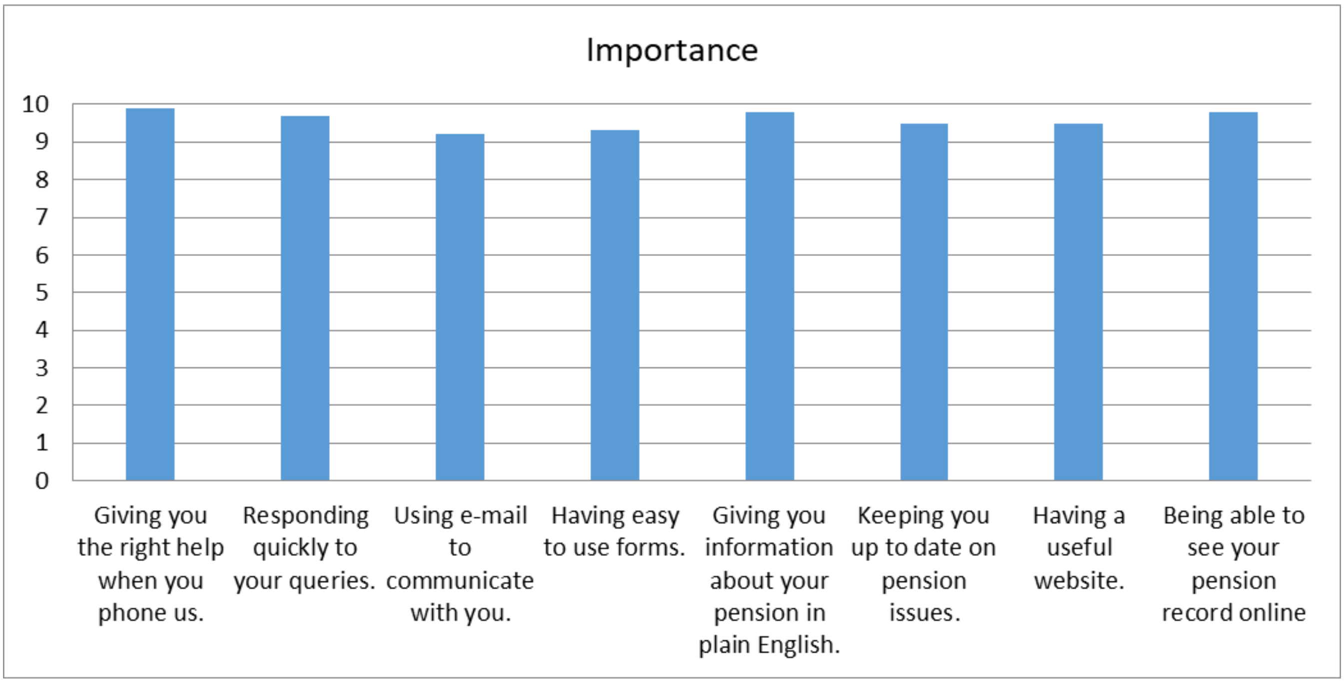
Over the quarter July to September we received **1** online customer response.

Over the quarter July to September we sent **41** sample survey letters and **394** email surveys and **12** (**2.8%)** returned.

Overall Customer Satisfaction Score;

July to September 2022	October to December 2022	January to March 2023	April to June 2023	July to September 2023
90.4%	81.3%	89.9%	88.9%	91.8%

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



Sample of positive comments:

Member Number	Comments
	Excellent and worry free. I rang on several occasions with different queries and always received helpful courteous advice.
	Very helpful when my organisation had let you know about my retirement.
	Staff always helpful and able to contact on phone.
	Great, fast service.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
	You mishandled the issue and cost me the money. You failed to inform me that I had to transfer out at least a year before retirement age. You waited until it was to late before informing me. That meant I only got my own contributions back, you kept the employer contributions and tax relief you received from HMRC, no prompt communication from wypf after the complaint had been made will put that right.	Member unhappy that she missed deadline to transfer out before NPA as options not provided to her in time. Employer delayed providing LV1 by 5 months, Linking delayed by over a year. Apologised for delays Also unhappy that wasn't given employer contributions in refund and tax relief was deducted as not a tax payer - explained that we are obligated to do so in LGPS regulations.
	Currently not impressed. Lengthy Delays In Response To E Mails, Not Being Informed About My Retirement Package, Still Not Received.	There was a delay in sending the member her retirement pack because we were waiting for the employer to provide us pay information and there were delays in responding to her emails.

Customer Survey Results - Hounslow Members
(1st July to 30th September 2023)

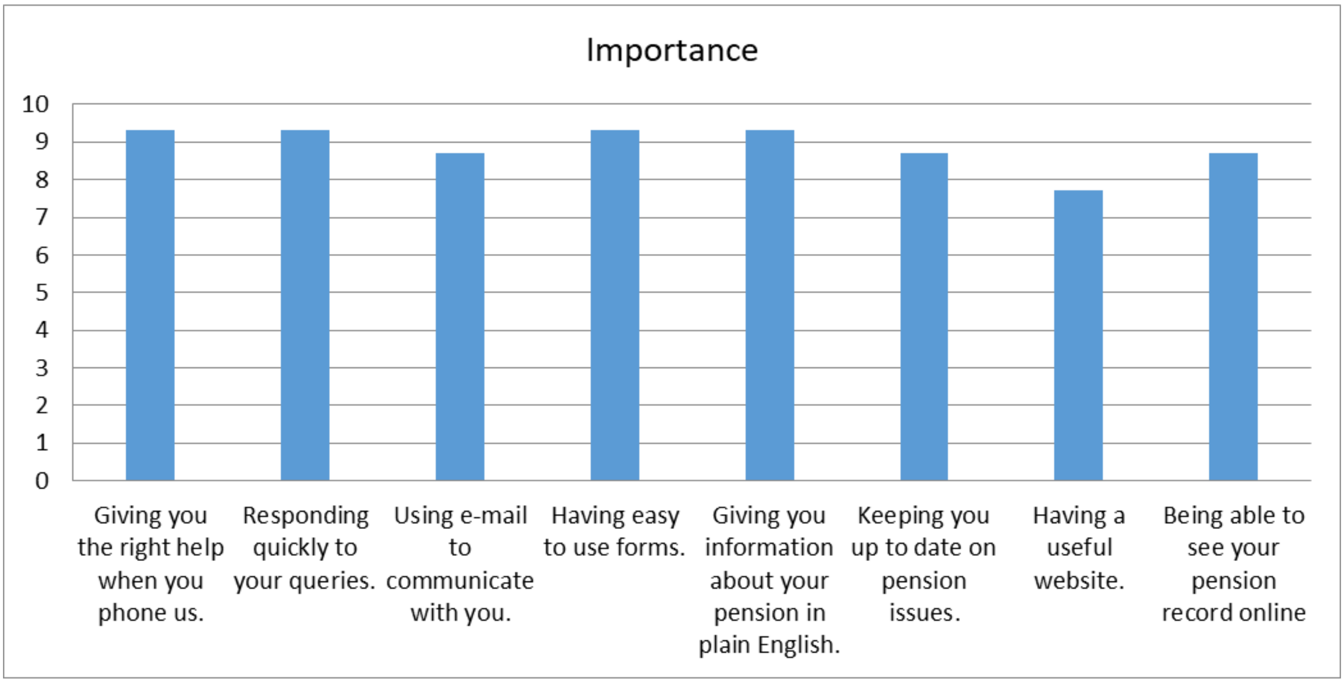
Over the quarter July to September we received **1** online customer response.

Over the quarter July to September we sent **22** sample survey letters and **60** email surveys and **11 (13.5%)** returned.

Overall Customer Satisfaction Score;

July to September 2022	October to December 2022	January to March 2023	April to June 2023	July to September 2023
90.8%	90.9%	91.8%	97.5%	82.8%

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



Sample of positive comments:

Member Number	Comments
	You were responsive and helpful. You were good, my employer Hounslow were terrible, I had to keep chasing them.
	Forms were easy, everything done without hassle. the service was good.
	Customer focused, a real person to communicate with. Prompt and personal service.
	Very informative staff every time I called. I managed to get more help and information from the pension people then I did from my HR team. Thank you

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Customer Survey Results – Barnet Members
(1st July to 30th September 2023)

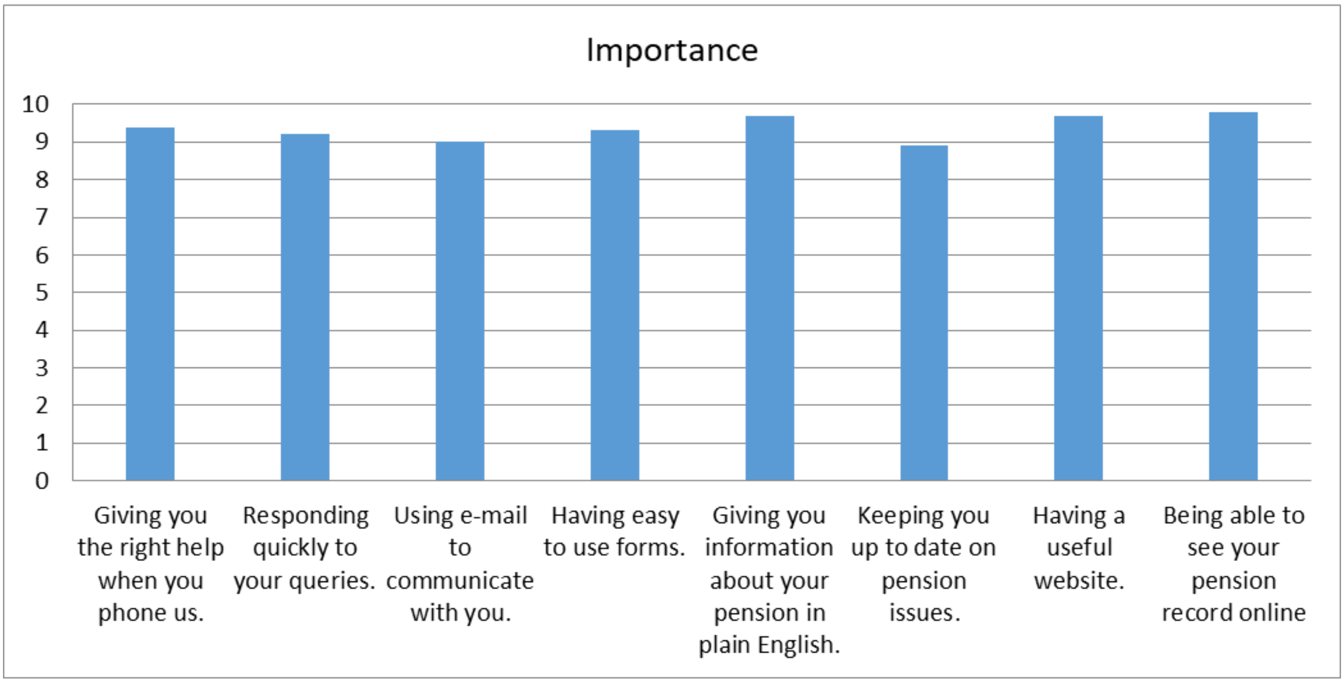
Over the quarter July to September we received **1** online customer responses.

Over the quarter July to September we sent **63** sample survey letters and **78** email surveys and **19 (13.5%)** returned.

Overall Customer Satisfaction Score:

July to September 2022	October to December 2022	January to March 2023	April to June 2023	July to September 2023
86.5%	91.7%	88.4%	86.2%	92.8%

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



Sample of positive comments:

Member Name /Number	Comments
	Satisfied with my past communication, very pleased with the service given.
	So far so good. Like being able to speak knowledgeable customer service people on the phone get instant answer rather than typing a question and waiting etc
	Great service, all need met. XX was very helpful and answered all my queries, a great asset to your team.
	Excellent service to date, easy to get through by phone and very helpful, knowledgeable staff.

Complaints/Suggestions:

Member Number	Comments	Summary of Acknowledgement Letter Sent to Member
None		

Council Workforce

1 December 2023

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

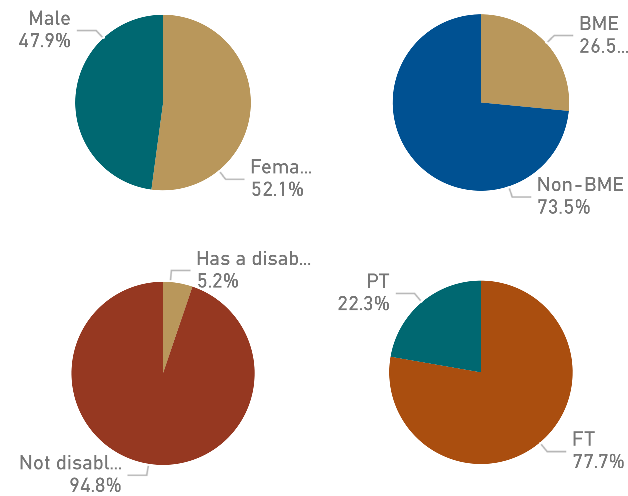
Council Headcount & True FTE

205
Established Employees

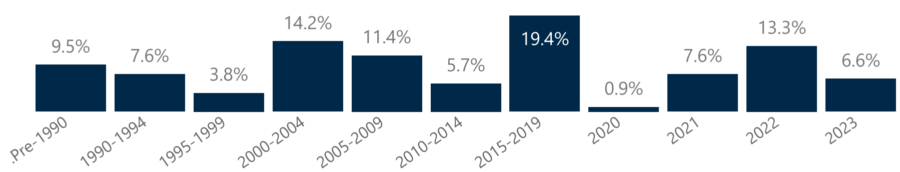
6
Temporary Employees

22
Casual Workers

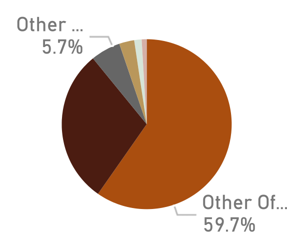
Protected Characteristics



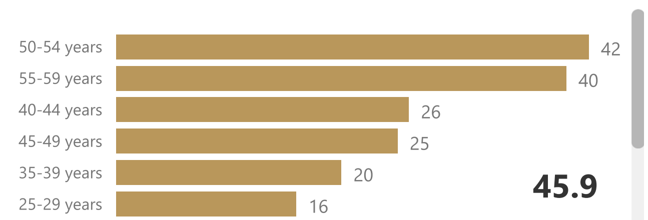
Current Employee Start Year



Job Types



Age Bands



45.9
Average Age

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Absence Performance

Council staff in 12 month period to 1 April 2023

Select a Department or Category to filter the information shown:

Department: West Yorkshire Pension F...

Sickness Category: All

Department BV12 Sickness Outturns	2020	2021	2022	2023
Chief Exec's & Office of the Chief Exec	4.87	7.30	16.08	13.74
Children's Services	14.98	12.52	18.03	16.66
Corporate Resources	11.35	9.47	11.01	10.59
Health & Wellbeing	13.37	13.66	16.58	17.48
Place	13.58	9.23	13.98	13.30
West Yorkshire Pension Fund	6.05	5.48	7.33	6.11
Council Total (excluding Schools)	12.96	10.75	14.56	14.04

YE Total Sickness

57

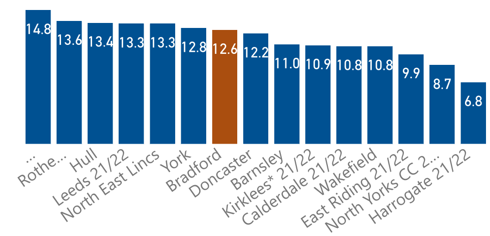
Total FTE Days Lost

YE Total Sickness

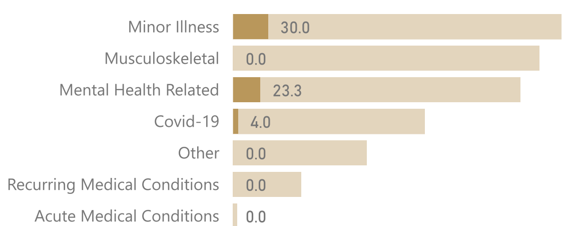
£6,828

Total Sick Pay Cost

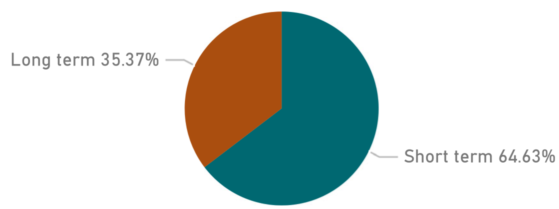
BV12 Local Authority Comparison 2021/22



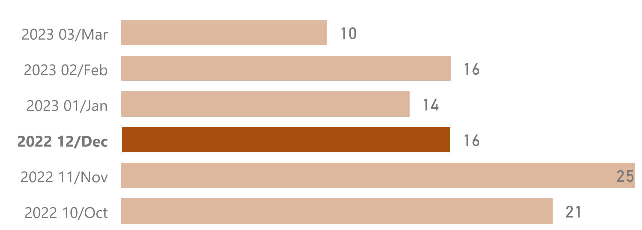
Sickness Category (FTE days) at Year End



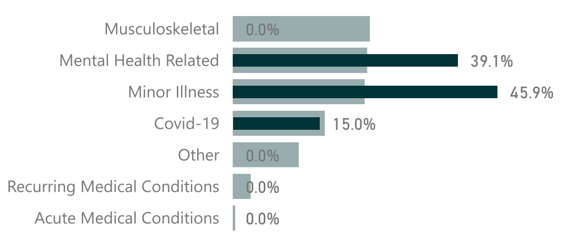
FTE Days by Term at Year End



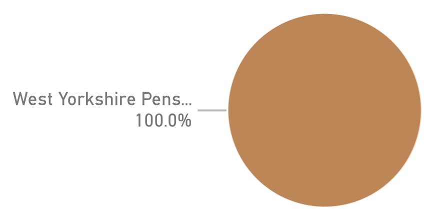
Sickness Spells Commenced per Month



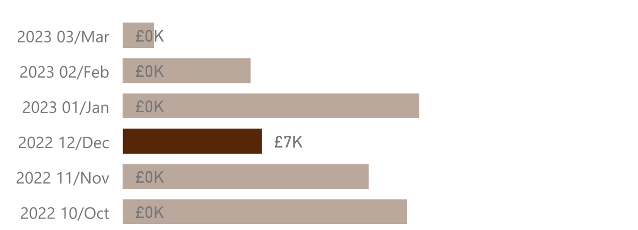
Sick Pay by Category (£) at Year End



Sick Pay Costs Split at Year End



Sick Pay Cost by Month Commenced (£)



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Starters

1 Dec 2023

Start Date

12/1/2022 | 11/30/2023

Select a Department or Service to filter the information shown

Dept: Chief Executive

Service: West Yorkshire Pension Fund

Number of Starters

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

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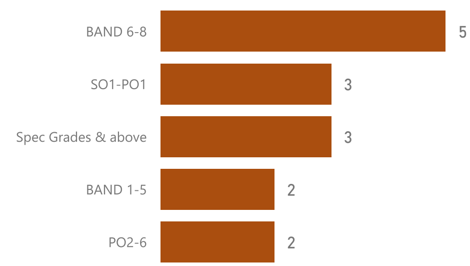
< Gender >

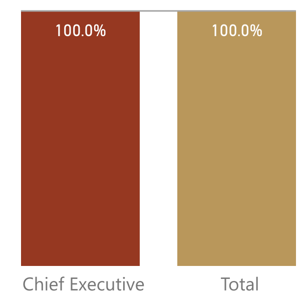
< Ethnicity >

< Disability >

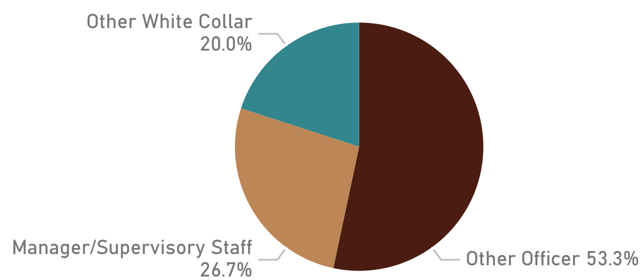
Starter Pay Band



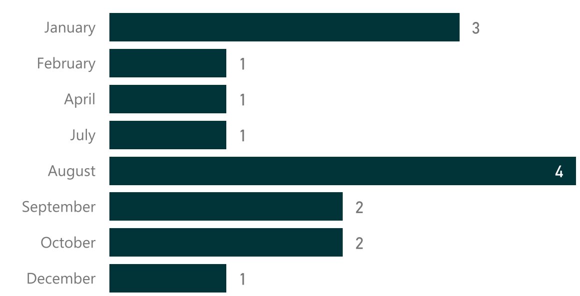
Percentage of Starters



Starter Job Types



Starters Over Time



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Appx I

Leavers

1 Dec 2023

Leaving Date

12/1/2022 | 11/30/2023

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** >

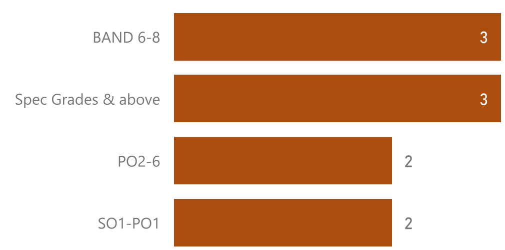
< Gender >

< Ethnicity >

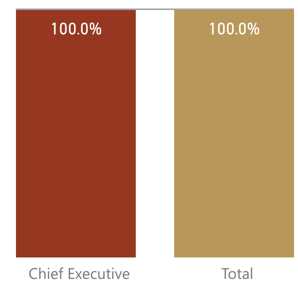
< Disability >

Number of Leavers

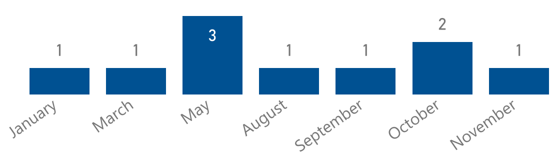
Leavers by Payscale



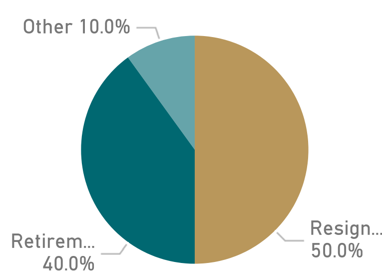
Percentage of Leavers



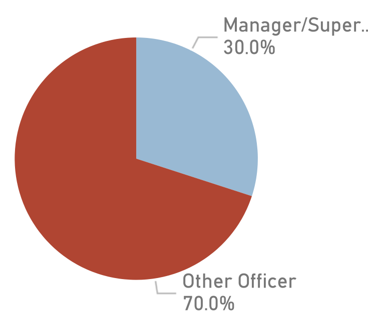
Leavers Over Time



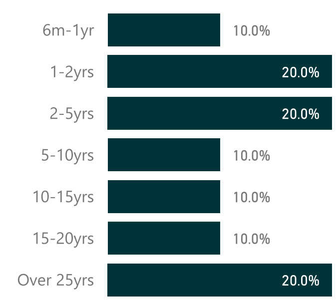
Leaving Reasons



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 Joint Advisory Group to be held on 25 January 2024.

N

Subject:

Pensions Administration Strategy and Communications Policy 2023

Summary statement:

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

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

The Pensions Administration Strategy has not required any update. The Communications Policy has been updated to reflect activities planned for 2024.

EQUALITY & DIVERSITY:

No specific equality and diversity issues.

Euan Miller
Managing Director

Portfolio:

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

Overview & Scrutiny Area:

1. SUMMARY

1.1 In compliance with the LGPS Regulations 2013, WYPF prepares 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.

1.2 The Pensions Administration Strategy and Communications Policy have been produced by WYPF and are brought before JAG each year to review and approve.

2. BACKGROUND

2.1 The Pensions Administration Strategy is made under Regulation 59 of The Local Government Pension Scheme Regulations 2013.

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

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

2.4 The charges in Appendix B and C have been updated to reflect the increased costs of pensions administration (10% increase).

2.5 The Communications policy is published as a requirement under regulation 61 of the Local Government Pension Scheme Regulations 2013.

2.6 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 Legacy Councillor Pension Scheme and the Firefighters’ Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2024 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 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

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 2024 be approved.

10. APPENDICES

Appendix A – Pensions Administration Strategy
Appendix B – Communications Policy

12. BACKGROUND DOCUMENTS

None

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, Lincolnshire, Hounslow and Barnet Pension Funds, 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 or on their own internally managed websites. 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 Employer 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
Employer 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, known as "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 pension administration is charged directly to the pension fund accounts, the actuary takes these costs into account in assessing employers' contribution rates. This is after recharging each shared service partners their share of the cost of providing shared service pension administration.

Shared service recharged to each service partner is based on the actual cost of pension administration in each financial year divided by the total member number at the end of the financial year to calculate a unit cost per member. The recharge of actual cost to each shared service partner is the unit cost per member multiplied by the total count of members for each partner at the end of the financial year.

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 and C.

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 £55 + 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	£106	£150	£240
Half day charge	£53	£75	£120

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

Communications Policy

Communications Policy 2024

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 a 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 900 employers and has over 200,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes for 23 fire authorities (increasing to 24 in February 2024). This policy is effective from January 2024 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 and focus groups
- monitoring compliments and complaints
- customer surveys
- web feedback using hosted services

To ensure continuous development we plan to:

- replace the My Pension platform with a secure member self service portal developed in-house
- 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
- increase the information we give to employing authorities when they join the scheme or change main contacts
- experiment with other forms of social media such as LinkedIn

Communications events 2024 – 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 have 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
	Engage 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 2024 – 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
	Planning for a successful retirement	2 to 4 per year	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
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 2024 – councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)			
	Newsletter	1 per year	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 2024 – 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 are open to members of the public 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
Mark Morris (LGPS)	

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
Matt Mott	Head of Governance and Business Development

Lincolnshire Pension Fund Management

Jo Kempton	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

(From February 2024) Avon Fire & Rescue Service

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2024

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Subject: Register of Breaches of Law

Summary statement:

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

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

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

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

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

EQUALITY & DIVERSITY:

None

Euan Miller
Managing Director WYPF

Portfolio:

Report Contact: Caroline Blackburn
Head of Employer Services and Compliance
Phone: 077903531709
E-mail: caroline.blackburn@wypf.org.uk

Overview & Scrutiny Area:

1. SUMMARY

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

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

2. BACKGROUND

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

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

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

2.2 This requirement applies to:

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

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

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

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

3. BREACHES

3.1 The entries on the Register of Breaches for 2023/2024 (Appendix A) relate to:

- Contributions being paid late by employers and therefore not being received by the fund until after the deadline of the 19th day of the following month.
- the non-issue of Annual Benefit Statements by the 31 August 2023 for a small number of active members.

3.2 Two employers shown on the Register of Breaches are in the process of being reported to the Pension Regulator for the failure to pay outstanding employee and employer contributions. These employers are:

- RFM Group Services Ltd (Sandy Lane Primary School)
- Relish School Food Ltd (Highfield School)

4. LEGAL APPRAISAL

4.1 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.

5. RECOMMENDATIONS

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

6. APPENDIX

➢ Appendix A – Register of Breaches 2023/2024

Appendix A

WYPF Breaches of Law 2023-2024

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
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 (if 19th falls on weekend or bank holiday then the last working day before 19th) See schedule below for details of employers who failed to make payment by the appropriate date. **Two employers have continually failed to make any payments** • **RFM Group Services Limited (Sandy Lane Primary School)** • **Relish School Food Ltd (Highfield School)**	Contributions not received by the scheme within the prescribed timescales	**Immediate action**: All employers have a designated business partner who contact each employer to make them aware of any late payment. Subsequent late payments incur an admin fee and are notified that further late payments may be reported to the Pensions Regulator. **Continuing Action:** Records of each employer who fail to make payment each month are maintained. **The Fund is in the process of reporting both of these employers to the Pension Regulator. In addition a letter will also be sent to each member affected and the scheme employer.** **A late payment charge will also be made to the employer as per**	Not reported In the process of Reporting		All outstanding payments are chased up

WYPF Breaches of the Law 2023 -2024

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
					the Pensions Administration Strategy list of charges			
Septembe 2023	**<u>Administration</u>** **Issue of Annual Benefit Statements (ABS)**	189	Scheme Regulations require an ABS be provided to Active members by 31 August each year At 31 Augst 2023 99.41% of active statements had been sent out.	ABS not issued within prescribed timescale	Only accurate ABS are sent out.	Not reported		Work continues to release ABS after the deadline

WYPF Breaches of the Law 2023 -2024

Employer and Month	Date due	Date paid	Employee Contributions	Employer Contributions	Total value of contributions
April 2023					
Ryhill Parish Council	19/05/2023	26/05/2023	43.84	87.67	131.51
Micklefield Parish Council	19/05/2023	19/06/2023	91.38	266.26	357.64
SSE Contracting Ltd	19/05/2023	22/05/2023	1619.69	0	1619.69
Ackworth Parish Council	19/05/2023	26/05/2023	555.59	1748.84	2304.43
Turning Lives Around	19/05/2023	22/05/2023	856.24	0	856.24
Castleford Academy Trust	19/05/2023	26/05/2023	11274.1	30987.67	42261.77
Carroll Cleaning Company Ltd (Whetley)	19/05/2023	16/08/2023	108.8	235.39	344.19
Carroll Cleaning Company Ltd (Wakefield)	19/05/2023	16/08/2023	35.39	0	35.39
Creative Support Limited	19/05/2023	21/06/2023	98.19	0	98.19
Carroll Cleaning Company Ltd (Holy Trinity Primary)	19/05/2023	16/08/2023	44.26	62.76	107.02
Carroll Cleaning Company Ltd (Birkenshaw Primary School)	19/05/2023	16/08/2023	28.71	113.8	142.51
Carroll Cleaning Company Limited (Frizinghall)	19/05/2023	16/08/2023	36.24	90.93	127.17
Carroll Cleaning Company (Nessfield Primary School)	19/05/2023	16/08/2023	22.41	63.17	85.58
Mellors Catering Services Ltd (Cavendish Primary)	19/05/2023	23/05/2023	92.89	97.95	190.84
Mellors Catering Services Ltd (WRAT)	19/05/2023	23/05/2023	499.51	1962.39	2461.9
Carroll Cleaning Company Ltd (Peel Park Primary School)	19/05/2023	16/08/2023	94.84	260.38	355.22
Carroll Cleaning Company Ltd (St Johns Wakefield)	19/05/2023	16/08/2023	24.7	100.59	125.29
Carroll Cleaning Company Ltd (Southmere Primary Academy)	19/05/2023	16/08/2023	31.58	130.93	162.51
Enviroserve (Priestley Academy Trust)	19/05/2023	07/06/2023	487.85	1871.56	2359.41
Mellors Catering Services (Share MAT)	19/05/2023	23/05/2023	1040.36	4290.99	5331.35
Carroll Cleaning Company Ltd (Saltaire Primary)	19/05/2023	16/08/2023	90.2	280.44	370.64
Mellors Catering Services Limited (Exceed Academies Trust)	19/05/2023	23/05/2023	348.77	1536.72	1885.49
Mellors Catering Services Limited (Heckmondwike Grammar School)	19/05/2023	23/05/2023	490.87	1647.8	2138.67
Enviroserve (St Pauls Primary School)	19/05/2023	07/06/2023	49.97	152.62	202.59
Mellors Catering Services Limited (Priestley Academy Trust)	19/05/2023	23/05/2023	749.55	2112.13	2861.68
Mellors Catering Services Limited (Appleton Academy)	19/05/2023	23/05/2023	526.1	1450.63	1976.73
SBFM Limited (Bradford College)	19/05/2023	02/08/2023	340.21	1371.49	1711.7

WYPF Breaches of the Law 2023 -2024

Mellors Catering Services Limited (Elevate MAT)	19/05/2023	23/05/2023	67.06	241.4	308.46
Mellors Catering Services Limited (Star Academies)	19/05/2023	23/05/2023	406.66	1261.23	1667.89
Maxim Facilities Management Limited (Southfield Grange)	19/05/2023	02/06/2023	0	50.07	50.07
Maxim Facilities Management Ltd (Ireland Wood Primary School)	19/05/2023	02/06/2023	0	177.42	177.42
Mellors Catering Services Ltd (Baildon Glen Primary School)	19/05/2023	19/06/2023	138.19	386.93	525.12
Midshire Signature Services Ltd (Guiseley School)	19/05/2023	13/07/2023	134.05	385.09	519.14
ICS Ltd (Outwood Academy Trust)	19/05/2023	15/06/2023	254.85	741.34	996.19
Caterlink Limited (Kettlethorpe High School)	19/05/2023	18/07/2023	428.18	1311.78	1739.96
I.S.S. Mediclean Ltd (Outwood Academy Freeston)	19/05/2023	20/07/2023	441.74	1305.69	1747.43
Betterclean Services (Carlton Academy Trust)	19/05/2023	17/07/2023	56.89	221.05	277.94
Mellors Catering Services Limited (Ashlands Primary School)	19/05/2023	19/09/2023	173.16	517.49	690.65
Caterlink Limited (Abbey Multi Academy Trust)	19/05/2023	18/07/2023	1097.95	3302.69	4400.64
Caterlink Limited (Mackie Hill Primary School)	19/05/2023	18/07/2023	34.79	108.15	142.94
Independent Cleaning Services Limited (Garforth Academy)	19/05/2023	04/08/2023	370.7	1087.89	1458.59
Independent Cleaning Services Limited (Green Lane Academy)	19/05/2023	09/08/2023	22.71	67.31	90.02
Dolce Limited (Stanley St Peters School)	19/05/2023	22/09/2023	154.48	465.38	619.86
RFM Group Services Limited (Sandy Lane Primary School)	19/05/2023	NO PAYMENT	0	0	0
Relish School Food Ltd (Highfield School)	19/05/2023	NO PAYMENT	0	0	0
Taylor Shaw (PAT)	19/05/2023	13/10/2023	995.440	3024.23	4029.68
May 2023					
SSE Contracting Ltd	19/06/2023	22/06/2023	1759.07	0	1759.07
Turning Lives Around	19/06/2023	23/06/2023	932.18	0	932.18
Carroll Cleaning Company Ltd (Whetley)	19/06/2023	16/08/2023	112.14	501.6	613.74
Carroll Cleaning Company Ltd (Wakefield)	19/06/2023	16/08/2023	39.54	163.21	202.75
Creative Support Limited	19/06/2023	22/06/2023	80.62	0	80.62
Carroll Cleaning Company Ltd (Holy Trinity Primary)	19/06/2023	16/08/2023	50.56	254.65	305.21
Carroll Cleaning Company Ltd (Birkenshaw Primary School)	19/06/2023	16/08/2023	34.16	165.82	199.98
Carroll Cleaning Company Limited (Frizinghall)	19/06/2023	16/08/2023	36.24	170	206.24
Equans Services Ltd	19/06/2023	27/06/2023	8829.59	0	8829.59

WYPF Breaches of the Law 2023 -2024

Carroll Cleaning Company (Nessfield Primary School)	19/06/2023	16/08/2023	22.41	88.44	110.85
Carroll Cleaning Company Ltd (Peel Park Primary School)	19/06/2023	16/08/2023	94.84	441.44	536.28
Carroll Cleaning Company Ltd (St Johns Wakefield)	19/06/2023	16/08/2023	24.7	93.4	118.1
Carroll Cleaning Company Ltd (Southmere Primary Academy)	19/06/2023	16/08/2023	34.1	145.68	179.78
Enviroserve (Priestley Academy Trust)	19/06/2023	13/07/2023	501.09	1922.37	2423.46
Carroll Cleaning Company Ltd (Saltaire Primary)	19/06/2023	16/08/2023	105.69	322.84	428.53
Enviroserve (St Pauls Primary School)	19/06/2023	13/07/2023	98.37	365.84	464.21
SBFM Limited (Bradford College)	19/06/2023	02/08/2023	404.82	1634.7	2039.52
Midshire Signature Services Ltd (Guiseley School)	19/06/2023	19/07/2023	134.05	385.09	519.14
Caterlink Limited (Kettlethorpe High School)	19/06/2023	18/07/2023	428.18	1311.77	1739.95
I.S.S. Mediclean Ltd (Outwood Academy Freeston)	19/06/2023	20/07/2023	419.8	1282.53	1702.33
Betterclean Services (Carlton Academy Trust)	19/06/2023	17/07/2023	74.31	288.77	363.08
Mellors Catering Services Limited (Ashlands Primary School)	19/06/2023	19/09/2023	165.69	494.75	660.44
Caterlink Limited (Abbey Multi Academy Trust)	19/06/2023	18/07/2023	1021.51	3136.58	4158.09
Caterlink Limited (Mackie Hill Primary School)	19/06/2023	18/07/2023	32.92	102.36	135.28
Independent Cleaning Services Limited (Garforth Academy)	19/06/2023	04/08/2023	360.02	1056.23	1416.25
Independent Cleaning Services Limited (Green Lane Academy)	19/06/2023	09/08/2023	30.73	91.07	121.8
Dolce Limited (Stanley St Peters School)	19/06/2023	22/09/2023	166.96	502.92	669.88
RFM Group Services Limited (Sandy Lane Primary School)	19/06/2023	NO PAYMENT	0	0	0
Relish School Food Ltd (Highfield School)	19/06/2023	NO PAYMENT	0	0	0
Taylor Shaw (PAT)	19/06/2023	13/10/2023	995.440	3024.23	4029.68
June 2023					
Normanton Town Council	19/07/2023	26/09/2023	508.94	1430.88	1939.82
Carroll Cleaning Company Ltd (Whetley)	19/07/2023	16/08/2023	108.03	483.19	591.22
Carroll Cleaning Company Ltd (Wakefield)	19/07/2023	16/08/2023	38.54	159.07	197.61
Creative Support Limited	19/07/2023	14/08/2023	98.19	0	98.19
Carroll Cleaning Company Ltd (Holy Trinity Primary)	19/07/2023	16/08/2023	48.36	243.58	291.94
Carroll Cleaning Company Ltd (Birkenshaw Primary School)	19/07/2023	16/08/2023	32.18	156.2	188.38
Carroll Cleaning Company Limited (Frizinghall)	19/07/2023	16/08/2023	36.24	170	206.24

WYPF Breaches of the Law 2023 -2024

Carroll Cleaning Company (Nessfield Primary School)	19/07/2023	16/08/2023	22.41	88.44	110.85
Mellors Catering Services Ltd (Cavendish Primary)	19/07/2023	24/07/2023	119.26	125.75	245.01
Mellors Catering Services Ltd (WRAT)	19/07/2023	24/07/2023	487.64	1917.72	2405.36
Carroll Cleaning Company Ltd (Peel Park Primary School)	19/07/2023	16/08/2023	94.84	441.44	536.28
Carroll Cleaning Company Ltd (St Johns Wakefield)	19/07/2023	16/08/2023	24.7	93.4	118.1
Carroll Cleaning Company Ltd (Southmere Primary Academy)	19/07/2023	16/08/2023	33.63	143.71	177.34
Enviroserve (Priestley Academy Trust)	19/07/2023	22/08/2023	504.37	1934.97	2439.34
Mellors Catering Services (Share MAT)	19/07/2023	24/07/2023	1052.31	4341.12	5393.43
Carroll Cleaning Company Ltd (Saltaire Primary)	19/07/2023	16/08/2023	101.27	309.36	410.63
Mellors Catering Services Limited (Exceed Academies Trust)	19/07/2023	24/07/2023	351.64	1549.36	1901
Mellors Catering Services Limited (Heckmondwike Grammar School)	19/07/2023	24/07/2023	519.67	1742.99	2262.66
Enviroserve (St Pauls Primary School)	19/07/2023	17/08/2023	49.06	149.85	198.91
Mellors Catering Services Limited (Priestley Academy Trust)	19/07/2023	24/07/2023	749.82	2112.83	2862.65
Mellors Catering Services Limited (Appleton Academy)	19/07/2023	24/07/2023	525.51	1448.99	1974.5
SBFM Limited (Bradford College)	19/07/2023	24/08/2023	354.82	1788.9	2143.72
Mellors Catering Services Limited (Elevate MAT)	19/07/2023	24/07/2023	67.06	241.4	308.46
Mellors Catering Services Limited (Star Academies)	19/07/2023	24/07/2023	404.6	1254.76	1659.36
Mellors Catering Services Ltd (Baildon Glen Primary School)	19/07/2023	24/07/2023	140.58	393.61	534.19
Mellors Catering Services Limited (Ashlands Primary School)	19/07/2023	19/09/2023	178.43	531.55	709.98
Independent Cleaning Services Ltd (Garforth Academy)	19/07/2023	04/08/2023	374.96	2087.89	1462.85
Independent Cleaning Services Ltd (Greeb Lane Academy)	19/07/2023	09/08/2023	30.73	91.07	121.80
Dolce Ltd (Stanley St Peters School)	19/07/2023	22/09/2023	154.48	465.38	619.86
Taylor Shaw (PAT)	19/07/2023	13/10/2023	995.44	3024.23	4029.68
RFM Group Services Limited (Sandy Lane Primary School)	19/07/2023	NO PAYMENT			
Relish School Food Ltd (Highfield School)	19/07/2023	NO PAYMENT			
July 2023					
Micklefield Parish Council	18/08/2023	23/08/2023	91.38	266.26	357.64
Shipley Town Council	18/08/2023	22/08/2023	213.92	658.22	872.14

WYPF Breaches of the Law 2023 -2024

SBFM Limited (Bradford College)	18/08/2023	24/08/2023	358.76	1809.95	2168.71
SSE Contracting Ltd	18/08/2023	23/08/2023	1647.57		1647.57
Mellors Catering Services Ltd (Ashlands Primary School)	18/08/2023	19/09/2023	183.92	545.73	726.65
Dolce Ltd (Stanley St Peters School)	18/08/2023	22/09/2023	155.20	467.51	622.71
Taylor Shaw (PAT)	18/08/2023	13/10/2023	995.44	3024.23	4029.68
RFM Group Services Limited (Sandy Lane Primary School)	18/08/2023	NO PAYMENT			
Relish School Food Ltd (Highfield School)	18/08/2023	NO PAYMENT			
August 2023					
SSE Contracting Ltd	19/09/2023	20/10/2023	1709.05	0	1709.05
Turning Lives Around	19/09/2023	20/10/2023	887.78	0	887.78
Halifax Opportunities Trust (Calderdale)	19/09/2023	20/10/2023	1515.4	0	1515.4
Oxenhope Village Council	19/09/2023	20/10/2023	63.45	222.96	286.41
Taylor Shaw (PAT)	19/09/2023	13/10/2023	995.44	3024.23	4029.68
RFM Group Services Limited (Sandy Lane Primary School)	19/09/2023	NO PAYMENT			
Relish School Food Ltd (Highfield School)	19/09/2023	NO PAYMENT			
September 2023					
Taylor Shaw (PAT)	19/10/2023	13/10/2023	995.44	3024.23	4029.68
SBFM Limited (Bradford College)	19/10/2023	08/11/2023	501.26	1686.60	2188.16
RFM Group Services Limited (Sandy Lane Primary School)	19/10/2023	NO PAYMENT			
Relish School Food Ltd (Highfield School)	19/10/2023	NO PAYMENT			
October 2023					
Ackworth Parish Council	17/11/2023	23/11/2023	671.46	2083.98	2755.44
Enviroserve (Priestly Academy Trust)	17/11/2023	01/12/2023	517.80	1950.97	2468.77
SBFM Limited (Bradford College)	17/11/2023	04/12/2023			1954.40
RFM Group Services Limited (Sandy Lane Primary School)	17/11/2023	NO PAYMENT			
Relish School Food Ltd (Highfield School)	17/11/2023	NO PAYMENT			

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Report of the Managing Director of West Yorkshire Pension Fund to the meeting of West Yorkshire Pension the Joint Advisory Group to be held on 25 January 2024

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Subject: Local Government Pension Scheme Regulations update

Summary statement:

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

EQUALITY & DIVERSITY:
Not Applicable

Euan Miller
Managing Director

Portfolio:

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1 Background

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

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

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

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

2.1 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'.

2.2 The consultation closed on 31 July 2019.

2.3 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.

2.4 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.

2.5 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.

3. Consultation on investment reforms

3.1 On 11 July 2023, DLUHC launched a consultation on LGPS investment reforms. The consultation was announced by the Chancellor in his Mansion House Speech.

3.2 The consultation seeks views on proposals in five areas and closed on 2 October 2023.

3.3 On 22 November 2023, as part of the Chancellor's Autumn Statement, a response to this consultation was published stating the Government will:

- set out in revised investment strategy statement guidance that funds should transfer all assets to their pool by 31 March 2025, and set out in their ISS assets which are pooled, under pool management and not pooled and the rationale, value for money and date for review if not pooled.
- revise pooling guidance to set out a preferred model of pooling including delegation of manager selection and strategy implementation.
- implement a requirement in guidance for administering authorities to set a training policy for pensions committee members and to report against the policy.
- revise guidance on annual reports to include a standard asset allocation, proportion of assets pooled, a comparison between actual and strategic asset allocation, net savings from pooling and net returns for each asset class against their chosen benchmark.
- make changes to LGPS official statistics to include a standard asset allocation and the proportion of assets pooled and the net savings of pooling.
- amend regulations to require funds to set a plan to invest up to 5% of assets in levelling up the UK, and to report annually on progress against the plan.
- revise ISS guidance to require funds to consider investments to meet the government's ambition of a 10% allocation to private equity.

3.4 The Government will also amend regulations to require funds to set objectives for investment consultants and correct the definition of investment in the 2016 investment regulations and it intends to monitor progress over the current valuation period to 31 March 2025.

4 Other LGPS matters

4.1 McCloud remedy

On 16 July 2020 both HMT and MHCLG published consultations on the McCloud remedy. The MHCLG consultation closed on 8 October 2020. On 6 April 2023, DLUHC published their response to this consultation.

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

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

On 10 March 2022, the Public Service Pensions and Judicial Offices Act 2022 received Royal Assent. The main purpose of the Act is to give the relevant government departments the regulatory powers to resolve the discrimination identified in the McCloud judgment.

On 24 November 2022, HMRC launched a consultation on how pension tax will apply to members protected by the McCloud remedy. HMRC was seeking views on draft legislation: The Public Services Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023. The legislation is planned to take effect from 6 April 2023. Some provisions will have retrospective effect. The consultation documents also include an explanatory memorandum and guidance for administrators on the draft regulations. This consultation closed on 6 January 2023.

On 14 December 2022, HM Treasury (HMT) made the Public Service Pensions (Exercise of Powers, Compensation and Information) Directions 2022. They came 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 allowed relevant departments to start consulting on regulations exercising these powers. On 30 May 2023 DLUHC published the ‘McCloud’ remedy in the LGPS consultation to make the necessary changes to the LGPS Regulations 2013. This consultation closed on 30 June 2023.

On 8 September 2023 the outcome of the consultation was published and also the LGPS Amendment (No 3) Regulations 2023 were laid in Parliament and came into force on 1 October 2023. The regulations implement the McCloud remedy and amend the underpin rules to make sure they work correctly.

We will need to consider a range of McCloud-affected cases and to encourage a broadly consistent approach, DLUHC has provided its initial policy on how authorities should prioritise this work.

4.2 **Cost Control Mechanism**

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

On 15 June 2021 the Government Actuary published his final report on his review of the cost control mechanism.

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

On 4 October 2021, HMT published its response to the Public Service Pensions: cost control mechanism consultation.

SAB published the outcome of its cost management process for the 2016 valuation on 15 October 2021. SAB agreed to spread McCloud costs over a 10 year period (rather than the 4 years 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.

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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 and on 10 March 2023, it ruled that HM Treasury's decision to include the McCloud remedy in the cost cap mechanism was not unlawful. On 2 June 2023 the Court of Appeal granted unions permission to appeal against the High Court judgement.

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

In 2019 SAB commissioned Hymans Robertson to prepare a report on the effectiveness of current LGPS governance models and to consider alternatives or enhancements to existing governance models which can strengthen the LGPS going forward. On 31 July 2019 SAB published this report. The phase two report from the Working Groups to SAB was published in November 2019.

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

4.4 **Gender pensions gap report**

The LGPS Gender Pensions Gap report produced in January 2023 which identified a substantial difference between the average level of pension benefits built up by male and female scheme members. The difference is 34.7 percent for benefits in the CARE scheme and 46.4 percent for benefits in the final salary scheme. For benefits in payment, the difference is even greater at 49 percent.

While this indicates some progress towards equality, the SAB asked the Government Actuary's Department (GAD) to explore these gender gaps in more depth. The SAB asked them to focus on

- career patterns, in particular evidence of recent and past part-time working
- differences relating to employers or categories of employer
- comparing our analysis with the LGA's 2019 gender pay gap report.

In June 2023, GAD provided their findings. They concluded that there is no simple answer. There seems to be a complex interaction between the types of work that women do, their career patterns (including part-time working and career breaks) and their ability to progress their careers after taking on childcare or other caring responsibilities.

The report shows that:

- Part-time working patterns are closely related to gender pension (and pay) gaps for members. However, the observed differences between men and women in terms of both their current and historic part-time working patterns are not sufficient to account fully for these gender gaps.
- Pay and pension gender gaps can be seen for staff working with the same employer. The size of the gap at scheme-level is also due to the difference in the proportion of males and females working at higher paying employers, as well as between different categories of employers.

There is no settled approach to data and methodological issues that would allow detailed comparisons to be drawn between gender gaps in different public sector pension schemes. The Board has proposed that GAD puts in place a common reporting framework for all the public sector schemes. Potentially this could be worked into the quadrennial scheme valuation process. SAB believes that the relationship between gender pay and pension gaps reporting needs to be addressed to allow for greater transparency and understanding. SAB has decided to set up a small working group to consider next steps.

4.5 **LGPS statistics for 2022/23 published**

On 25 October 2023, DLUHC published the LGPS statistics for England and Wales: 2022 to 2023.

Highlights include:

- total expenditure was £15.2 billion, an increase of 5.1 per cent on 2021/22
- total income was £17.3 billion, an increase of 8.5 per cent on 2021/22
- employers' contributions amounted to £8.4 billion, an increase of 7.8 per cent on 2021/22
- employee contributions were £2.8 billion, an increase of 9.5 per cent on 2021/22
- the market value of the LGPS funds at the end of March 2023 was £357.2 billion, a decrease of 1.9 per cent
- there were 6.2 million scheme members on 31 March 2023: 2 million active members, 1.9 million pensioners and 2.3 million deferred members
- there were 87,129 retirements, a decrease of 8 per cent compared with 2021/22.

4.6 **SAB statement on surpluses**

On 20 December 2023 SAB issued a Statement_on_Surpluses. The key points of the statement are:

- Funding levels across the scheme increased at the 2022 valuation and subsequent market movements have led to some funds experiencing further improvements
- LGPS regulations emphasise the desirability of stability in primary contributions for employers
- Funds should carefully consider their approach to employer-specific investment and funding strategies and take professional advice as needed
- Clear communication with employers about the impact (or lack of impact) of funding improvements is key – as well as the potential longevity of those improvements
- Funds should have a clear rationale and be able to explain their approach to setting secondary contributions and how employers' covenant positions have been recognised
- Employer flexibilities regulations, statutory guidance and SAB are clear on the circumstances in which mid-cycle reviews of employer contributions are appropriate

5 Other matters

5.1 Money and Pensions Service - Pensions dashboard update

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.

On 8 June 2023 the Pensions Minister issued an updated statement setting out further details of the delay. Details are set out below.

- Legislation will be updated to set an overall connection deadline for all schemes, which will be 31 October 2026.
- The individual connection deadlines for schemes will be set out in guidance, and will be before the final deadline of 31 October 2026. DWP is planning to collaborate with the industry this year before publishing this guidance.
- The date that Dashboards will go live to the public (Dashboards Available Point) has not been announced yet, but the Minister today said that this could be earlier than 31 October 2026. This indicates that Public Sector Schemes will have an earlier staging date than 31 October 2026.

The DWP laid the Pensions Dashboards (Amendment) Regulations 2023 in Parliament on 19 July 2023. A revised staging timetable will be set out in guidance and all schemes in scope will need to connect by 31 October 2026. The staging

timetable will indicate when schemes are scheduled to connect, based on their size and type.
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5.2 **The Pensions Regulator Consultation on a new Code of Practice**

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

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

On 10 January 2024, TPR published its General Code of Practice, previously known as the Single Code of Practice, which is expected to come into force on 27 March 2024.

5.3 **September 2023 CPI rate announced**

On 18 October 2023, the Office for National Statistics announced the Consumer Prices Index (CPI) rate of inflation for September 2023 as 6.7 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. We await confirmation from Government that the revaluation and pensions increase that will apply to LGPS active pension accounts, deferred pensions and pensions in payment in April 2024 will be 6.7 per cent.

5.4 **Consultation on second set of rectification regulations**

On 22 May 2023, HMRC launched a consultation on The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023.

The draft regulations supplement The Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) Regulations 2023 (‘first set of regulations’), which came into force on 6 April 2023.

The first set of regulations modifies various tax legislation, so the correct tax treatment is applied when public service schemes implement the McCloud remedy. The draft regulations propose further modifications. This consultation closed on 19 June 2023.

On 17 August 2023 the Public Service Pension Schemes (Rectification of Unlawful Discrimination) (Tax) (No.2) Regulations 2023 were laid before Parliament and these come into force on 14 September 2023.

5.5 **Lifetime Allowance**

The Government is legislating through the Finance Bill 2023/24 to fully abolish the lifetime allowance from 6 April 2024 and put in place new rules to determine the tax treatment of pension lump sums.

In December HMRC published the Lifetime allowance guidance newsletter — December 2023. This newsletter gives information to support pension schemes to understand the changes. It covers:

- the changes to certain lump sums
- the impact on lifetime allowance protections
- changes to reporting and disclosure
- the transitional arrangements.

OTHER CONSIDERATIONS

6. FINANCIAL & RESOURCE APPRAISAL

None

7. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

8. LEGAL APPRAISAL

None

9. OTHER IMPLICATIONS

9.1 SUSTAINABILITY IMPLICATIONS

None

9.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None

9.3 COMMUNITY SAFETY IMPLICATIONS

None

9.4 **HUMAN RIGHTS ACT**

None

9.5 **TRADE UNION**

None

9.6 **WARD IMPLICATIONS**

None

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

None

9.8 **IMPLICATIONS FOR CORPORATE PARENTING**

None

9.9 **ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT**

None

10. NOT FOR PUBLICATION DOCUMENTS

None

11. OPTIONS

None

12. RECOMMENDATION

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

13. APPENDICES

None

14. BACKGROUND DOCUMENTS

None

City of BRADFORD METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2023

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Subject: AVC Review

Summary statement:

West Yorkshire Pension Fund has 3 Additional Voluntary Contribution Providers, namely:
- Utmost Life and Pensions (previously Equitable Life),
- Scottish Widows, and
- Prudential.

Annually the West Yorkshire Pension Fund ask Aon's AVC Team to review the performance of the Additional Voluntary Contribution Providers in terms of investment performance, financial strength, investment capabilities, charging structure and administration.

In addition for this review we asked Aon to comment on the availability of other AVC providers.

This report outlines the findings of the review.

A further report will be provided at the next meeting regarding the recommendations made by Aon in their review.

EQUALITY & DIVERSITY:
Not Applicable

Euan Miller
Managing Director

Portfolio:

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

1 Background

1.1 An active scheme member may elect to pay additional voluntary contributions (AVCs) into a scheme established between the administering authority and an approved insurer.

1.2 WYPF has three AVC providers, Utmost Life and Pensions, Scottish Widows and Prudential.

The contributions paid during the year, fund values and membership information at 31 March 2023 are as follows:

	Utmost Life and Pensions	**Scottish Widows***	**Prudential**
Contributions	£27,706		£9,881,187
Fund Value	£1,629,682		£35,189,646
Members with an AVC Policy	307		3,329 (TBC)

*Aon have been unable to obtain any information.

1.3 Aon continue to consider Prudential's LGPS AVC proposition to be fit for purpose and recommend it is maintained. At the current time Aon do not regard Scottish Widows arrangement to be fit for purpose and has recommended that we set a deadline by which it must resolve ongoing issues or consider replacing Scottish Widows as an AVC provider. Aon has not identified any issues with Utmoist's closed arrangement and recommend it is maintained.

2. Review of Utmost Life and Pensions AVC Plan

2.1 The former Equitable Life AVC arrangement was transferred to Utmost Life and Pensions on 1 January 2020.

2.2 Utmost Life and Pensions is rated B ('Strong') by AKG (an independent organisation that assesses financial strength). Utmost Group reported a Solvency II Coverage Ratio of 191% as at 31 December 2022 (177% as at 31 December 2021)

2.3 Utmost Life and Pensions offers 13 unit-linked funds and members invest in 11 of these, namely Global Equity, US Equity, UK Equity, UK FTSE All Share Index Tracking, Multi-Asset Moderate, Managed, Multi-Asset Captious, Sterling Corporate Bond, UK Government Bond and Money Market Funds.

2.4 The 'Investing by Age' Strategy was the 'default' strategy proposed by Equitable

Life for funds transferred from the With Profits Fund when it closed. As at 31 March 2023, 92% of the assets held with Utmost Life and Pensions were invested in this strategy.

2.5 The predominant underlying fund manager of the former Equitable Life funds is abrdn, whilst the new Utmost funds are managed by JP Morgan Asset Management.

Aon's investment manager research team do not research any of the funds members invest in, neither do they 'buy' rate any strategies offered by the underlying managers as they are not regarded as 'best of breed' in any particular asset class, however Aon have no major concerns with respect to the overall investment capabilities of the underlying managers.

The actively managed Global, US and UK Equity funds out-performed their sector average over all periods reported. The Performance of the majority of funds, relative to the ABI sector average reported, has been strong over the year. The UK FTSE All Share Tracker Fund tracked its benchmark index within an acceptable margin (before charges) over time periods reported here.

The relative performance of the new multi-asset funds has been mediocre, with the Multi-Asset Growth and Moderate funds under-performing their sector average over 1 and 3 years, and the Multi-Asset Cautious Funds under-performing over the year, though it was marginally ahead over 3 years. Returns for the Multi-Asset Moderate Fund over the 3-year period were in line with those assumed by Equitable Life in its 'fairness' projections and we believe over the longer term both the Multi-Asset Moderate and Cautious Funds have the potential to achieve the returns required to ensure members would not be worse off as a result of the closure of the With Profits Fund.

The Managed Fund out-performed its sector average over all periods reported above.

The Sterling Corporate Bond was slightly behind its sector average over 3 years but performed in line with the sector over the year. Since launch on 1 January 2020 until 31 March 2023, this Fund has experienced a loss of 12.5% however this has been due to market conditions rather than the quality of the fund.

The UK Government Bond Fund has out-performed its sector average over all periods reported above, though it has experienced a loss over all periods reported above due to market conditions.

The Money Market Fund out-performed its sector average and provided a positive return after charges over all periods reported above, with returns reaching 1.8% over the year to 31 March 2023, as a result of rising interest rates.

2.6 The investment options offered through the Utmost arrangement provide access to the main liquid asset classes, and the Investing by Age Strategy.

The Investing by Age Strategy automatically reduces investment risk as members get older however it has some limitations:

- Asset allocation is determined by age attained rather than term to selected retirement age and

- It provides no flexibility for members to choose the age at which their fund is de-risked.

The strategy retains a multi-asset approach until members are age 75 and is therefore best suited to members who access their funds by flexi-access drawdown. Aon believe the Fund's members are more likely to access their AVC funds as cash at the same time they access their main scheme pension. This means that the at-retirement asset allocation of this Strategy is not well-aligned to how members are expected to access funds, however there is no alternative strategy available.

From a member point of view, the key investment objective of the multi-asset funds underlying the Investing by Age strategy is to provide sufficient returns to ensure members are not worse off at retirement than if they had remained invested in the With Profits Fund. Although the performance history is too short to draw any meaningful conclusions over the quality of these funds, Aon believe the asset allocation of these funds remains capable of achieving the returns required to meet the investment objective over the longer term.

Members have access to only one passively managed fund, the UK FTSE All Share Tracker, and there is no ESG, Shariah or Property Fund.

The range of funds available may not be able to satisfy the needs of all members, and the Investing by Age Strategy is not ideally suited to an AVC arrangement however Aon believe the investment options are adequate considering the closed nature of this arrangement.

2.7 The charging structure for this arrangement remains unchanged from that of the Equitable Life policy. They are not scheme-specific and so there is no scope for the Administering Authority to negotiate lower charges.

The TER is capped at the annual management charge ('AMC') so Utmost Life and Pensions absorb any additional expenses.

In Aon's experience, charges are higher than current market rates, but in line with the arrangements of other providers.

2.8 In terms of administration, the administration team is relatively small and members are experienced and knowledgeable. Target service standards are 5 to 10 working days for most tasks. Utmost has confirmed that it met all target service standards over 2022. This reflects Aon's experience, which is that Utmost operates well within these standards, and service has been good, taking account of the challenges of operating an older platform.

. 2.9 With regards to communications and reporting, Utmost provides a standard offering across all schemes, it's communications and reporting is not tailored to the scheme, whether that be LGPS or any other occupational scheme. Reporting governing bodies of schemes is limited to the annual summary financial statement which provides the information required for the Report & Accounts. The Utmost website includes a lot of useful information and is, in Aon's opinion, well set out and 'user friendly'. Online access to policy information is not available to AVC members, but it has recently been introduced for personal pension policyholders, and Aon understand it may be offered to members of group schemes at some point in future.

3. Review of Scottish Widows AVC arrangement

3.1 Scottish Widows' reported a solvency coverage ratio of 175% as at 31 December 2022. AKG upgraded Scottish Widows' overall financial strength to A (superior) in August 2021, recognising that Scottish Widows Ltd represents the UK long term life insurance business of Lloyds Banking Group plc and is the key provider of life assurance and pensions in the Group. Furthermore, the purchase of the Zurich's workplace business is demonstrative of a growth and development focus in key customer areas. This is the highest rating available and, as such, Aon have no concerns over Scottish Widows' financial strength.

3.2 Scottish Widows' actively managed funds are now predominantly managed by Schroders. Aon's investment manager research team do not research any of the Scottish Widows funds members invest in, however they do 'Buy' rate a number of Schroders' actively managed strategies and as such Aon have no concerns over its active management capabilities in general.

The funds with a significant allocation to growth assets i.e., the Property, Consensus and Environmental funds, and the Indexed Stock fund provided a positive return over all periods reported.

In regard to the externally managed funds, Aon's investment manager research team does not research any of the external actively managed funds offered through the Scottish Widows arrangement however they do 'Buy' rate a number of BNY Mellon actively managed strategies and as such they have no concerns over its active management capabilities in general.

Aon's investment manager research team rate BlackRock and SSgAs capabilities as passive fund managers highly.

3.3 Aon state the range of funds offered through the Scottish Widows arrangement provides access to the main asset classes (including property), both active and passively managed funds, an environmental fund and a lifestyle strategy. Aon therefore believe the investment options are capable of satisfying most members' investment objectives.

3.4 The lifestyle strategy aligns relatively well with Aon's view that members should invest in growth assets, such as equities, in the early stages as these assets are expected to provide capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. Aon also believe that the asset allocation of the bespoke lifestyle strategy at selected retirement age targets the format in which members are most likely to take these benefits and is therefore appropriate.

3.5 The AVC arrangement benefits from a discount of 0.40% p.a. on Scottish Widows' standard total annual fund charge ('TAFC'). The TAFC is the sum of:

1. the Scottish Widows Annual Management Charge,

2. the External Fund Management Charge, if applicable

3. the Multi-Manager Fund Management Charge, if applicable, and

4. an allowance for any other expenses, if applicable.

The basic level of charges on the Scottish Widows AVC arrangement is higher than current market rates for non-LGPS arrangements, but slightly lower than the charges on the Fund’s arrangement with Prudential. As such, Aon consider the level of charges paid by members of this arrangement to be reasonable. However, some externally managed funds are subject to much higher charges and Aon consider it unlikely they provide value for members.

3.5 When it comes to administration, Aon have generally found Scottish Widows to be slow and inflexible when responding to information requests relating to the Fund’s AVC arrangement. Service has been particularly poor since Scottish Widows migrated the administration of older policies (including WYPF’s AVC arrangements) to Diligenta in August 2022. Aon understand Scottish Widows has been unable to confirm to the Administering Authority when year-end data will be available as it is still working to correct member records, despite initial assurance this work would be complete by 31 December 2022. Aon believe there is a significant risk that payments made to members will be delayed or incorrect whilst this work is ongoing. Aon have been unable to obtain any data from Scottish Widows for this review, despite their request being made over five weeks ago, and our regular follow up calls to Scottish Widows to escalate matters.

Aon has recommended that we continue to monitor the situation. If service standards do not improve, consideration could be given to closing the Scottish Widows arrangement to new members, to reduce the risk of members receiving poor standards of service, however this would remove any choice of provider for members wishing to start paying AVCs, unless an alternative was put in place.

3.6 In terms of communications and reporting, Scottish Widows has invested heavily in its member website in recent years, and one of the key reasons given for migrating legacy policies to the Diligenta platform is improvement in members’ digital experience.

Scottish Widows provides a microsite for the Fund, which is accessible via the WYPF microsite, or via an internet search engine. In Aon’s opinion, communication materials available through the microsite are of reasonably good quality and where provided, relevant information is set out in a clear manner but it is not particularly well tailored to LGPS, or occupational pension schemes in general. Furthermore, the microsite is not well maintained by Scottish Widows and Aon believe this represents a risk that members will receive incorrect or insufficient information to be able to make decisions about their AVC funds. Aon generally consider the quality of Scottish Widows’ reporting to be behind peers.

Aon consider it poor governance practice that Scottish Widows does not specify a benchmark for the SSgA 50:50 Global Equity Index Fund and that it has not updated the names of the externally managed funds (from Newton to BNY Mellon and from ASI to abrdn) as this can make it difficult for members to find further information about the underlying funds. Communication regarding fund closures has also been poor, with Scottish Widows announcing its intention to close funds but not providing any follow up information.

Historically, Scottish Widows has provided governance reports for LGPS AVC arrangements on a quarterly basis. However, these were very basic in terms of the management information provided and lacked structure. As last year, Aon have been unable to obtain copies of any recent governance reports and Scottish Widows has not confirmed whether they longer provides governance reports, or if production has been temporarily impacted by the platform migration

4. **Review of Prudential AVC Arrangement**

4.1 Since the insurance business was de-merged from Prudential plc, M&G plc has been permitted by the Prudential Regulation Authority to prepare a single Group Solvency and Financial Condition Report covering M&G plc, Prudential Assurance Company Limited and Prudential Pensions Limited. The Solvency II Coverage Ratio reported for M&G plc was 205% as at 31 December 2022. AKG currently rates Prudential's overall financial strength as A (superior).

4.2 The underlying fund manager of Prudential's internally managed funds is M&G Treasury & Investment Office, although many of the underlying component funds of the Dynamic Global Equity Passive, Dynamic Growth IV and Dynamic Growth I Funds are managed by BlackRock.

Aon's global investment manager research team does not currently undertake active research on any of the Prudential funds members invest in. This is because their research process is tailored to occupational pension schemes that wish to invest in 'best of breed' funds in each asset class, rather than the wider universe offered by insurance companies. Our assessment of the quality and suitability of these funds is therefore based upon our more general views of the investment managers' capabilities and past performance analysis, rather than in depth analysis of each fund.

Although Aon have no major concerns over the investment capabilities of Prudential's underlying managers. Generally, Aon believe Prudential lags its peers on taking risks associated with Environmental, Social and Governance (ESG) factors into account in its overall investment strategy.

All externally managed funds available to members are now passively managed, as Prudential has gradually withdrawn access to external actively managed funds on its platform in recent years.

The fund performance reported by Prudential for the external passive funds indicates a far higher tracking difference than that reported for the underlying funds, particularly over the shorter term for some funds. However, Aon are satisfied with the explanation that Prudential provides for this discrepancy (i.e., the Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment). Aon also believe differences in the time of day the

Prudential funds are priced, relative to the benchmark index is a factor here. This is a common issue for external passively managed funds and it does not give Aon cause for concern as long as a 'look through' to the underlying funds shows they are closely tracking their benchmark.

4.3 Investment options include two lifestyle strategies, an active and a passive. Aon's view remains that members investing through a lifestyle strategy should invest in growth assets, such as equities, in the early stages. The rationale for this is that these assets are expected to provide better capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. Aon believe better member outcomes could be achieved by the introduction of a multi-asset transition phase to the passive lifestyle option, which might also allow the switch to cash to take place closer to retirement and therefore minimise the drag on investment returns caused by investing in cash further from retirement.

The active lifestyle option uses the Dynamic Growth IV Fund in the growth phase and this Fund targets an equity allocation of between 40 and 80%. Furthermore, this Fund only invests in traditional asset classes, though it has scope to invest in other assets if deemed appropriate by the manager and regulations. Aon believe the lower allocation to growth assets, combined with lack of exposure to alternative assets in this Fund is sub-optimal. However, Aon acknowledge that members with a lower appetite for investment risk may be more comfortable investing in this strategy.

Aon understand members of the Fund can use their AVCs as the first source of tax-free cash entitlement from the LGPS and/or use AVCs to provide additional pension from the LGPS. Aon therefore believe the asset allocation of the lifestyle options at retirement targets the format in which members are most likely to take these benefits (i.e. cash) and is therefore appropriate.

The names of the lifestyle options may now be considered misleading, as a result of the fund changes made by Prudential since they were designed:

- The passive lifestyle option invests in the actively managed Cash Fund in the risk reduction phase, and
- The Dynamic Growth IV Fund invests in a number passively managed funds, as well as active funds, to achieve its target asset allocation.

Aon has suggested we consider whether the lifestyle options should be re-named to avoid any confusion. For example, the passive lifestyle option could be re-named the growth-focused lifestyle option and the active lifestyle option could be re-named the multi-asset lifestyle option. Alternatively, that we consider adopting Prudential's 'off the shelf' lifestyle strategies, now that Prudential offers a cash-targeting option.

4.4 Prudential offers LGPS-specific pricing for unit-linked funds, which is more competitive than its standard rates. In Aon's experience, charges for unit-linked funds are in line with LGPS arrangements offered by other providers and with other providers' legacy arrangements, though they are higher than current market rates for non-LGPS arrangements (Prudential has a reputation for relatively high charges compared to other insurers for non-LGPS AVC arrangements).

This reflects the fact that within LGPS, the AVC provider deals with multiple employers and payrolls and carries out a number of tasks carried out by employers or the scheme administrators in non-LGPS schemes, such as joining new members. This makes LGPS AVC arrangements more expensive to administer, and less commercially attractive to providers. In view of this, Aon regard the charges on the arrangement to be reasonable, given the complexity of LGPS arrangements and the additional tasks carried out by Prudential.

4.6 In terms of administration, Prudential's outsourcing model of operation is relatively mature (it initially outsourced policy administration to Capita in 2008), including increasing volumes of administration offshored to India. In 2018, it announced it was replacing Capita as its outsource partner with Diligenta (the Financial Conduct Authority-regulated business of TATA Consultancy Services). This move was a key part of Prudential's ambition to become a lower-cost digital organisation, with Diligenta also becoming responsible for some of Prudential's IT infrastructure.

Migration to the Diligenta BANCS platform took place in Q4 2020. This project resulted in significant disruption to policy administration and customer service. It took over two years for Prudential to resolve issues resulting from the migration, including clearing the backlog of work and reconciling policy details. Prudential reported itself to the Pensions Regulator and was proactive paying financial redress to members dis-advantaged by poor service and delays, however it was very difficult to engage with during this time, as it had previously removed the majority of its client relationship managers and wait times on the telephone helpline for clients and members were very long.

Prudential has since focused on clearing the backlog and returning to its usual service standards and Aon's recent experience indicates this has now been achieved for the vast majority of schemes however we understand its wider support for LGPS has not yet been re-established.

4.7 With regards to communications and reporting, the Fund's members benefit from Prudential's customisation to the LGPS. Aon believe the suite of communications tailored to LGPS clients is of good quality, with relevant information set out in a clear manner. For example, the total charges on unit-linked funds are very clearly disclosed in the Fund-specific investment guide.

Prudential stopped offering worksite marketing services to participating employers a number of years ago and has since significantly reduced the number of account managers available to support employers and Administering Authorities, with the majority of queries directed to its AVC administration team.

Prudential has given no indication that its level of commitment to LGPS AVCs has fallen, though it is likely its offering will remain pared back compared to what has been provided historically, as it focuses on reducing costs. Aon are yet to be convinced that the improvement in member experience cited as one of the key reasons for moving to the Diligenta platform has been achieved.

5. ALTERNATIVE LGPS AVC PROVIDERS

In addition to the annual review we asked Aon to comment on whether their view had changed on whether they were any alternative AVC providers available. Aon has said Legal & General has now formally entered the LGPS AVC market and is running arrangements for three Funds and having discussions with a number of others.

Legal & General is pricing each potential LGPS arrangement individually and is keen to fully understand how each Fund is operated before considering whether its proposition is right for the Fund in question, so it may not offer terms for all Funds.

Aon believe Legal & General has numerous strengths that makes its proposition attractive including its range of ESG funds, its in-house administration platform, market share of (DB and DC) pension assets and strong commitment to UK DC pensions.

Given the size of our Fund's arrangements, Aon believe Legal & General may be interested in providing terms for these arrangements and they recommend we consider at least an initial conversation with Legal & General, or progress discussions with alternative providers as soon as the planned National framework for AVCs comes into effect.

6. OTHER CONSIDERATIONS

None

7. FINANCIAL & RESOURCE APPRAISAL

None

8. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

9. LEGAL APPRAISAL

None

10. OTHER IMPLICATIONS

10.1 SUSTAINABILITY IMPLICATIONS

None

10.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None

10.3 COMMUNITY SAFETY IMPLICATIONS

None

10.4 HUMAN RIGHTS ACT

None

10.5 TRADE UNION

None

10.6 WARD IMPLICATIONS

None

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

None

10.8 IMPLICATIONS FOR CORPORATE PARENTING

None

10.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESEMENT

None

11. NOT FOR PUBLICATION DOCUMENTS

None

12. OPTIONS

None

13. RECOMMENDATION

It is recommended that the Joint Advisory Group note the report

14. APPENDICES

Appendix 1 - Aon AVC Review Report.

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2023 Review of the AVC arrangements

City of Bradford Metropolitan District Council

Prepared for: Tracy Weaver, Technical Services Manager
Prepared by: Aon AVC Team
Date: 5 January 2024

Introduction

The City of Bradford Metropolitan District Council AVC arrangements are held within the West Yorkshire Pension Fund ('the Fund'). The Administering Authority has requested that Aon carries out its annual review of the AVC arrangements. Our findings are set out in this report.

Contents

Scope of this review

This report covers the following areas:

- A summary of AVC membership and funds under management as at 31 March 2023
- Provider financial strength ratings
- Our views on administration capability
- Fund performance of the approved funds versus benchmarks or sector average to 31 March 2023
- Views on the suitability of current fund range including our views on investment management capability[1]
- Competitiveness of charging structures
- Standard of communications, and
- Our overall view on suitability as AVC providers.

Legal & General has tentatively entered the LGPS AVC market and we set out our thoughts on this in Appendix 1.

We have also provided details of any relevant provider or regulatory developments since the last AVC review at Appendix 2.

The AVC arrangements may be summarised as follows:

Provider	Status	Investment options
Prudential	Open to new members and future contributions	Two lifestyle strategies and a range of unit-linked funds
Scottish Widows		One lifestyle strategy and a range of unit-linked funds (the unapproved funds are closed to new money)
Utmost Life and Pensions (Utmost)	Closed to new members but open to future contributions from existing members	The 'investing by age' strategy and a range of unit-linked funds

Source: Providers

[1] Where Aon's investment manager research team do not research a fund, our assessment of the quality and suitability of the fund is based upon our more general views of the investment managers and past performance analysis.

Executive summary

The AVC arrangements – at a glance……..

Membership and fund values

The table below confirms membership numbers and assets under management for the West Yorkshire Pension Fund's AVC arrangements and contributions paid over the year, where available.

Membership data has been sourced directly from Prudential and the Utmost summary reports provided by the Administering Authority.

We have not shown total data, as we have been unable to obtain any information from Scottish Widows.

Prudential	31 March 2023
Members	3,329
Contributions (excluding transfers in)	£9,881,187
Fund Value	£35,189,646

Scottish Widows	31 March 2023
Members	Not available (N/A)
Contributions	N/A
Fund Value	N/A

Utmost	5 April 2023
Members	307
Contributions	£27,706
Fund Value	£1,629,682

Number of members includes life cover only members and contributions shown include those paid for life cover, where applicable.

Observations

Prudential

Prudential remains the dominant LGPS AVC provider, and it has stated it remains committed to this market, despite experiencing significant service disruption following the migration to the Diligenta BANCS administration platform in late 2020. The issues resulting from the migration have now been resolved and Prudential has largely returned to 'business as usual' service standards.

Prudential, and its fund management partners, remain financially strong, and we have no concerns over provider financial strength or security of assets.

Charges are materially higher than current market rates for arrangements of a similar size, but we consider them reasonable, taking account of the additional tasks LGPS AVC providers undertake and the complexity of the arrangements. A number of years ago, Prudential was considering the feasibility of adopting scheme-specific pricing but appears not to have progressed this.

The range of externally managed funds Prudential offers has been significantly reduced by Prudential in recent years but we consider the range of funds offered to be suitable.

Relative performance of the funds offered was acceptable over the year to 31 March 2023, though only the International Equity Fund met its out-performance target, and the UK Equity Fund under-performed its benchmark over 1, 3 and 5 years. Gilt funds suffered significant losses over this reporting period, due to market conditions.

There has been a large increase in the number of members invested with Prudential over the year to 31 March 2023. We would expect any members interested in paying AVCs to choose Prudential over Scottish Widows, given the lack of useful information Scottish Widows provides to members via the microsite.

Scottish Widows

Scottish Widows' AVC proposition is not as well tailored to LGPS as Prudential's.

Scottish Widows and its fund management partners are financially strong, and we have no concerns over provider financial strength or security of assets.

Charges are higher than current market rates, but they are slightly lower than the charges on the Prudential arrangement. We therefore consider them reasonable, taking account of the additional tasks LGPS AVC providers are expected to undertake and the complexity of the arrangements.

Service has been particularly poor since Scottish Widows migrated the administration of older policies (including the Fund's AVC arrangements) to Diligenta in August 2022. We have been unable to obtain any data from Scottish Widows for this review, despite our request being made over five weeks ago, and our regular follow up calls to Scottish Widows to escalate matters. We have raised a formal complaint about the way in which our data request for this review has been dealt with.

We understand Scottish Widows has been unable to confirm to the Administering Authority when year-end data will be available as it is still working to correct member records, despite initial assurance this work would be complete by 31 December 2022. We believe there is a significant risk that payments made to members will be delayed or incorrect whilst this work is ongoing.

Scottish Widows still offers access to a range of externally managed funds, and we have no concerns over the investment management capabilities of the fund management partners that replaced Aberdeen Standard Life - Schroders, and BlackRock.

Performance of most funds over this period was in line with expectations. The abrdn Global Absolute Return Strategies Fund continued to significantly under-perform, but this Fund has now been merged into the abrdn Diversified Growth and Income Fund. We await confirmation from Scottish Widows whether it will use the merged fund.

We generally consider the quality of Scottish Widows' reporting to be behind peers.

The microsite that Scottish Widows provides for the Fund is well laid out, but it is not well maintained by Scottish Widows and we believe this represents a risk that members will receive the incorrect or insufficient information to be able to make decisions about their AVC funds.

Utmost

The Utmost arrangement is closed to new members and therefore continues to reduce in size over time.

We have no concerns over provider financial strength, security of assets or standards of administration, though we acknowledge Utmost does not tailor AVC arrangements to LGPS (or any other pension scheme) and reporting is very basic.

Utmost does not offer scheme-specific pricing. Charges are higher than current market rates and those on the Fund's Scottish Widows arrangement but in line with those on the Prudential arrangement.

We have no concerns over the quality and suitability of the investment options, in view of the fact this is a closed arrangement.

Recommendations

Prudential

Overall, we consider Prudential's LGPS AVC proposition to be fit for purpose and recommend it is maintained.

We believe the names of the lifestyle options no longer accurately reflect their investment approach and we suggest the Administering Authority considers whether they should be re-named to avoid any confusion. For example, the passive lifestyle option could be re-named the growth-focused lifestyle option and the active lifestyle option could be re-named the multi-asset lifestyle option. Alternatively, the Administering Authority could consider adopting Prudential's 'off the shelf' lifestyle strategies, now that Prudential offers a cash-targeting option.

Scottish Widows

At the current time, we do not regard the Scottish Widows arrangement to be fit for purpose.

We believe service issues have been exacerbated by the platform migration, but Scottish Widows was very slow to respond and update documentation prior to this event, and LGPS AVC arrangements are clearly not a business focus for Scottish Widows.

We recommend the Administering Authority either sets a deadline by which Scottish Widows must resolve ongoing issues, or considers replacing Scottish Widows as an AVC provider (please refer to Appendix 1 for further information on likely options).

Utmost

We have identified no issues with this closed arrangement, and recommend it is maintained.

Prudential

The Prudential arrangement (policy reference L038) is open to new members.

Membership, contributions and fund values

The table below provides a summary of the arrangement as at 31 March 2023, compared, where possible, to 31 March 2022 and 31 March 2021.

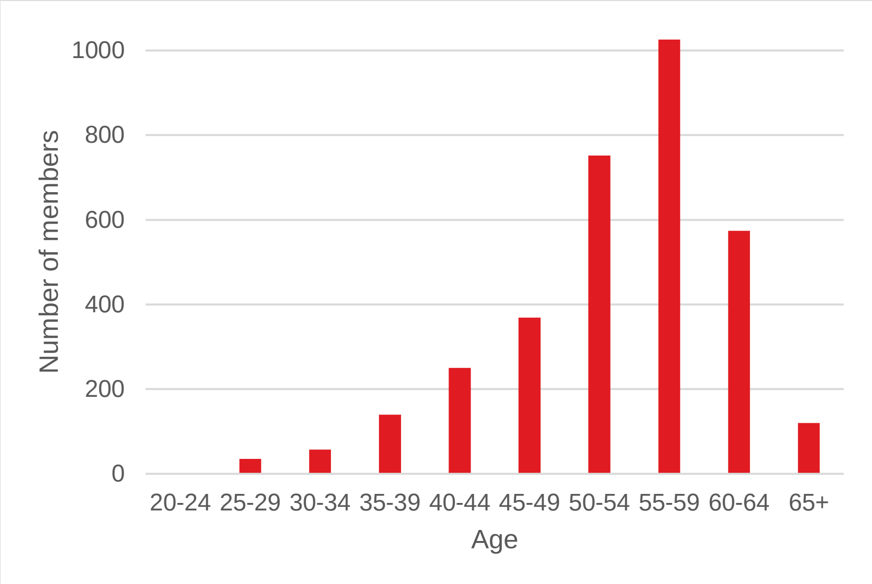
	31 March 2023	31 March 2022	31 March 2021
Members	3,326	1,368	2,484
Assets under management	£35,189,646	£30,856,548	£26,767,248
Contributions	£9,881,187	£8,501,941	N/A
Transfers in	£461,439	£30,326	N/A
Claims	£5,330,647	£5,306,754	N/A

Source: Prudential

- The number of members in the AVC arrangement reported by Prudential has shown a significant increase over the period to 31 March 2023 however we believe it is more likely the number of members reported by Prudential as at 31 March 2022 was incorrect.
- Contributions during the year ending 31 March 2023 were 16% higher than those paid during the year ending 31 March 2022.
- Assets under management fell by c.£680K after allowing for contributions, transfers in and claims paid out.
- Claims were broadly unchanged, compared to the previous year.

Age profile

The chart below illustrates the age profile of the Prudential membership.



Source: Prudential

- The youngest member is age 20 and the oldest is 74.
- 52% of members (1,720) are of minimum pension age (age 55) or older.

AVC fund range

There are currently 16 funds available to new and existing members.

The Prudential Deposit Fund closed to new money on 31 May 2017 but remains available to members who invested into the Fund prior to this date. As at 31 March 2023, there were 414 members and £3.2m invested in the Deposit Fund. Two members held a total of £21,000 in the With Profits Cash Accumulation Fund. We understand the With Profits holdings are a result of transfers in.

The table on the next page confirms membership numbers and fund values for the AVC arrangement, as at 31 March 2023. Members and assets invested in the lifestyle strategies are reported under the underlying funds in the table below.

Asset class	Fund name	Fund value (£)	Number of members
Equities	Prudential Dynamic Global Equity Passive[2]	8,028,603	2,986
	BlackRock Aquila World ex.UK Index	1,241,066	263
	HSBC Islamic Global Equity Index	1,087,462	201
	LGIM Ethical Global Equity Index	1,061,981	225
	BlackRock Aquila UK Equity Index	841,974	207
	Prudential International Equity	413,271	178
	Prudential UK Equity	401,889	207
	BlackRock Aquila Emerging Markets Equity	251,467	150
	Prudential Positive Impact[3]	165,502	104
Multi-Asset	BlackRock Aquila Consensus	3,376,512	509
	Prudential Dynamic Growth IV	3,025,363	761
	Prudential Dynamic Growth I[4]	630,942	214
	Prudential With-Profits Cash Accumulation Fund	20,990[5]	2
Corporate Bond	BlackRock Aquila All Stocks Corporate Bond Index	2,416,996	591
Gilts	Prudential Index Linked Passive	1,035,375	375
	BlackRock Aquila Over 15 Years UK Gilt Index	341,550	211
Cash	Prudential Cash	7,625,739	1,754
	Prudential Deposit Fund	3,222,966	414
	Total	**35,189,646**	**3,329[6]**

Source: Prudential.

Summary

Take up of all available funds is reasonably high, and c60% of assets are invested in funds with good capital growth potential.

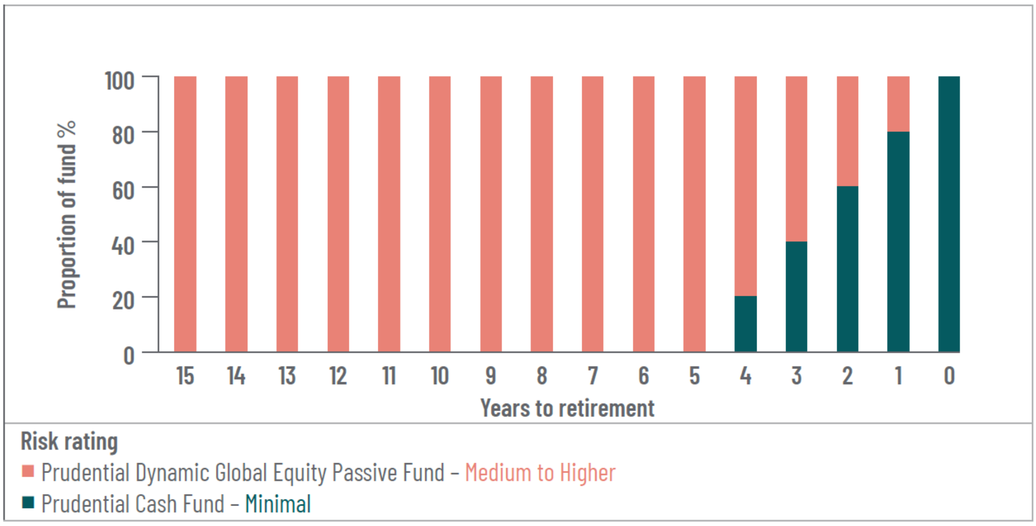
[2] This Fund replaced the BlackRock Global Equity 50:50 Index Fund
[3] This Fund replaced the Prudential Ethical Fund
[4] This Fund replaced the Prudential UK Property Fund
[5] Does not include any terminal bonus that would have been payable on the valuation date
[6] Many members invest in more than one fund, but are counted only once in the total

Lifestyle options

There are two bespoke lifestyle options available to members of the Prudential arrangement.

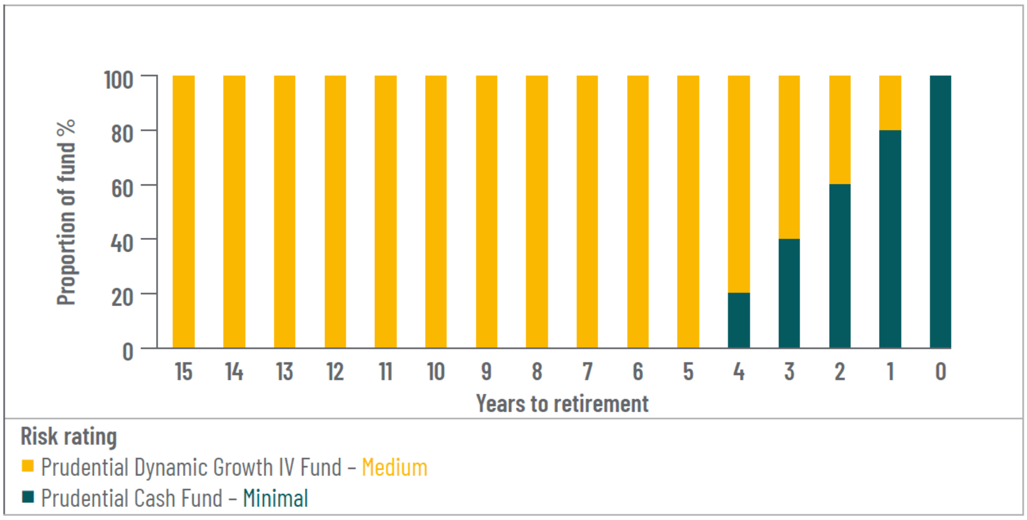
The **passive lifestyle option** invests in the Prudential Dynamic Global Equity Passive Fund in the 'growth' phase. It commences switching five years prior to a member's selected retirement age into the Cash Fund, such that 100% is invested in the Cash Fund at the member's selected retirement age.

The structure of this lifestyle option is illustrated in the chart below.



The **active lifestyle option** available to members invests in the Prudential Dynamic Growth IV Fund in the 'growth' phase. It commences switching five years prior to a member's selected retirement age into the Cash Fund, so that 100% is invested in the latter fund at the member's selected retirement age.

The structure of this lifestyle option is illustrated in the chart below.



The level of active management within the two lifestyle options is now similar, as a result of the fund closures Prudential has made since these strategies were designed.

The decisions regarding asset allocation within the Dynamic Global Equity Passive Fund and the Dynamic Growth IV Fund are active but the funds achieve some or all of their asset exposures through passively managed funds. The investment objective of the Dynamic Global Equity Passive Fund is to provide exposure to UK and overseas equities (although it currently has a c.10% allocation to cash), whilst the Dynamic Growth IV Fund aims to invest between 40% and 80% in equities.

Both options switch to the actively managed Cash Fund as retirement approaches.

Although we have no concerns over the structure of the lifestyle options, we believe their names are potentially misleading to members. We consider solutions to this in the next section ‘suitability of investment options’.

Fund performance

The table below shows the performance of the unit-linked funds, and the Prudential Deposit Fund, in which members were invested over 1, 3 and 5 years to 31 March 2023. We have also shown whether funds are actively managed (A) or passively managed (P).

Fund performance reported is net of fees against the benchmark for each fund (see Appendix 3). Relative performance may not sum due to rounding.

Fund	5 years % p.a.			3 years % p.a.			1 year %		
	Fund	Bmk	Rel	Fund	Bmk	Rel	Fund	Bmk	Rel
Equities									
BlackRock Aquila Emerging Markets Equity (P)	1.0	1.6	**-0.6**	7.7	7.9	**-0.2**	-7.1	-4.9	**-2.2**
BlackRock Aquila World ex.UK Index (P)	10.7	10.7	**0.0**	16.9	16.4	**0.5**	-3.7	-1.3	**-2.4**
Prudential International Equity (A)	6.5	7.7	**-1.3**	15.1	13.7	**1.3**	1.9	1.1	**0.8**
Prudential Dynamic Global Equity Passive (P)				14.5	14.1	**0.4**	0.7	1.8	**-1.1**
HSBC Islamic Global Equity Index (P)	14.5	15.7	**-1.2**	17.6	17.6	**0.0**	-4.0	-2.5	**-1.5**
LGIM Ethical Global Equity Index (P)	11.5	12.2	**-0.7**	18.5	17.8	**0.6**	-0.2	1.0	**-1.2**
Prudential Positive Impact (A)				14.5	16.0	**-1.5**	1.5	-0.9	**2.4**
BlackRock Aquila UK Equity Index (P)	4.6	5.0	**-0.4**	14.7	13.8	**0.9**	2.3	2.9	**-0.6**
Prudential UK Equity (A)	3.5	5.0	**-1.6**	12.2	13.8	**-1.7**	-0.9	2.9	**-3.8**

Multi-Asset									
BlackRock Aquila Consensus[7] (P)	5.4	5.6	**-0.2**	9.4	9.2	**0.2**	-1.9	-0.4	**-1.5**
Prudential Dynamic Growth IV[8] (A)	3.9	4.3	**-0.4**	8.3	7.5	**0.8**	-2.3	-1.4	**-0.9**
Prudential Dynamic Growth I[8] (A))	1.6	1.8	**-0.2**	2.4	1.6	**0.8**	-5.1	-4.8	**-0.3**
Corporate Bonds									
BlackRock Aquila All Stocks Corporate Bond Index (P)	-1.2	-0.9	**-0.3**	-3.8	-3.1	**-0.7**	-10.7	-10.2	**-0.5**
Gilts									
BlackRock Aquila Over 15 Years UK Gilt Index (P)	-6.3	-6.4	**0.1**	-16.6	-16.4	**-0.2**	-30.3	-29.7	**-0.6**
Prudential Index Linked Passive (P)	-4.6	-4.1	**-0.5**	-9.8	-9.1	**-0.7**	-30.7	-30.1	**-0.6**
Cash									
Prudential Cash (A)	0.2	0.6	**-0.5**	0.3	0.7	**-0.5**	1.7	2.2	**-0.6**
Prudential Deposit (A)	0.8	0.8	**0.0**	0.8	0.9	**-0.1**	2.1	2.3	**-0.2**

Source: Prudential

[7] We have reported this Fund as a *passively managed* fund to be consistent with previous reports however, although asset allocation is achieved through passively managed funds, asset allocation decisions are active.

[8] We have reported this Fund as an *actively managed* fund and whilst asset allocation decisions are active, asset allocation is achieved through active and passively managed funds.

Fund performance and investment capability commentary

The year to 31 March 2023 saw difficult market conditions, as global equities showed a loss over the year, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressure. The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher and in September 2022, the Bank of England announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced, causing a considerable spike in yields.

Prudential funds

The underlying fund manager of Prudential's internally managed funds is M&G Treasury & Investment Office, although many of the underlying component funds of the Dynamic Global Equity Passive, Dynamic Growth IV and Dynamic Growth I Funds are managed by BlackRock.

Aon's global investment manager research team does not currently undertake active research on any of the Prudential funds members invest in. This is because their research process is tailored to occupational pension schemes that wish to invest in 'best of breed' funds in each asset class, rather than the wider universe offered by insurance companies. Our assessment of the quality and suitability of these funds is therefore based upon our more general views of the investment managers' capabilities and past performance analysis, rather than in depth analysis of each fund.

Although we have no major concerns over the investment capabilities of Prudential's underlying managers. Generally, we believe Prudential lags its peers on taking risks associated with Environmental, Social and Governance (ESG) factors into account in its overall investment strategy, but the Fund offers two ESG funds to members who recognise the importance of such factors.

Two of the actively managed funds offered to members have a specified outperformance target, as shown in the table below:

Fund	Outperformance target (% p.a. before charges, on a rolling 3-year basis)
International Equity	1.0
UK Equity	0.75 – 1.00

Source: Prudential

The **International Equity** Fund achieved its target over the 3-year period and was 1.4% ahead of its benchmark over the 1 year period, however it . under-performed over the 5-year period. Absolute returns were positive over all periods reported above though, not surprisingly they failed to keep pace with UK inflation over the year to 31 March 2023.

The **UK Equity** Fund failed to meet its performance target and it underperformed its benchmark over all periods. Over 1 year, this Fund suffered a loss and lagged its benchmark by 3.8% after charges.

The **Positive Impact** Fund aims to out-perform its MSCI All World Index benchmark over the longer term (5 years+) whilst investing in companies that aim to have a positive societal impact through addressing the world's major social and environmental challenges. It was ahead of the benchmark after charges over the year, but behind over 3 years. This isolated period of under-performance does not give us cause for concern – the Fund holds a relatively concentrated portfolio of stocks and we are comfortable with the reasons given by Prudential for under-performance i.e. stock selection in the technology sector, and to a lesser extent in the utilities and industrials sectors, as well as lack of exposure to the energy sector, detracted from returns.

As mentioned in the previous section, M&G makes active asset allocation decisions for the **Dynamic Growth IV** and the **Dynamic Growth I** Funds, though it uses predominantly passively managed funds to achieve the asset allocation. We would expect performance to be in line with the composite benchmarks, which are based upon each Fund's asset allocation. Before charges, these funds have performed broadly in line with their benchmarks over 1 and 5 years. Over 3 years, they have out-performed their benchmarks. This does not give us cause for concern, as returns were ahead of the benchmark, and markets were particularly volatile over this period.

The **Cash** Fund provided a return in line with its benchmark before charges over all periods reported above, and returns have increased significantly as interest rates have risen over the year to 31 March 2023. The **Deposit** Fund has provided returns broadly in line with the Bank of England base rate.   We believe the returns on both funds will have met members' expectations, though they have obviously not kept pace with inflation.

Members invest in two passively managed Prudential funds, the Dynamic Global Equity Passive Fund and the Index-Linked Passive Fund.

The **Dynamic Global Equity Passive** Fund is structured as a fund of funds. It is made up of a range of predominantly BlackRock passive and JP Morgan 'sustainable future' funds. Although it did not track its benchmark over periods reported here, being slightly ahead before charges over 3 years and under-performing over the year, Aon's investment manager research team rate BlackRock highly as a passive fund manager, and we have no major concerns over the investment capabilities of JP Morgan, though we do not consider them to be market-leading in terms of sustainable investing.

The **Index-Linked Passive** Fund tracked its benchmark before charges over all periods reported above, it has therefore met its investment objective. However, it has suffered a loss over all periods reported above and losses over the year were particularly significant due to the UK 'gilt crisis'.

Externally managed funds:

All externally managed funds available to members are now passively managed, as Prudential has gradually withdrawn access to external actively managed funds on its platform in recent years.

The fund performance reported by Prudential for the external passive funds indicates a far higher tracking difference than that reported for the underlying funds, particularly over the shorter term for some funds. However, we are satisfied with the explanation that Prudential provides for this discrepancy (i.e., the Prudential funds may hold an element of cash due to the short delay between new investments being received by the Prudential fund and being placed in the underlying investment). We also believe differences in the time of day the Prudential funds are priced, relative to the benchmark index is a factor here. This is a common issue for external passively managed funds and it does not give us cause for concern as long as a 'look through' to the underlying funds shows they are closely tracking their benchmark.

BlackRock Aquila Funds - We have a high regard for BlackRock as a passive fund manager and Aon's Investment Manager Research Team has confirmed its 'buy' rating for BlackRock's index tracking funds. They believe that the firm combines a strong culture of risk management with high quality systems and that BlackRock's scale and structure allows it to closely track a wide range of equity indices on a cost-effective basis.

Returns on the underlying funds tracked the benchmark closely before charges and we are therefore comfortable that members investing in these funds through the Prudential arrangement will achieve gross returns in line with the benchmark over the longer term.

Prudential reports returns on the **BlackRock Consensus** Fund against the ABI mixed investments 40-85% Shares sector average. The Fund seeks to invest in a range of assets with weightings that may reflect the asset allocation of the ABI sector, but it is not managed against this. Returns on the underlying Fund were ahead of or in line with the sector average over all periods reported above.

LGIM Ethical Global Equity Index – Aon's Investment Manager Research Team rates LGIM's capabilities as a passive fund manager highly and this fund is 'buy' rated by Aon on this basis. We believe LGIM has the scale and structure to track a wide range of equity indices and it has an experienced and capable passive management team which takes a pragmatic approach to index tracking within strict stock and sector tolerances. Returns on the underlying Ethical Global Equity Fund have been in line with the benchmark before charges over all periods reported above. This Fund provided the best return of all funds held through the Prudential arrangement over 3 years to 31 March 2023, though it lagged the other global equity funds over the year.

HSBC Islamic Global Equity Index – Aon's Investment Manager Research Team does not research this Fund however, it meets Islamic investment principles, as interpreted and laid down by the HSBC Global Asset Management Shariah Committee (an independent committee, that consists of two internationally renowned Islamic scholars) that oversees investment in the Fund to ensure compliance with Islamic principles. Tracking difference for the underlying fund is c.+/-1% p.a. which we consider acceptable and returns have been broadly in line with global equity markets.

Summary

Our investment manager research team rate BlackRock and LGIM's capabilities as passive fund managers highly. They do not research any of the Prudential funds members invest in but we have no major concerns over the investment capabilities of the underlying managers.

Our past performance analysis reported here has raised no major concerns over the quality of funds held.

Suitability of investment options

All funds held through the Prudential arrangement are invested in regulated markets, dealt daily and are liquid (the Dynamic Growth funds have a small allocation to property but this is not expected to have a material impact on the liquidity of the funds overall).

Members have access to the main liquid asset classes, this is now predominantly through passively managed funds. Access to external actively managed funds has gradually been removed, as a result of the fund closures made by Prudential in recent years. The only true actively managed funds offered are the Prudential International Equity, UK Equity, Positive Impact and Cash Funds. We have no concerns over the lack of actively managed funds on offer, as such funds are at risk of under-performing, though passive funds obviously offer no potential for out-performance.

Investment options include two lifestyle strategies, an active and a passive Environmental, Social and Governance (ESG) fund and a Shariah fund. We therefore believe the investment options are capable of satisfying members' investment objectives.

Our view remains that members investing through a lifestyle strategy should invest in growth assets, such as equities, in the early stages. The rationale for this is that these assets are expected to provide better capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. The passive lifestyle option offered through the AVC arrangement is well-aligned with our investment thinking in this respect. We believe better member outcomes could be achieved by the introduction of a multi-asset transition phase to the passive lifestyle option, which might also allow the switch to cash to take place closer to retirement and therefore minimise the drag on investment returns caused by investing in cash further from retirement.

The active lifestyle option uses the Dynamic Growth IV Fund in the growth phase and this Fund targets an equity allocation of between 40 and 80%. Furthermore, this Fund only invests in traditional asset classes, though it has scope to invest in other assets if deemed appropriate by the manager and regulations. We believe the lower allocation to growth assets, combined with lack of exposure to alternative assets in this Fund is sub-optimal. However, we acknowledge that members with a lower appetite for investment risk may be more comfortable investing in this strategy.

We understand members of the Fund can use their AVCs as the first source of tax-free cash entitlement from the LGPS and/or use AVCs to provide additional pension from the LGPS. We therefore believe the asset allocation of the lifestyle options at retirement targets the format in which members are most likely to take these benefits (i.e. cash) and is therefore appropriate.

The names of the lifestyle options may now be considered misleading, as a result of the fund changes made by Prudential since they were designed:

- The passive lifestyle option invests in the actively managed Cash Fund in the risk reduction phase, and

- The Dynamic Growth IV Fund invests in a number passively managed funds, as well as active funds, to achieve its target asset allocation.

We suggest the Administering Authority considers whether the lifestyle options should be re-named to avoid any confusion. For example, the passive lifestyle option could be re-named the growth-focused lifestyle option and the active lifestyle option could be re-named the multi-asset lifestyle option.

Alternatively, the Administering Authority could consider adopting Prudential's 'off the shelf' lifestyle strategies, now that Prudential offers a cash-targeting option.

Summary

We believe that the investment options are capable of satisfying members' investment objectives but there is scope to improve the lifestyle options and to re-name them to avoid misleading members about their investment approach. Alternatively, Prudential's off the shelf lifestyle strategies could be used.

Provider financial strength

Since the insurance business was de-merged from Prudential plc, M&G plc has been permitted by the Prudential Regulation Authority to prepare a single Group Solvency and Financial Condition Report covering M&G plc, Prudential Assurance Company Limited and Prudential Pensions Limited. The Solvency II Coverage Ratio reported for M&G plc was 205% as at 31 December 2022.

We subscribe to AKG Financial Analytics Limited ('AKG') for financial strength ratings. AKG is an independent actuarial consultancy specialising in the provision of ratings, information and market assistance to the financial services industry. AKG currently rates Prudential's overall financial strength as A (superior). This is the highest rating available.

Prudential's financial strength is rated A+ by Standard & Poor's i.e. a strong company that may have some issues in the face of business and financial challenges.

Summary

We have no concerns over Prudential's financial strength.

Charges

The Total Expense Ratio ('TER') that members pay for each fund is shown in the table below:

Fund name	TER (%)
Prudential Dynamic Global Equity Passive	0.54
BlackRock Aquila UK Equity Index	0.62
BlackRock Aquila World ex.UK Index	0.63
HSBC Islamic Global Equity Index	0.80
LGIM Ethical Global Equity Index	0.85
Prudential UK Equity	0.66
Prudential International Equity	0.69
BlackRock Aquila Emerging Markets Equity	0.80
Prudential Positive Impact	0.66
BlackRock Aquila Consensus	0.63
Prudential Dynamic Growth IV	0.63
Prudential Dynamic Growth I	0.63
BlackRock Aquila All Stocks Corporate Bond Index[9]	0.63
Prudential Index Linked Passive	0.56
BlackRock Aquila Over 15 Years UK Gilt Index[4]	0.62
Prudential Deposit Fund	Not applicable[10]
Prudential Cash	0.55

Source: Prudential

Prudential offers LGPS-specific pricing for unit-linked funds, which is more competitive than its standard rates. In our experience, charges for unit-linked funds are in line with LGPS arrangements offered by other providers and with other providers' legacy arrangements, though they are higher than current market rates for non-LGPS arrangements (Prudential has a reputation for relatively high charges compared to other insurers for non-LGPS AVC arrangements).

This reflects the fact that within LGPS, the AVC provider deals with multiple employers and payrolls and carries out a number of tasks carried out by employers or the scheme administrators in non-LGPS schemes, such as joining new members. This makes LGPS AVC arrangements more expensive to administer, and less commercially attractive to providers. In view of this, we regard the charges on the arrangement to be reasonable, given the complexity of LGPS arrangements and the additional tasks carried out by Prudential.

Summary

We regard the charges on the arrangement to be reasonable, given the complexity of LGPS arrangements and the additional tasks carried out by Prudential.

[9] Prudential previously announced that it intended to close this Fund but has taken no action to do so to date

[10] The Prudential Deposit Fund is not subject to any explicit charges, the rate of interest declared is net of the costs of running the Fund.

Administration capability

Prudential's outsourcing model of operation is relatively mature (it initially outsourced policy administration to Capita in 2008), including increasing volumes of administration offshored to India. In 2018, it announced it was replacing Capita as its outsource partner with Diligenta (the Financial Conduct Authority-regulated business of TATA Consultancy Services). This move was a key part of Prudential's ambition to become a lower-cost digital organisation, with Diligenta also becoming responsible for some of Prudential's IT infrastructure.

Migration to the Diligenta BANCS platform took place in Q4 2020. This project resulted in significant disruption to policy administration and customer service. It took over two years for Prudential to resolve issues resulting from the migration, including clearing the backlog of work and reconciling policy details. Prudential reported itself to the Pensions Regulator and was proactive paying financial redress to members dis-advantaged by poor service and delays, however it was very difficult to engage with during this time, as it had previously removed the majority of its client relationship managers and wait times on the telephone helpline for clients and members were very long.

Prudential has since focused on clearing the backlog and returning to its usual service standards and our recent experience indicates this has now been achieved for the vast majority of schemes however we understand its wider support for LGPS has not yet been re-established.

Summary

In our experience, issues caused by the migration to the Diligenta platform have largely been resolved and Prudential has returned to business as usual service, though it currently offers far less support to LGPS Funds than it did historically.

Communications and reporting

The Fund's members benefit from Prudential's customisation to the LGPS. We believe the suite of communications tailored to LGPS clients is of good quality, with relevant information set out in a clear manner. For example, the total charges on unit-linked funds are very clearly disclosed in the Fund-specific investment guide.

Prudential stopped offering worksite marketing services to participating employers a number of years ago and has since significantly reduced the number of account managers available to support employers and Administering Authorities, with the majority of queries directed to its AVC administration team.

Prudential has given no indication that its level of commitment to LGPS AVCs has fallen, though it is likely its offering will remain pared back compared to what has been provided historically, as it focuses on reducing costs.

We are yet to be convinced that the improvement in member experience cited as one of the key reasons for moving to the Diligenta platform has been achieved.

Summary

We regard the quality of communications and reporting by Prudential to be relatively good, though we have not seen any significant positive impact as a result of the platform migration.

Overall conclusion

We believe Prudential remains a suitable provider for LGPS AVCs for a number of reasons:

- its market share of LGPS AVC policies and stated ongoing commitment to this market,
- its knowledge and experience of LGPS and the level of tailoring to LGPS it provides, and
- its ability to enable a large number of employers to participate in a single AVC arrangement.

Prudential's financially strength is rated highly and our review has raised no major concerns over investment or administration capability, charges or communications and reporting. However, we consider Prudential to be behind many of its peers in taking account of ESG risks and the range of fund it offers has contracted significantly in recent years.

We recommend the Administering Authority considers the suitability of the names and structure of the lifestyle options offered through the Prudential arrangement.

Scottish Widows

The Scottish Widows arrangement (policy reference P000024425) is open to new members.

Membership, contributions and fund values

Scottish Widows has not provided any data we requested for the purposes of this review We have not therefore been able to report a summary of the arrangement as at 31 March 2023. The limited data we were provided, as at 31 March 2022 is shown in the table below.

	31 March 2022
Members	747
Assets under management	£10,239,878[11]
Contributions	£436,690
Transfers in	Not available
Claims	Not available

Source: Scottish Widows

Age profile

Scottish Widows has not provided the age profile of the Fund’s membership.

AVC fund range

Scottish Widow has not provided information on the funds held, or the number of members and assets invested for this review.

We understand there are 14 funds and one lifestyle strategy available to new members (the approved fund range).

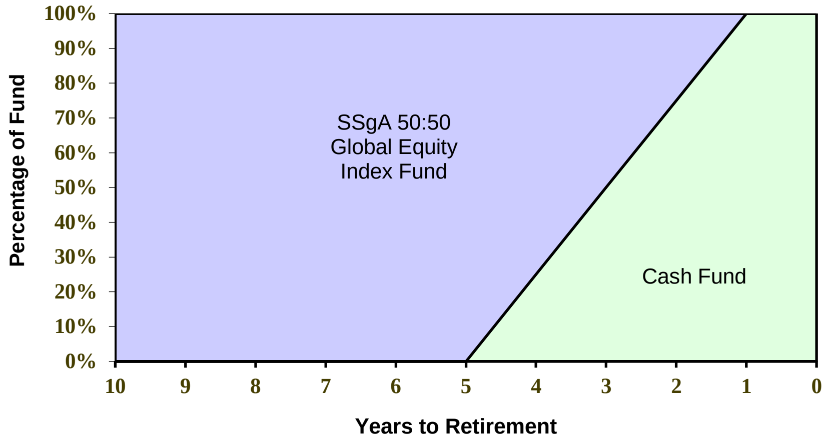
Members also invest in ‘unapproved’ funds, including a legacy lifestyle strategy. We have not reported on unapproved funds, as the Administering Authority does not formally approve or monitor them. We understand members are aware of this.

[11] Includes With Profits terminal bonus of £462,807 that would have been payable on transfer as at 31 March 2022

Lifestyle option

There is one approved lifestyle option available to members of the Scottish Widows arrangement. It is a bespoke strategy which invests in the SSgA 50:50 Global Equity Index Fund in the 'growth phase' lasting until 5 years before retirement. It then switches into the Cash Fund, so that 100% is invested in the Cash Fund one year prior to the member's selected retirement age.

The structure of this lifestyle option is illustrated in the chart below.



Fund performance

The table below shows the performance of the approved funds, in which members were invested over 1, 3 and 5 years to 31 March 2023. We have also shown whether funds are actively managed (A) or passively managed (P).

Fund performance reported is net of fees. For most funds, Scottish Widows reports performance against the ABI sector average, where available we have reported the benchmark returns in the table below, for funds that have a benchmark. Details of performance comparators are provided in Appendix 3. Relative performance may not sum due to rounding.

Fund	5 years % p.a.			3 years % p.a.			1 year %		
	Fund	Bmk	Rel	Fund	Bmk	Rel	Fund	Bmk	Rel
Equities									
BNY Mellon Global Equity (A)	9.9	10.2	**-0.3**	13.0	16.0	**-3.5**	-3.6	-0.9	**-2.7**
Invesco High Income[12] (A)	-2.8	2.7	**-5.5**	10.4	12.2	**-1.8**	0.3	-1.2	**1.5**
Environmental (A)	7.7	5.0	**2.7**	11.1	13.8	**-2.7**	2.9	2.9	**0.0**
SSgA International Equity Index (P)	10.3	11.1	**-0.8**	15.2	17.0	**-1.8**	-4.1	-1.0	**-3.1**
SSgA 50:50 Global Equity Index (P)	5.7	7.9	**-2.2**	12.9	13.8	**-0.9**	-0.3	-2.7	**2.4**
SSgA UK Equity Index (P)	3.9	5.0	**-1.1**	12.8	13.8	**-1.0**	1.3	2.9	**-1.6**
Property									
Property (A)	0.9	-0.2	**1.0**	0.4	-0.7	**1.0**	-19.4	-12.8	**-6.7**

[12] Scottish Widows previously announced its intention to close this Fund but we understand the closure has not yet taken place.

Multi-Asset									
Consensus[13] (A)	4.4	3.8	**0.6**	10.8	7.5	**3.3**	-2.0	-4.6	**2.6**
BNY Mellon Managed (A)	5.6	3.8	**1.8**	10.7	7.5	**3.2**	-0.7	-4.6	**3.9**
abrdn Global Absolute Return Strategies[14] (A)	-3.3	5.6	**-8.9**	-4.2	5.7	**-9.9**	-10.0	7.2	**-17.2**
Corporate Bonds& Gilts									
Pension Protector (A)	-4.5	-5.2	**0.7**	-9.6	-13.0	**3.4**	-24.0	-25.6	**1.7**
Corporate Bond (A)	-1.5	-0.9	**-0.6**	-3.9	-2.5	**-1.4**	-12.9	-10.1	**-2.8**
Indexed Stock (A)	-3.8	-3.2	**-0.6**	-9.3	-7.6	**-1.7**	-26.2	-26.7	**0.5**
Cash									
Cash[15] (A)	0.2	0.6	**-0.4**	0.3	0.7	**-0.4**	1.7	2.2	**-0.5**

Source: Financial Express Analytics

[13] We have reported this Fund as an actively managed fund to be consistent with previous reports, however although asset allocation decisions are active, asset allocation is achieved through passively managed funds.

[14] Abrdn closed this Fund in October 2023, but Scottish Widows has not confirmed where it redirected assets held.

[15] This Fund has no benchmark and is placed in the ABI unclassified sector, which makes sector comparisons meaningless, we have therefore shown SONIA as a performance comparator.

Fund performance and investment capability commentary

Scottish Widows funds

Scottish Widows' actively managed funds are now predominantly managed by Schroders. Aon's investment manager research team do not research any of the Scottish Widows funds members invest in, however they do 'Buy' rate a number of Schroders' actively managed strategies and as such we have no concerns over its active management capabilities in general.

The funds with a significant allocation to growth assets i.e., the Property, Consensus and Environmental funds, and the Indexed Stock fund provided a positive return over all periods reported above.

The **Environmental** Fund aims to out-perform the FTSE All Share by 3% p.a. before charges on a rolling 3-year basis. It invests predominantly (at least 80%) in UK shares but can also invest overseas, seeking to invest in companies supporting positive practices in energy transition, environmental infrastructure, circular economy and those with high standards in sustainable environmental practice. It met its investment objective over the 5-year period reported above but lagged the FTSE All Share over 3 years and was in line with the Index over 1 year. This is to be expected, given the performance of traditional energy stocks over these more recent periods.

The benchmark for the **Property** Fund is the MSCI UK Quarterly Property Index, however Scottish Widows does not publish benchmark returns, therefore the performance comparator shown above is the ABI UK Direct Property sector average. Absolute returns on this Fund were marginally positive and ahead of the sector average over 3 and 5 years. Over the year, the Fund suffered a loss of almost 20%, and under-performed the sector average by 6.7% as capital values depreciated and the higher interest rate environment slowed transaction activity. We also note that the Fund has a c36% allocation to industrial property, and this was the worst-performing sector over the year to 31 March 2023.

The **Consensus** Fund is made up of a number of BlackRock, abrdn and State Street passively managed funds, and our investment manager research team rate BlackRock and State Street highly as passive fund managers. We therefore have no concerns over the quality of the majority of underlying components of this Fund. It provided positive absolute returns over 3 and 5 years and was ahead of its sector average over all reported periods.

The **Pension Protector** Fund suffered a loss but it was ahead of its sector over all periods reported above. Its investment objective is to provide a return consistent with variations in market annuity rates, with the aim of reducing annuity conversion risk. Aon does not monitor the performance of this Fund against level annuity rate changes, as very few of our clients use it as a pre-retirement fund in annuity matching strategies however, returns on this Fund have been in line with those for other funds that we do monitor on this basis and as such we are reasonably comfortable that the Pension Protector Fund has protected the level annuity-buying power of assets over this period.

The **Corporate Bond** Fund suffered a loss and underperformed its sector average over all periods, reported above. However, losses were less than those suffered by gilt funds.

The **Indexed Stock** Fund suffered a loss over all periods reported above, as a result of difficult market conditions. It lagged its benchmark index over 3 and 5 years but was slightly ahead over one year.

The **Cash** Fund has no benchmark and is placed in the unclassified sector therefore we have reported performance compared to SONIA. On this basis, returns are in line with short-term interest rates before charges.

Externally managed funds:

Our investment manager research team does not research any of the external actively managed funds offered through the Scottish Widows arrangement however they do 'Buy' rate a number of BNY Mellon actively managed strategies and as such we have no concerns over its active management capabilities in general.

The **BNY Mellon (formerly Newton) Global Equity** Fund under-performed its MSCI All-World Index over all periods reported above, but absolute returns were broadly in line with the global equity sector average.

The **BNY Mellon (formerly Newton) Managed** Fund out-performed its sector average over all periods reported above periods. This Fund achieved a positive return over 3 and 5 years, though it suffered a slight loss over the year.

The **Invesco High Income** Fund out-performed the ABI UK All Companies sector average over the year to 31 March 2023, after a number of years of under-performance, as income stocks tend to do better in difficult market conditions. Longer-term returns are still significantly behind the sector average. Scottish Widows has announced its intention to close this Fund but as far as we can ascertain, has not yet confirmed the closure date or the replacement fund. Although we have previously recommended this Fund be replaced with a less specialised active UK equity fund, if the Administering Authority has not actioned this recommendation, we recommend this Fund is retained at the current time and that the Administering Authority considers the suitability of the replacement fund suggested by Scottish Widows when this is confirmed.

The **abrdn Global Absolute Return Strategies** Fund has continued to significantly under-perform its cash-plus performance target over periods reported here. On 28 September 2023, an extraordinary general meeting was held for the abrdn Global Absolute Return Strategies Fund, during which a vote was held on the extraordinary resolution to merge the Fund into the abrdn Diversified Growth & Income Fund. Following a 75% majority vote, the merger became effective on 1 December 2023. Scottish Widows has yet to communicate their plan regarding how to move forward, however we expect they will suggest an alternative fund option. We recommend the Administering Authority considers the suitability of the replacement fund suggested by Scottish Widows when this is confirmed.

Our investment manager research team rates State Street's passive fund management capabilities highly and therefore we have no concerns over the quality of the underlying State Street funds. State Street has updated its passive funds to incorporate ESG-screening but we have been unable to ascertain the level of screening which applies to the funds Scottish Widows offers access to.

Although the Scottish Widows SSgA International Equity Index Fund did not track its benchmark index, the underlying SSgA Fund did and we therefore believe the apparent tracking difference is due to differences in the time of day the Fund is priced, relative to the index and the pricing basis of the Scottish Widows Fund. Over the longer-term, we are comfortable that members invested in this Fund will achieve returns in line with the benchmark index before charges.

The Scottish Widows SSgA 50:50 Global Equity Index Fund is a fund of funds made up of a portfolio of SSgA regional equity funds. Scottish Widows' factsheet states the fund is invested 50% in the UK and 50% overseas, split equally between the US, Europe and the Far East, but it does not publish any benchmark index performance. Returns on this Fund have lagged those of the ABI global equity sector average over 3 and 5 years, but were ahead over 1 year. This relative performance is likely to be explained by the Fund's over-weight allocation to UK equities, rather than any issues with quality.

The SW SSgA UK Equity Index lagged the FTSE All Share Index by between 1.0 and 1.6% p.a. over periods reported above. The underlying fund

We regard the tracking error of the **SSgA Funds** to be within an acceptable margin before charges over the periods reported above, taking account of the fact that the Scottish Widows funds may be priced at a different time of day to the benchmark, and returns reported incorporate swings in the pricing basis of the fund.

Summary

Our investment manager research team rate BlackRock and SSgAs capabilities as passive fund managers highly. They do not research any of the Scottish Widows funds members invest in but we have no major concerns over the investment capabilities of the underlying managers.

Our past performance analysis reported here has raised concerns only over the quality of the abrdn Global Absolute Return Strategies Fund, but this Fund has since been merged into the abrdn Diversified Growth & Income Fund.

Suitability of investment options

All funds are invested in regulated markets, are dealt daily and, with the exception of the Property Fund, are liquid.

The range of funds offered through the Scottish Widows arrangement provides access to the main asset classes (including property), both active and passively managed funds, an environmental fund and a lifestyle strategy. We therefore believe the investment options are capable of satisfying most members' investment objectives, however the member investment guide is not available via the Scottish Widows WYPF website therefore it would be difficult for members to consider their investment options.

The approved fund range does not currently include a Shariah fund. Scottish Widows does have a Shariah fund available (the Specialist Global Equity Fund). The Administering Authority could consider adding this Fund to the approved fund range, but we do not believe there is a need to do this as the Prudential arrangement offers access to a Shariah Fund.

The lifestyle strategy aligns relatively well with our view that members should invest in growth assets, such as equities, in the early stages as these assets are expected to provide capital growth over the long term, and members are able to withstand the increased volatility associated with such investments, as their fund has time to recover before they take benefits. We also believe that the asset allocation of the bespoke lifestyle strategy at selected retirement age targets the format in which members are most likely to take these benefits and is therefore appropriate. However, the strategy has a fixed over-weight allocation (relative to market capitalisation) to UK equities in the growth phase. We believe this represents concentration risk and it has acted as a drag on performance at times in the past. We therefore favour a more global approach to provide greater diversification and better long-term capital growth potential. We have therefore previously recommended that the Administering Authority considers replacing the SSgA 50:50 Global Equity Index Fund within the bespoke lifestyle strategy.

Scottish Widows does not offer a passively managed global equity fund without fixed geographic weightings. So, although one solution would be to use both the SSgA International and UK Index Funds in the growth phase (if Scottish Widows was prepared to re-balance funds regularly), we believe a more pragmatic approach would be to consider a Scottish Widows 'off the shelf' lifestyle strategy, such as the Adventurous Pension Investment Approach targeting lump sum. Use of this lifestyle strategy would also address our previous recommendation to introduce a transition phase to increase asset diversification as retirement approaches.

Summary

We believe that the investment options are likely to be capable of satisfying members' investment objectives but we would prefer a less specialist active UK equity fund and we believe that there is scope to improve the lifestyle option, or to replace it with an off the shelf lifestyle strategy.

Provider financial strength

Scottish Widows' reported a solvency coverage ratio of 175% as at 31 December 2022.

AKG upgraded Scottish Widows' overall financial strength to A (superior) in August 2021, recognising that Scottish Widows Ltd represents the UK long term life insurance business of Lloyds Banking Group plc and is the key provider of life assurance and pensions in the Group. Furthermore, the purchase of the Zurich's workplace business is demonstrative of a growth and development focus in key customer areas. Solvency coverage remained good throughout the COVID-19 pandemic.

The rating from AKG is the highest rating available and, as such, we have no concerns over Scottish Widow's financial strength.

Summary

We have no concerns over Scottish Widow's financial strength.

Charges

The AVC arrangement benefits from a discount of 0.40% p.a. on Scottish Widows' standard total annual fund charge ('TAFC'). The TAFC is the sum of:

1. the Scottish Widows Annual Management Charge,
2. the External Fund Management Charge, if applicable
3. the Multi-Manager Fund Management Charge, if applicable, and
4. an allowance for any Other Expenses, if applicable.

The TAFC on approved funds, including the 0.4% discount, are set out in the table below:

Fund name	TAFC with discount (%)
BNY Mellon Global Equity	0.93
Invesco High Income	1.52
Property	1.188
Consensus	0.60
BNY Mellon Managed	0.787
abrdn Global Absolute Return Strategies	1.449
Environmental	0.60
Pension Protector	0.60
Corporate Bond	0.60
Indexed Stock	0.60
Cash	0.60
SSgA International Equity Index	0.604
SSgA 50:50 Global Equity Index	0.60
SSgA UK Equity Index	0.60

Source: Scottish Widows

The basic level of charges on the Scottish Widows AVC arrangement is higher than current market rates for non-LGPS arrangements, but slightly lower than the charges on the Fund's arrangement with Prudential. As such, we consider the level of charges paid by members of this arrangement to be reasonable.

Some externally managed funds are subject to much higher charges and we consider it unlikely they provide value for members.

Summary

Charges for internal / passive funds are slightly lower than those on the Prudential arrangement and we consider them reasonable, given the complexity of LGPS arrangements and the additional tasks carried out by Scottish Widows. Charges on some externally managed funds are high.

Administration capability

We have generally found Scottish Widows to be slow and inflexible when responding to information requests relating to the Fund's AVC arrangement.

Service has been particularly poor since Scottish Widows migrated the administration of older policies (including the Fund's AVC arrangements) to Diligenta in August 2022. We understand Scottish Widows has been unable to confirm to the Administering Authority when year-end data will be available as it is still working to correct member records, despite initial assurance this work would be complete by 31 December 2022. We believe there is a significant risk that payments made to members will be delayed or incorrect whilst this work is ongoing. We have been unable to obtain any data from Scottish Widows for this review, despite our request being made over five weeks ago, and our regular follow up calls to Scottish Widows to escalate matters.

The volume of complaints to Scottish Widows has been reported in the financial press and earlier this year, Scottish Widows' Independent Governance Committee reported that "*while the quality of administrative services had been improving prior to 2022, a higher volume of telephone calls and increases in demand affected customers' experience towards the end of the year, as a result of the migration / outsourcing of policies to the Diligenta platform. Service standard targets were not met over 2022 and service levels varied greatly between products. Scottish Widows has increased recruitment and training in early 2023 and introduced a Web Chat service to aid in customer assistance. There is still room for improvement in the quality of service available.*"

We recommend the Administering Authority continues to monitor the situation. If service standards do not improve, consideration could be given to closing the Scottish Widows arrangement to new members, to reduce the risk of members (and the Administering Authority) receiving poor standards of service however this would remove any choice of provider for members wishing to start paying AVCs, unless an alternative was put in place.

Summary

Service has been particularly poor since administration was migrated to Diligenta.

We believe there is a significant risk that payments made to members will be delayed or incorrect whilst this work is ongoing.

Communications and reporting

Scottish Widows has invested heavily in its member website in recent years, and one of the key reasons given for migrating legacy policies to the Diligenta platform is improvement in members' digital experience.

Scottish Widows provides a microsite for the Fund, which is accessible via the WYPT microsite, or via an internet search engine. In our opinion, communication materials available through the microsite are of reasonably good quality and where provided, relevant information is set out in a clear manner but it is not particularly well tailored to LGPS, or occupational pension schemes in general. Furthermore, the microsite is not well maintained by Scottish Widows and we believe this represents a risk that members will receive the incorrect or insufficient information to be able to make decisions about their AVC funds. We generally consider the quality of Scottish Widows' reporting to be behind peers.

We consider it poor governance practice that Scottish Widows does not specify a benchmark for the SSgA 50:50 Global Equity Index Fund and that it has not updated the names of the externally managed funds (from Newton to BNY Mellon and from ASI to abrdn) as this can make it difficult for members to find further information about the underlying funds. Communication regarding fund closures has also been poor, with Scottish Widows announcing its intention to close funds but not providing any follow up information.

Historically, Scottish Widows has provided governance reports for LGPS AVC arrangements on a quarterly basis. However, these were very basic in terms of the management information provided and lacked structure. As last year, we have been unable to obtain copies of any recent governance reports and Scottish Widows has not confirmed whether no longer provides governance reports, or if production has been temporarily impacted by the platform migration.

Summary

We regard the quality of communications and reporting by Scottish Widows to be very poor at the current time.

Overall conclusion

At the current time, we do not consider the Scottish Widows arrangement to be fit for purpose.

We have no concerns regarding financial strength, core fund charges, or the range of funds offered to members.

We do have concerns over ongoing service issues that have been exacerbated by the migration to Diligenta, (although Scottish Widows was very slow to respond and update documentation prior to this event). We also have concerns over the quality of governance (keeping the microsite up to date and the quality of investment information available to members).

We recommend the Administering Authority either sets a deadline by which Scottish Widows must resolve ongoing issues, or considers replacing Scottish Widows as an AVC provider (please refer to Appendix 1 for further information on likely options).

Utmost

The former Equitable Life AVC arrangement (policy reference E0364) was transferred to Utmost Life and Pensions on 1 January 2020.

Membership, contributions and fund values

Utmost uses a reporting date of 5 April therefore, the table below provides a summary of the arrangement as at 5 April 2023, compared to 5 April 2022.

	5 April 2023	5 April 2022
Members with AVCs	307	334
Assets under management	£1,657,351	£1,980,415
Contributions	£27,706	£14,783
Claims	£230,964	£209,065

- Assets under management have decreased by c.16% over the year and the number of members with an AVC fund has fallen by 8%.
- Contributions paid during the year ending 5 April 2023 were 87% higher than those paid during the previous year.
- Contributions reporting for the year ending 5 April 2023 include £1,119 life assurance premium for 18 members, compared to £1,138 for 19 members the previous year.
- Claims were broadly consistent to those paid the previous year.

AVC fund range

Utmost offers 13 unit-linked funds and members of the Fund invest in 11 of these.

The table on the next page confirms the value invested in each fund, as at 6April 2023 (the financial summary report provided by Utmost does not report the number of members invested in each fund).

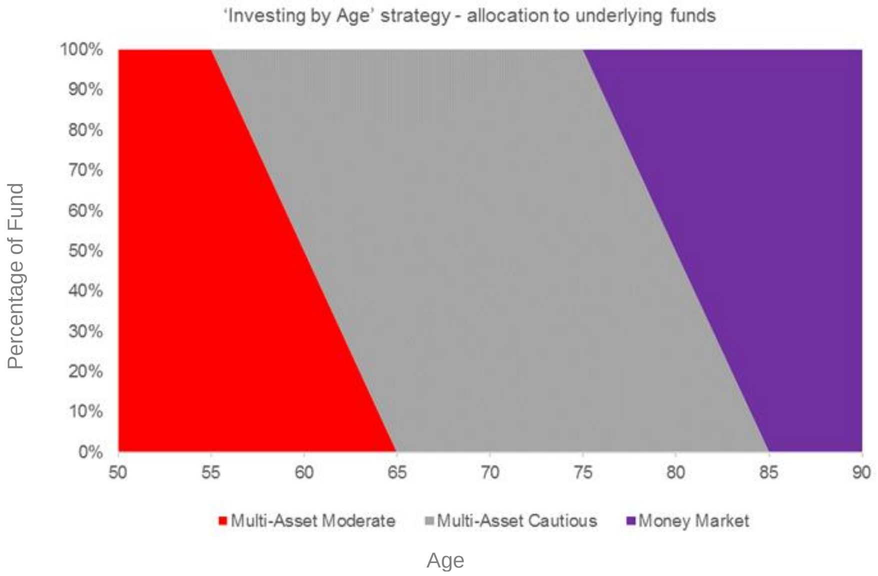
Asset class	Fund name	Fund value
Equities	Global Equity	£58,105
	UK Equity	£13,104
	US Equity	£2,758
	UK FTSE All Share Index Tracking	£1,888
Multi-Asset	Multi-Asset Moderate (IbAS)	£936,777
	Multi-Asset Cautious (IbAS)	£565,658
	Managed	£11,846
	Multi-Asset Cautious (self-select)	£9,178
	Multi-Asset Moderate (self-select)	£6,438
	Multi-Asset Growth	£5,754
Corporate Bond	Sterling Corporate Bond	£736
Gilts	UK Government Bond	£10,944
Cash	Money Market (self-select)	£6,308
	Money Market (IbAS)	£189
	Total	**£1,629,682**

Source: Utmost. Totals may not sum due to rounding.

Investing by Age Strategy

The ‘Investing by Age’ Strategy was the ‘default’ strategy proposed by Equitable Life for funds transferred from the With Profits Fund when it closed.

The structure of this Strategy is illustrated in the chart below.



Source: Aon, based upon information from Utmost

As at 6 April 2023, 92% of the assets held with Utmost were invested in this Strategy.

Fund performance

The table below shows the performance of the unit-linked funds in which members were invested over 1, 3 and 5 years to 31 March 2023. Fund performance reported is net of fees against the ABI sector average return (with the exception of the UK FTSE All Share Tracker which is reported against the FTSE All Share Index), relative performance may not sum due to rounding. The new Utmost funds have been available since 1 January 2020; therefore, five-year performance is not yet available. We have also shown whether funds are actively managed (A) or passively managed (P).

Fund	5 years % p.a.			3 years % p.a.			1 year %		
	Fund	Bmk	Rel	Fund	Bmk	Rel	Fund	Bmk	Rel
Equities									
Global Equity (A)	9.6	7.9	**1.8**	15.7	13.8	**2.0**	-2.0	-2.7	**0.7**
US Equity (A)	12.4	11.5	**0.9**	16.5	15.7	**0.9**	-5.9	-6.8	**0.8**
UK Equity (A)	3.8	2.7	**1.1**	13.6	12.2	**1.5**	1.5	-1.2	**2.7**
UK FTSE All Share Tracker (P)	4.5	5.0	**-0.6**	13.6	13.8	**-0.2**	1.9	2.9	**-1.0**
Multi-Asset									
Multi-Asset Growth (A)				8.9	10.3	**-1.5**	-4.8	-3.8	**-1.1**
Multi-Asset Moderate (A)				6.2	7.5	**-1.3**	-5.9	-4.6	**-1.3**
Managed (A)	4.0	3.8	**0.2**	9.3	7.5	**1.8**	-1.9	-4.6	**2.7**
Multi-Asset Cautious (A)				0.9	0.5	**0.4**	-7.8	-6.9	**-0.9**
Corporate Bonds									
Sterling Corporate Bond (A)				-3.1	-2.5	**-0.7**	-10.4	-10.4	**0.0**

Gilts									
UK Government Bond (A)	-3.3	-4.0	**0.6**	-9.6	-10.2	**0.6**	-16.5	-17.2	**0.6**
Cash									
Money Market (A)	0.3	0.2	**0.2**	0.4	0.2	**0.2**	1.8	1.3	**0.5**

Source: Financial Express Analytics

Fund performance and investment capability commentary

The predominant underlying fund manager of the former Equitable Life funds is abrdn, whilst the new Utmost funds are managed by JP Morgan Asset Management.

Aon's investment manager research team do not research any of the funds members invest in, neither do they 'buy' rate any strategies offered by the underlying managers as they are not regarded as 'best of breed' in any particular asset class, however we have no major concerns with respect to the overall investment capabilities of the underlying managers.

The actively managed **Global, US and UK Equity** funds out-performed their sector average over all periods reported above. The Performance of the majority of funds, relative to the ABI sector average reported here, has been strong over the year. The **UK FTSE All Share Tracker** Fund tracked its benchmark index within an acceptable margin before charges over periods reported here.

The relative performance of the new multi-asset funds has been mediocre, with the **Multi-Asset Growth** and **Moderate** funds under-performing their sector average over 1 and 3 years, and the **Multi-Asset Cautious** Funds under-performing over the year, though it was marginally ahead over 3 years. Returns for the Multi-Asset Moderate Fund over the 3-year period were in line with those assumed by Equitable Life in its 'fairness' projections and we believe over the longer term both the Multi-Asset Moderate and Cautious Funds have the potential to achieve the returns required to ensure members would not be worse off as a result of the closure of the With Profits Fund.

The **Managed** Fund out-performed its sector average over all periods reported above.

The **Sterling Corporate Bond** was slightly behind its sector average over 3 years but performed in line with the sector over the year. Since launch on 1 January 2020 until 31 March 2023, this Fund has experienced a loss of 12.5% however this has been due to market conditions rather than the quality of the fund.

The **UK Government Bond** Fund has out-performed its sector average over all periods reported above, though it has experienced a loss over all periods reported above due to market conditions.

The **Money Market** Fund out-performed its sector average and provided a positive return after charges over all periods reported above, with returns reaching 1.8% over the year to 31 March 2023, as a result of rising interest rates.

Suitability of investment options

All funds are invested in regulated markets, are dealt daily and are liquid.

The investment options offered through the Utmost arrangement provide access to the main liquid asset classes, and the Investing by Age Strategy.

The Investing by Age Strategy automatically reduces investment risk as members get older however it has some limitations:

- Asset allocation is determined by age attained rather than term to selected retirement age and
- It provides no flexibility for members to choose the age at which their fund is de-risked.

The strategy retains a multi-asset approach until members are age 75 and is therefore best suited to members who access their funds by flexi-access drawdown. We believe the Fund's members are more likely to access their AVC funds as cash at the same time they access their main scheme pension. This means that the at-retirement asset allocation of this Strategy is not well-aligned to how members are expected to access funds, however there is no alternative strategy available.

From a member point of view, the key investment objective of the multi-asset funds underlying the Investing by Age strategy is to provide sufficient returns to ensure members are not worse off at retirement than if they had remained invested in the With Profits Fund. Although the performance history is too short to draw any meaningful conclusions over the quality of these funds, we believe the asset allocation of these funds remains capable of achieving the returns required to meet the investment objective over the longer term.

Members have access to only one passively managed fund, the UK FTSE All Share Tracker, and there is no ESG, Shariah or Property Fund.

The range of funds available may not be able to satisfy the needs of all members, and the Investing by Age Strategy is not ideally suited to an AVC arrangement however we believe the investment options are adequate considering the closed nature of this arrangement.

Provider financial strength

AKG rates Utmost's financial strength as B (strong).

Utmost Group reported a Solvency II Coverage Ratio of 191% as at 31 December 2022 (177% as at 31 December 2021).

We have no concerns over provider financial strength.

Charges

The charging structure for this arrangement remains unchanged from that of the Equitable Life policy. Charges are not scheme-specific and so there is no scope for the Administering Authority to negotiate lower charges.

The TER is capped at the annual management charge ('AMC') so Utmost absorbs any additional expenses.

The AMC for each fund is shown in the table below:

Fund name	AMC (%)
Global Equity	0.75
US Equity	0.75
UK Equity	0.75
UK FTSE All Share Index Tracking	0.50
Multi-Asset Growth	0.75
Multi-Asset Moderate	0.75
Managed	0.75
Multi-Asset Cautious	0.75
Sterling Corporate Bond	0.75
UK Government Bond	0.50
Money Market	0.50

Source: Utmost Life and Pensions

In our experience, charges are higher than current market rates, but in line with the legacy arrangements of other providers.

Administration capability

The administration team is relatively small and members are experienced and knowledgeable.

Target service standards are 5 to 10 working days for most tasks. Utmost has confirmed that it met all target service standards over 2022. This reflects our experience, which is that Utmost operates well within these standards, and service has been good, taking account of the challenges of operating an older platform.

Communications and reporting

Utmost provides a standard offering across all schemes, it’s communications and reporting is not tailored to the scheme, whether that be LGPS or any other occupational scheme. Reporting governing bodies of schemes is limited to the annual summary financial statement which provides the information required for the Report & Accounts.

The Utmost website includes a lot of useful information and is, in our opinion, well set out and 'user friendly'. Online access to policy information is not available to AVC members, but it has recently been introduced for personal pension policyholders, and we understand it may be offered to members of group schemes at some point in future.

Overall conclusion

Reporting to the Administering Authority is relatively basic but standards of service are generally good and charges are in line with other legacy arrangements.

The investment options are rather limited but relative performance of most funds has been strong over periods reported here and we have not identified any under-performance that requires action at the current time.

In summary, this review has identified no major concerns over the suitability of Utmost as a legacy AVC provider to the Fund and we recommend the arrangement is maintained.

Appendix 1 – LGPS AVC providers

National LGPS Framework for AVCs

We understand that the intention is to introduce a framework for LGPS AVC providers, and advisers in the very near future.

The plan is also to include a framework for companies that support employers with providing shared cost AVCs for their employees (e.g. AVCWise) however at this stage, it's not clear if this will be a separate framework or a separate lot on the same framework.

Legal & General LGPS AVC Proposition

Legal & General has now formally entered the LGPS AVC market and is running arrangements for three Funds and having discussions with a number of others. A summary of Legal & General's offering can be found here

Legal & General is pricing each potential LGPS arrangement individually and is keen to fully understand how each Fund is operated before considering whether its proposition is right for the Fund in question, so it may not offer terms for all Funds.

We believe Legal & General has numerous strengths that makes its proposition attractive including its range of ESG funds, its in-house administration platform, market share of (DB and DC) pension assets and strong commitment to UK DC pensions.

Given the size of the Fund's arrangements, we believe Legal & General may be interested in providing terms for these arrangements and we recommend the Administering Authority considers at least an initial conversation with Legal & General, or progresses discussions with alternative providers as soon as the National framework comes into effect.

Appendix 2 – regulatory update

McCloud Remedy

The McCloud Remedy will remove the age discrimination that resulted from older members receiving transitional protection when the LGPS changes from final salary to career average. It covers the period from 1 April 2014 to 31 March 2022 and became effective on 1 October 2023.

Mansion House Speech

In his 10 July speech, the Chancellor included a significant section on pensions outlining several separate initiatives with the aim of seeking to ensure the best possible outcomes for pension savers, prioritising a strong and diversified gilt market and strengthening the UK's competitive position as a leading financial centre. Following the speech, several consultations and calls for evidence commenced and the outcomes of some long-standing consultations were published – further developments are expected in the run-up to the autumn statement.

To 'lead by example' the Chancellor said the government will consult on accelerating the consolidation of LGPS assets and doubling the LGPS allocations in private equity (to 10%) and invite views on setting a direction that each asset pool should exceed £50 billion of assets. This consultation has a deadline of 2 October (rather than the common deadline of 5 September for the other consultations).

Pensions dashboards

The government has announced that additional time is needed to deliver pensions dashboards. It says that the framework remains fit for purpose and dashboards are still going ahead. The only thing that is going to change is the connection deadlines. This means that the current staging timeline needs to be revised - we understand that all schemes' connection deadlines will be delayed.

The DWP will legislate at the earliest opportunity to amend the connection deadlines in its pensions dashboard regulations to 31 October 2026. In due course, the Financial Conduct Authority will make a corresponding change to the deadlines in its dashboard rules for providers.

The Pensions Dashboards Programme has published answers to some FAQs, including on the cause of the delay, and what providers and schemes can be doing to prepare in the meantime. The Pensions Regulator has updated its initial pensions dashboard guidance and revised its checklist to help schemes continue with their preparations.

Spring Budget pension changes

The Spring Budget included significant changes to pensions taxation - the annual allowance has increased from £40,000 to £60,000 and the lifetime allowance is to be abolished. An ITG note has been produced. Measures to implement these announcements are included in the Finance (No. 2) Bill.

It has been widely reported that the Labour Party has committed to overturning the government's changes if it wins power at the next general election.

Changes to Statutory Money Purchase Illustrations

Following consultation, the Financial Reporting Council has released version 5.0 of Technical Memorandum 1 that will apply for any Statutory Money Purchase Illustrations issued from 1 October 2023. TM1 will also apply to projections of DC pots and estimated retirement income shown on pensions dashboards.

The changes include standardising the accumulation rate assumptions and the form of annuitisation. Fund accumulation rate assumptions are to be determined by volatility groupings rather than using the expected returns from asset classes as set by the provider/adviser. The rationale for the change is to ensure consistency in the way illustrations are determined by different providers/advisers and between different types of pension schemes. The changes are significant and are likely to lead to results for some members that are very different from those calculated under the current AS TM1 version.

Review of State Pension Age

In March the DWP published the outcome of the government's second review of SPA. The government's 2017 review proposed that the rise in SPA from 67 to 68 should be brought forward to 2037-2039. However, it has decided to make no changes at this time. A further review to reconsider the rise to age 68 will take place within two years of the next Parliament.

Helping DC investment in illiquid assets

The Financial Conduct Authority has given regulatory approval for Schroders to launch the UK's first Long-term Asset Fund (LTAF) - open-ended investment vehicles designed to help pension funds to invest in private equity and other illiquid assets. Aon's paper 'illiquid investments – background and developments has more on the LTAF regime, if this is of interest.

Appendix 3 – fund performance comparators

Fund	Performance comparator reported
Prudential	
Prudential Dynamic Global Equity Passive	Internal composite benchmark
Prudential International Equity	Internal composite benchmark
BlackRock Aquila World ex.UK Index	FTSE All-World Developed ex-UK Index
HSBC Islamic Global Equity Index	Dow Jones Islamic Titans 100 Index
LGIM Ethical Global Equity Index	FTSE4Good Global Equity Index
Prudential Positive Impact	MSCI ACWI Index
Prudential UK Equity	FTSE All Share
BlackRock Aquila UK Equity Index	FTSE All Share
BlackRock Aquila Emerging Markets Equity	MSCI Global Emerging Markets Index
BlackRock Aquila Consensus	Composite benchmark
Prudential Dynamic Growth IV	Internal composite benchmark
Prudential Dynamic Growth II	Internal composite benchmark
Prudential Dynamic Growth I	Internal composite benchmark
BlackRock Aquila All Stocks Corporate Bond Index	iBoxx Sterling Non-Gilts Index
Prudential Index Linked Passive	iBoxx UK Gilt Inflation-Linked Over 5 Year Index
BlackRock Aquila Over 15 Years UK Gilt Index	FTSE Actuaries UK Conventional Gilts Over 15 Years Index
Prudential Cash	SONIA
Prudential Deposit	Bank of England base rate
Scottish Widows	
BNY Mellon Global Equity	MSCI ACWI Index
Invesco High Income	ABI UK All Companies sector average
Property	ABI UK Direct Property sector average
Consensus	ABI Mixed Investments 40-85% Shares sector average
BNY Mellon Managed	ABI Mixed Investments 40-85% Shares sector average
abrdn Global Absolute Return Strategies	SONIA plus 5%
Environmental	FTSE All Share Index
Pension Protector	ABI Sterling Long Bond sector average
Corporate Bond	ABI Sterling Corporate Bond sector average
Indexed Stock	FTSE Actuaries UK Index Linked All Stocks Index
Cash	SONIA
SSgA International Equity Index	FTSE World ex UK
SSgA 50:50 Global Equity Index	ABI global equities sector average
SSgA UK Equity Index	FTSE All Share*

Source: Providers and Financial Express

*underlying fund benchmark is FTSE All-Share ex Controversies ex CW Index

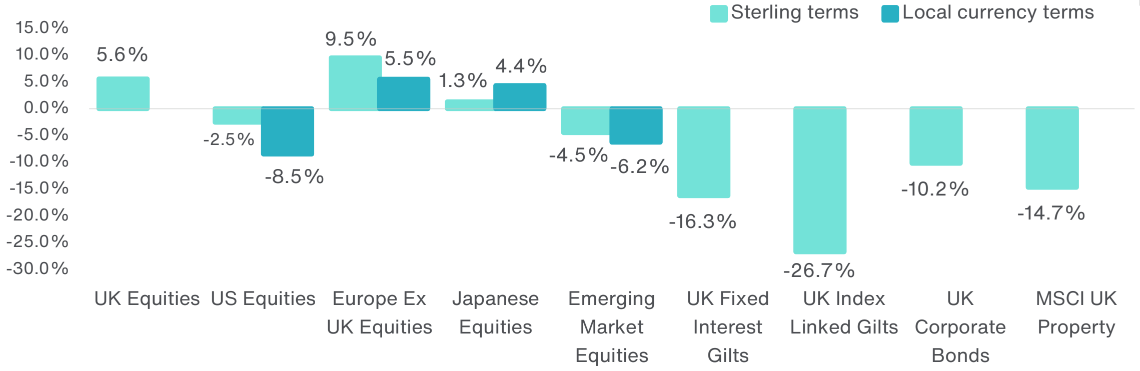
Fund	Performance comparator reported
Utmost	
Global Equity	ABI Global Equities sector average
UK Equity	ABI UK All Companies sector average
US Equity	ABI North America Equities sector average
UK FTSE All Share Tracker	FTSE All Share Index
Managed	ABI Mixed Investments 40-85% Shares sector average
Multi-Asset Moderate	ABI Mixed Investments 40-85% Shares sector average
Multi-Asset Cautious	ABI Mixed Investments 0-35% Shares sector average
Money Market	ABI Money Market sector average

Source: Providers and Financial Express

Appendix 4 – Aon market commentary

Index Returns

1-Year index returns to 31 March 2023.



Source: FactSet, MSCI (Equities, Property), iBoxx (Corporate Bonds), FTSE (Gilts)

Global equities generated negative returns over the last twelve months, suffering a sharp sell-off over the first six months, as geopolitical risk continued to take centre stage with Russia's ongoing invasion of Ukraine and central banks sharply tightening monetary policy in response to elevated inflationary pressures. However, equity markets recouped more than half of the losses over the last six months of the year as markets felt confident that a deep recession would be avoided, and investor concerns on tighter monetary policy abated.

Geopolitical tension remained elevated. In June 2022, the European Union (EU) agreed to implement the sixth package of sanctions on Russia. The package includes removing Sberbank, Russia's largest bank, from the SWIFT cross-border payment system and a ban on sea-borne oil purchases from Russia, which is almost two-thirds of Europe's imports from Russia. In September 2022, the Russia-Ukraine conflict escalated after Moscow announced the annexation of four regions in south-eastern Ukraine - Donetsk, Luhansk, Kherson, and Zaporizhzhia. President Vladimir Putin vowed to use "all the means" to defend the annexed territories. The European Union (EU) decided to implement a price cap on seaborne Russian oil while the US imposed sanctions on the governor of Russia's central bank. The US unveiled its plans to impose fresh sanctions on more than 200 entities throughout Europe, Asia, and the Middle East "that are supporting Russia's war effort" in February 2023. Russian President Vladimir Putin announced on 21 February 2023 that Russia would suspend its nuclear weapons treaty with the US and also unveiled its plans to deploy tactical nuclear weapons in Belarus by July in March 2023. Russia cut oil production by 500,000 barrels a day in response to a price cap imposed by Western nations. Elsewhere, the US imposed a ban on five Chinese entities from acquiring US technology and put 28 Chinese groups allegedly in breach of US sanctions on a trade blacklist. In a series of coordinated actions following a G7 meeting in February 2023, the UK also announced sanctions on selected Chinese entities, whilst the EU and Japan finalised similar trade bans. US-China trade tensions saw further escalation as Japan and the Netherlands entered into a trilateral agreement with the US that restricts exports of chip manufacturing tools to China. The agreement is designed to hinder the Chinese military's ability to develop advanced weapons.

On a global sector level, Energy (11.0%) was the only sector to generate a positive return in local currency terms. Real Estate (-17.8%) was the worst-performing sector, followed by Communication Services (-14.2%) and Consumer Discretionary (-10.5%).

US equities were the worst performer over the year, falling 8.5% in local currency terms. Equities sold off sharply in 2022 as elevated inflation and expectations for higher interest rates weighed on the region, leading to the underperformance of sectors such as Information Technology and Consumer Discretionary. Following SVB’s collapse in March 2023, investors shrugged off short-lived concerns over the banking sector and priced in a quicker end to the sharpest tightening cycle in recent memory. For a major part of last year, the US dollar exhibited strength due to its status as a safe haven, improving returns in sterling terms.

UK equities were the best-performing equity market over the year, rising 5.6%. Performance was supported the heavy-weighted energy sector as fears over the supply of energy grew as a result of the conflict in Ukraine. The energy sector was the best performer with a return of 22.5%. Economically sensitive sectors outperformed, with the industrials and consumer discretionary sectors returning 9.8% and 9.0% respectively.

Emerging markets (EM) were the second worst-performing market in local currency terms over the last twelve months, falling 6.2%. Increases in interest rates by major central banks and a strong dollar resulted in EM returns lagging other markets. Brazilian (-12.8%) and South Korean (-7.6%) equities underperformed while Chinese (-3.1%) and Indian (-4.2%) equities were among the best performers. Brazil experienced anti-government riots amidst softening economic data whilst Indian markets is the midst of allegations of share price manipulation and fraud at a major conglomerate in the country.

The UK gilt curve rose across all maturities over the year as inflationary concerns drove yields higher. In September 2022, the BoE temporarily announced an emergency £65bn bond-buying programme to stabilise the government debt market after an unexpected expansionary fiscal package was announced. The package increased investor concern over the sustainability of public finances, resulting in a considerable spike in yields. The sharpness of the sell-off was exacerbated by the forced unwinding of LDI positions, as UK pension schemes worked to provide collateral to LDI managers following sharp yield increases. However, in the fourth quarter, yields fell back across the curve following a government U-turn on fiscal policy and Liz Truss’ resignation as prime minister.

Later, in Q1 2023, the UK nominal gilt curve fell across all maturities except for the shortest end of the curve, as markets priced in additional rate increases in the immediate future but a lower terminal rate thereafter. Overall, according to FTSE All-Stocks indices, UK fixed-interest gilts fell by 16.3% and index-linked gilts fell by 26.7% over the last twelve months.

Credit markets declined over the past twelve months. UK investment-grade credit spreads (the difference between corporate and government bond yields), based on the iBoxx Sterling Non-Gilt Index, widened by 37bps to 167bps. The index declined 10.2% as rising gilt yields and widening spreads outweighed the income yield.

Sterling ended the twelve months 2.6% lower on a trade-weighted basis.

Over the last year, the BoE raised its benchmark interest rate cumulatively by 350bps to 4.25%. The BoE noted that the need for further monetary policy tightening would depend on future evidence concerning the persistence of price pressures. Meanwhile, the BoE became the first major central bank to actively start to unwind quantitative easing as it sold £750mn of government bonds in November 2022. The US Federal Reserve (Fed) increased its benchmark interest rate by 450bps to a range of 4.75%-5%, the highest level since 2007. In Q1 2023, the Federal Open Market Committee (FOMC) dropped its previous warning that "ongoing increases" would be needed to bring soaring inflation under control, instead noting that "some additional policy firming may be appropriate". The European Central Bank (ECB) raised its deposit rates by 350bps to 3.0% over the year, its highest level in 14 years. The ECB announced plans to start shrinking the €5tn of bonds it purchased over the last eight years from March 2023.

The MSCI UK property index returned -14.7% over the year as capital values depreciated, following sharply higher capitalisation rates over the last year. The income return was 5.0% but the 18.8% decrease in capital values weighed over. The retail, office, and industrials sectors fell 7.8%, 13.2%, and 21.2% respectively.

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Appendix 5 – AKG ratings

AKG's objective is to provide a simple broad-brush indication of the general financial strength of a company.

In addition to an assessment of the company's ability to meet all of its guaranteed payments to policyholders, AKG also aims to factor in the degree to which policyholders' expectations are likely to be met - or even exceeded - in the long-term. This involves an assessment of a company's ability to survive in its current form for the long term.

The overall rating inherently reflects the mix of business in-force within the company, since different types of policyholder have different expectations, and the company's particular strengths and weaknesses in respect of its key product areas.

The rating considers those of the following criteria which are relevant (depending upon the company's mix of business in-force): capital base and free asset position, With Profits realistic balance sheet position, structure (and size) of funds within the company, parental strength (and likely attitude towards supporting the company), typical fund performance achievements, image and strategy.

A	**Superior**
B+	**Very strong**
B	**Strong**
B-	**Satisfactory**
C	**Weak**
D	**Very Weak**

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2024.

R

Subject:

Business Plan 2024 - 2029

Summary statement:

WYPF's five-year business plan highlights objectives for the Fund and documents the priorities and improvements to be implemented to help achieve those objectives.

EQUALITY & DIVERSITY:

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

Euan Miller
Managing Director

Portfolio:

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

1.0 Background

Purpose

1.1 WYPF's five-year business plan for the period 2024-2029 outlines the Fund's goals and objectives. The business plan will be formally reviewed and agreed every year by JAG/IAP at their January meetings. It will also be monitored during the year and updated as required.

1.2 The purpose of this business plan is to:

- explain the objectives for the management of the WYPF

- document the initiatives to be implemented by WYPF during the next five years to help achieve those objectives

- enable progress and performance to be monitored in relation to those initiatives; and

- provide WYPF stakeholders with a clear vision of the Fund's objectives and how it will achieve those objectives.

2.0 Business Plan 2024 – 2029

2.1 The Business Plan is effectively split into two parts. The first part sets out WYPF's strategic objectives and business as usual activities. This part is likely to see only relatively minor changes from year to year. The second part sets out in detail each of the initiatives that feature in the Business Plan and anticipated timescales.

2.2 There are some relatively significant changes to the initiatives listed on the Business Plan since the last review. Some items previously on the Plan have been completed or have become business as usual. There are also some new items. An attempt has been made to reduce the number of items on the Plan and this has been achieved by amalgamating some similar items and focussing on high-level deliverables.

2.3 Items which have been moved to BAU include the following:

- Pension Transfer Scams - All members of the Pensions Board and staff working on Transfers have completed their training which has enabled WYPF to sign up to TPR's Pension Scam pledge. The PB now has a new member so he will be asked to complete this training as soon as possible.

- Data Improvement Plans – A DIP is now in place highlighting data issues and the target dates for rectifying them.

2.4 New initiatives added to the Business Plan include

- G8 - **Launch and develop new WYPF website** - WYPF's current website has been in place for a number of years and needs to be upgraded. We have developed a member first website which has been tested with 350 members and some WYPF contact centre staff. During Spring 2024 we are looking to put this new website live.

- G9 - **Improve stakeholder engagement** - Whilst it is difficult to measure, indications are that particular areas in which engagement could be improved include how we engage some groups of employers (for example increasing attendance at the Employer AGM) and how we communicate positive developments, for example in relation to responsible investment, to members, employers and the wider public.

- F2 - **Local and impact investment** - There are a number of drivers for WYPF to invest more in place-based investments in the West Yorkshire area as well as the UK more broadly. Investments must meet the twin aims of delivering a positive local impact and generating an appropriate return for WYPF given the risks involved.

- F6- **Investment administration** - investment administration has become more complex given the addition of asset classes, including private markets, and therefore the capacity for investment administration to support investment management efficiently is potentially under strain. A review of whether further delegation to our custodian and/or any order management system might be needed is proposed.

- F7 - **Investment compliance** - WYPF does not currently have a dedicated compliance function given that its investors (its c450 employers and c.300k members) are in a different position to investors in funds managed by an external manager. However, WYPF does have to play its part in ensuring markets are operating appropriately and WYPF seeks to follow best practice wherever possible. A review of what that should mean for WYPF, is merited and may include recommending centralising compliance controls within a small internal Legal & Compliance team.

- A10 - **Further develop key performance indicators** - Work with shared service administration partners to further develop key performance indicators. This improvement in Management Information should ultimately result in a more efficient administration service.

- A11 - **Administration shared service** - Work with the shared service partners to carry out a strategic review of the shared service arrangements to ensure partners' and WYPF's interests are aligned and risks to WYPF of hosting the service are appropriately managed. One of the matters to consider is whether the shared service would benefit from a 'brand', in a similar manner to several other LGPS shared service arrangements (Local Pensions Partnership, Peninsula Pensions etc…)

2.5 Progress against some of the initiatives retained on the Plan include:

- G1 – **Review of Governance arrangements** – Muse Advisory has undertaken the field work part of its review. A separate paper will give an update on the work undertaken to date.

- G2 - **Review Knowledge and Skills policy/delivery** – Hymans online training has been relaunched with an expectation for all members to undertake and complete by the end of the financial year.

- G7 – **Enhance cybersecurity** – A cyber exercise was undertaken towards the end of 2023 in conjunction with Bradford Council's IT, WYPF, LGA. Learnings from this will be implemented.

- A1 - **Implement McCloud / Sargeant / Matthews remedies**. Final regulations have now been received for McCloud and Sargeant and work is ongoing to implement.

- A2 - **Implement employer self-service on-line functionality to all employers.** In progress. Significant work has gone into phase 3 development of the monthly postings software. This has now passed a series of penetration tests and has been implemented in live for a number of pilot Employers. A gradual rollout to the remaining Employers will follow.

- A7 - **Oracle transition to SQL**. Work has commenced on this progress. Currently testing processing monthly payroll on SQL.

- A8 - **GMP Reconciliation and Equalisation** - The systematic GMP Reconciliation work has now been completed. There are around 1,000 records that will need looking at to see if rectification is required.

3. OTHER CONSIDERATIONS

- None

4. FINANCIAL & RESOURCE APPRAISAL

- Financial requirements are detailed within the body of the appendix documents.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- Risks are detailed within the body of the appendix document.

6. LEGAL APPRAISAL

- Not applicable.

7. OTHER IMPLICATIONS

7.1 SUSTAINABILITY IMPLICATIONS

- None

7.2 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

- None

7.3 COMMUNITY SAFETY IMPLICATIONS

- None

7.4 HUMAN RIGHTS ACT

- None.

7.5 TRADE UNION

- None

8. NOT FOR PUBLICATION DOCUMENTS

- None

9. OPTIONS

- None.

10. RECOMMENDATIONS

It is recommended that the JAG approve the Business Plan 2024 – 29 and note the progress on existing key initiatives and the new initiatives listed.

11. APPENDICES

Appendix A – Business Plan 2024 – 2029
Appendix B – Business Plan 2024 – 2029 (Key Tasks and Actions)

12. BACKGROUND DOCUMENTS

- None

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Appx A

West Yorkshire Pension Fund

Business Plan

2024 to 2029

Contents

Introduction

Purpose

This document sets out the business plan for the West Yorkshire Pension Fund for the period 2024–2029 and outlines the Fund's goals and objectives over the medium term. The business plan will be formally reviewed and agreed every year. It will also be monitored during the year and updated as required.

The purpose of this business plan is to

- explain the objectives for the management of the WYPF
- document the initiatives to be implemented by WYPF during the next five years to help achieve those objectives
- enable progress and performance to be monitored in relation to those initiatives, and
- provide WYPF stakeholders with a clear vision of the Fund's objectives and how it will achieve those objectives.

A budget has also been set for expected payments to and from WYPF including the resources required to manage the Fund and deliver this business plan. This is set out in Appendix B.

Further information

If you require further information about anything in or related to this business plan, please contact:

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Background information

WYPF is a c£18bn Local Government Pension Fund providing death and retirement benefits for relevant local government employees and former employees in West Yorkshire and those of other participating employers in the area.

Total Fund Membership

Total Fund membership is around 300,000 with around 100,000 active contributors from 400 contributing employers and 100,000 deferred members and 100,000 pensioners and dependents.

2023/24 Governance Review

A review of the Fund's Governance arrangements is currently taking place.

Amongst other things, the review will cover the committee structure, membership, terms of reference and scheme of delegation.

The review aims to ensure that the work each body does is complementary, whilst each body retains its requisite independence.

Governance and Management

The City of Bradford Metropolitan District Council, as the Administering Authority of the Fund, has delegated responsibility for the management of the West Yorkshire Pension Fund to the Governance and Audit Committee.

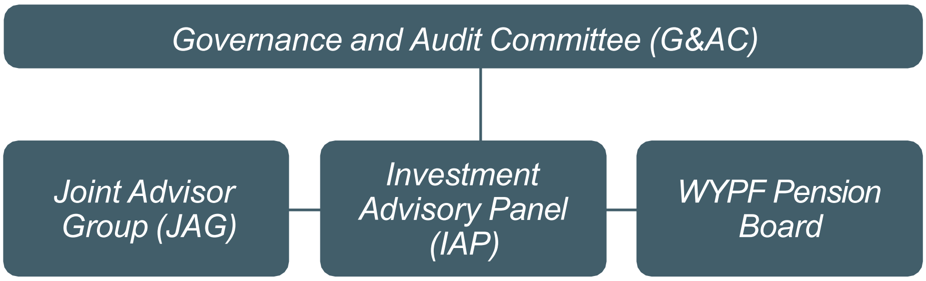
The Council has established three bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

Under the Council's Financial Regulations, the day to day running of the Fund has been delegated to the Managing Director – West Yorkshire Pension Fund.

A range of advisors also provide guidance in relation to the management of the Fund.

In line with the Local Government Pension Regulations 2013, the Pensions Board assists the Administering Authority in ensuring compliance with the regulations and helps oversee the work of the JAG, IAP and Governance and Audit Committee and how the Fund is administered.

The Fund's current governance structure is depicted in the chart below. However, this is currently under review (see the 2023/24 Governance Review to the left).



Objectives

The primary objectives of the Fund are set out below. They have been agreed by the Governance and Audit Committee as part of the Fund's key strategies and policies, and as such are a key driver in determining what is in the Fund's business plan. The objectives are categorised as governance, funding, investments, administration and communications.

Governance Objectives

In relation to the governance of the fund, the administering authority's objectives are to ensure that:

- All staff, JAG, IAP, Governance and Audit Committee and Pension Board members charged with financial administration, decision-making or oversight of the Fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them.
- The Fund is aware that good governance means an organisation is open in its dealings with, and readily provides information to, interested parties.
- All relevant legislation is understood and complied with.
- The Fund aims to be at the forefront of best practice in the LGPS.
- The Fund manages Conflicts of Interest appropriately.
- The Fund acts in the best interests of the Fund's members and employers.
- The Fund has robust governance arrangements in place, to facilitate informed decision making, supported by appropriate advice, policies and strategies.
- The Fund is managed, and its services delivered, by people who have the appropriate knowledge and expertise.
- The Fund acts with integrity and is accountable to our stakeholders for our decisions, ensuring they are robust and well based.
- The Fund understands and monitors risk.
- The Fund strives to ensure compliance with the appropriate legislation and statutory guidance, and acts in the spirit of other relevant guidelines and best practice guidance.
- The Fund clearly articulates its objectives and how it intends to achieve those objectives through business planning, and continually measure and monitor success.
- The Fund ensures the confidentiality, integrity and accessibility of the Fund's data, and systems and services are protected and preserved.

Funding Objectives

The Funding Strategy Statement sets out that the aims of the Fund are to

- enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies whilst achieving and maintaining the solvency of the Fund, which should be assessed in light of the risk profile of the Fund and the risk appetite of the Administering Authority and employers alike
- manage employers' liabilities effectively and ensure that sufficient resources are available to meet all liabilities as they fall due. The Fund has a significant positive cash flow in terms of income received, including investment income, offset by monies payable, and
- maximise the returns from investments within reasonable risk parameters.

The Funding Strategy also sets out that the purpose of the Fund is to

- receive monies in respect of contributions from employers and employees, transfer values and investment income; and
- pay out monies in respect of Scheme benefits, transfer values, costs, charges and expenses as defined in the LGPS Regulations and as required in the Investment Regulations.

In general terms, the Fund also has the following objectives:

- establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward
- ensure that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met, and
- ensure the long-term solvency of the Fund, taking a prudent longer-term view.

Investment Objectives

The Investment Strategy Statement sets out that the investment aims of the Fund are to:

- Optimise the return on investment consistent with a prudent level of risk.
- Ensure that there are sufficient assets to meet the liabilities as they fall due (i.e. focus on cash flow requirements).
- Ensure the suitability of assets in relation to the needs of the Fund (i.e. delivering the required return).
- Ensuring that the Fund is properly managed (and where appropriate being prepared to change).
- Set an appropriate investment strategy for the Fund to allow the Administering Authority to seek to maximise returns and minimise the cost of benefits for an acceptable level of risk.
- Ensure return seeking assets are in line with funding objectives.

Administration Objectives

The Pensions Administration Strategy sets out the following key objectives.

- Deliver an efficient, effective and value for money service to its scheme employers and scheme members and shared service partners.
- Ensure payment of accurate benefits and collect the correct contributions from the right people in a timely manner.
- Ensure employers are aware of and understand their role and responsibilities under the LGPS regulations and in the delivery of the administration function.
- Maintain accurate records and communicate all information and data accurately, and in a timely and secure manner.
- Set out clear roles and responsibilities for the Fund and work together to provide a seamless service to scheme employers, scheme members and shared service partners.
- Continuously review and improve the service provided, including ensuring that any new administration contracts secured by the Fund positively contribute to service improvements for the Fund’s stakeholders

Communications Objectives

The Fund’s Communications Policy lists the following key objectives:

- Promote the scheme as a valuable benefit and provide sufficient and up to date information so members can make informed decisions about their benefits.
- Ensure the Fund uses the most appropriate means of communication, taking into account the different needs of different stakeholders.
- Engage with our stakeholders face-to-face when required
- Look for efficiencies in delivering communications including greater use of technology.
- Communicate the scheme regulations and procedures in a clear and easy to understand style
- Use plain English for all our communications with stakeholders
- Evaluate the effectiveness of communications and shape future communications appropriately

7

The plan for 2024–29

There are many and varied external factors that may or will impact the management of the Fund, in addition to major changes that have been implemented in recent years.

Recent developments and changes

These include:

- A focus on the Fund’s governance, including the current ongoing governance review summarised on page 4.
- A review of the Fund’s operational structure and introduction of a revised structure with effect from September 2020. A new Managing Director and Chief Investment Officer also joined in late 2022.
- Introduction of a carbon reduction target for investments and development of the Fund’s responsible investment approach.
- Expansion of our external customer base such that we now provide administration services to 3 other LGPS funds and 24 Fire authorities, as part of our objectives to deliver greater efficiencies and “future proof” the Fund.
- Changes to how the pensions administration software is used, including online member and employer services, allowing more timely submission of data and in a more automated manner.
- Developing controls relating to cybercrime and business continuity; ensuring internal capability to identify and implement remedies to emerging risks

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

Future challenges and areas of focus

The following are some of the key areas of focus for the Fund over the next five years.

- Implementing amendments to the LGPS Regulations following the McCloud case and consequent regulations coming into force.
- Implementing a member on-line self-service facility
- Extend our audit, and fraud processes to match our extending online offer.
- Understanding and complying with The Pensions Regulator’s new Single Modular Code.
- Implementing any governance changes as a result of the Scheme Advisory Board’s Good Governance review.
- Understanding any risks and developing controls relating to cybercrime and business continuity.
- Further developing the Fund’s Responsible Investment Policy, with a focus on both sustainable investment and stewardship of assets, and complying with any new requirements on TCFD (Task Force on Climate-related Financial Disclosures)
- Implementing the Fund’s investment strategy including oversight of pooling and compliance with future regulations and guidance in this area.
- Working with our partner funds in the Northern LGPS Pool to expand

the activities of the Pool, in particular with regards to local and impact investments.

- Continuing to work with the Fund's employers to reduce the risk of unpaid contributions and/or exit deficits, including via the implementation of our policy on employer flexibilities.
- Working in partnership with the employers and the Fund's actuary to complete the 2025 valuation and implement revised employer contributions from 1 April 2026.
- Connecting to the Pensions Dashboard architecture in advance of the statutory deadline and ensuring WYPF's data and that of our shared service partners is complete and accurate.

These, and other priorities for the next five years, are articulated in more detail in the later sections of this business plan, split into three sections: governance and communications, funding and investments, and administration.

Budget

All the costs associated with the management of the Fund are charged to the Fund and shared service partners, not to City of Bradford MDC. The budget does not include costs which are recharged to the participating employers, which relate directly to an employer request such as year-end pensions accounting or actuarial calculations on commencement or termination of participation in the Fund.

The expected operational budget for the Fund is provided in an appendix to this Plan. This excludes any costs which are expected to be re-charged to employers.

Delivering the Business Plan

Monitoring and Reporting

In order to identify whether we are meeting our business plan we will

- continue to monitor progress of the key priorities and the agreed budgets on a half yearly basis.
- provide updates on progress against these key priorities on a regular (e.g. half-yearly) basis to the Joint Advisory Group which will be shared with the Pension Board, including
    - highlighting any areas where we are exceeding or failing to achieve our targets and identifying the reasons and any changes to the planned priorities as a result
    - highlighting any significant additional spend or underspend in relation to the agreed budget.

Significant risks that may impact delivery of the Business Plan

The next few years will be challenging for those involved in the governance, management and operation of the Fund. The following are the key known risks which may impact on the delivery of this business plan.

- Recruitment and retention of staff – key person risk, competitor pay and location competing with other pension and investment organisations in Leeds. Also potential loss of staff to employers that allow fully remote working.
- Increased work for administrators due to the McCloud remedy and Pensions Dashboard solution impacting on the service to scheme members and employers.
- Lack of employer engagement which could impact on plans to improve data and deploy full roll-out of the Employer Self Service on-line functionality.
- Employers unable to afford employer contributions including due to reduction in strength of employer covenant.
- Data or asset loss due to a cyber incident or partner failure.
- Service interruption due to failure of business continuity plans.
- Failure to meet investment objectives due to market volatility or other external factors.
- Inability to pay pension benefits due to insufficient liquid assets.
- Changes to national requirements in relation to pooling leading to required changes to the Northern LGPS Pool structure or approach which affect achievement of our investment objectives, including affecting cost and resources.

Business as usual

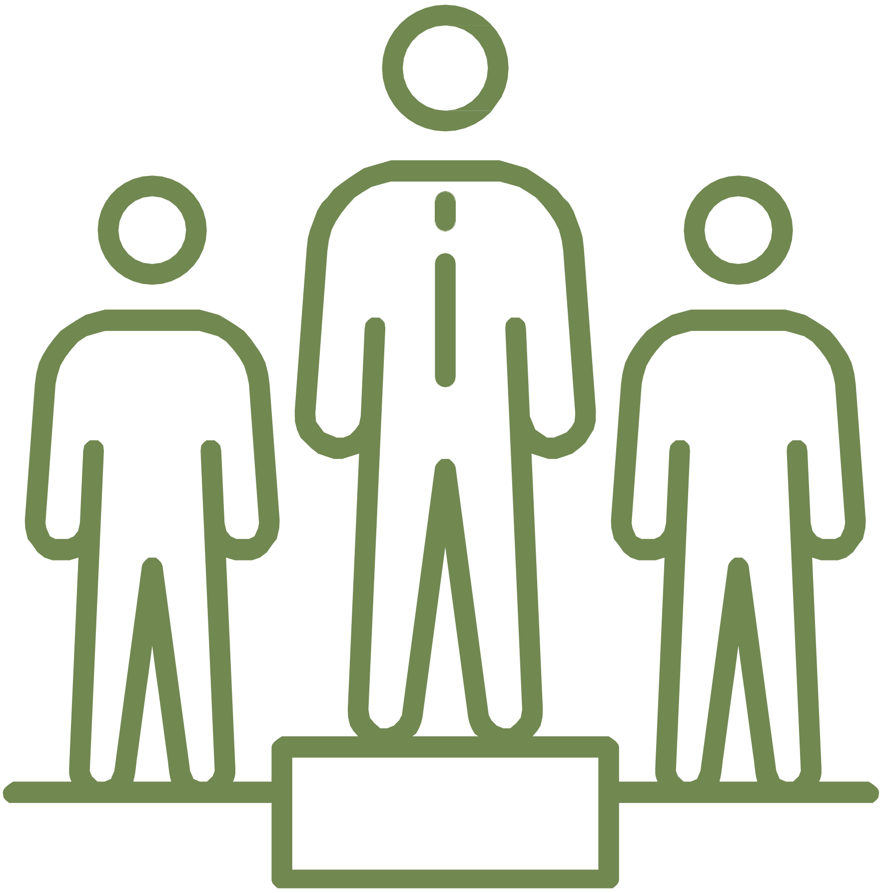
The appendix to this business plan highlights our key priorities for the next five years. This focuses on areas of change and projects which are in addition to day to day “business as usual” activities.

On a day to day basis our focus is on the following key elements of Fund management.

- Paying pension benefits to all our beneficiaries, as prescribed by the LGPS regulations.
- Communicating with our scheme members about their membership of the Fund.
- Ensuring we receive all the pension contributions paid by active members of the Fund, as prescribed by the LGPS regulations.
- Ensuring all the employers in the Fund pay their pension contributions and those of their employees in a timely manner.
- Safeguarding the Fund’s assets.
- Investing any Fund assets that are not currently needed to pay benefits.
- Working with the actuary every three years to determine how much employers need to pay into the Fund to ensure we have enough money to pay pension benefits in the future.
- Understanding the continuing pressure on resources and budgets for employers and the administering authority.
- Providing regular training, guidance and support to employers so that the Fund receives timely and accurate information.

Managing the Fund on a day-to-day basis involves a wide range of processes and procedures designed around achieving WYPF’s objectives as outlined in our strategies and policies.

The management of the Fund is significant, complex and highly regulated. As such, these processes and procedures require expert knowledge and experience from both officers and external advisors in several diverse areas as set out below.



Governance

Ensuring decisions relating to the management of the Fund are made in accordance with appropriately delegated responsibilities

Reporting and presenting to the G&A Committee, JAG, IAP and Local Pension Board, ensuring those bodies carry out their delegated, advisory and scrutiny functions

Implementing and monitoring other governance areas such as knowledge and skills/ training, conflicts of interest, risk management, breaches and adhering to The Pension Regulator's Code of Practice

Ensuring the Fund's business plan is regularly updated, agreed and delivered

Ensuring we adhere to Council and legal requirements for procurement, health and safety and data protection

Procurement of and payment for, advisers and other services

Assisting internal and external audit in their role

Replying to Freedom of Information requests

Ensuring business continuity arrangements are in place and regularly tested

Managing the risk of cybercrime and ensuring our data and systems are safeguarded.

Funding

Agreeing the funding strategy with the actuary every three years, consulting with employers and monitoring continued appropriateness annually
Assisting the actuary with the triennial Actuarial Valuation by providing membership and valuation data and presenting results and explanations to employers of future employer contributions and deficit payments

Providing data or other information as required by the Government Actuary's Department ("GAD")

Monitoring the employers' funding positions and covenants including their ability to pay contributions and managing any employers who wish to join or leave the Fund

Investment

Carrying out a fundamental review of the investment strategy every three years

Quarterly monitoring and reporting on investment performance

Monthly monitoring and reporting on the Fund's funding position and implementation of our cash and risk management strategy

Working with other LGPS funds in the Northern Pool to pool investments, including assessing, appointing, monitoring and dismissing any external managers.

Monthly monitoring and implementation of the tactical asset allocation decisions

Ensuring costs are fully disclosed in line with the Cost Transparency initiative

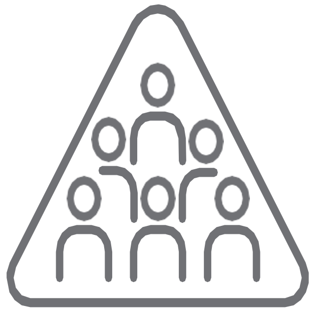
Developing and monitoring the Fund's approach to Responsible Investment, engaging with investee companies, and exercising the Fund's voting rights.

Accountancy

- Preparing and publishing the Fund's Annual Report
- Completing the Annual Accounts and assisting external auditors
- Preparing and quarterly monitoring of the Annual Budget
- Preparation of statutory and non-statutory returns as required
- Monthly bank reconciliations
- Quarterly cash flow and treasury management
- Monthly monitoring of income and expenditure including employer and scheme member contributions
- Quarterly invoicing of employers for pensions strain and added years
- Provision of information on a monthly basis to the Fund's Actuary to support the tracking of assets notionally allocated to the Fund's employers
- Overseeing the monthly employer returns

Administration

- Providing ongoing information to scheme members and their beneficiaries as they join, leave or change their status in the Fund
- Calculating and notification of entitlement to pension and death benefits
- Providing quotations of retirement benefits including any additional costs to employers
- Providing information on how scheme members can increase their pension benefits
- Maintaining scheme member records
- Providing a scheme members' help line for ad-hoc enquiries
- Providing notifications regarding new starters, personal/ employment changes and leavers/retirements
- Processing bulk updates to data such as annual pensions increases
- Guarding against pension scams



Payroll

- Calculating and paying monthly pensions to all pensioners and beneficiaries
- Issuing payslips (where net pay has changed)
- Issuing P60s
- Investigating returned payments and dealing with any under or overpayment of pensions
- Updating and maintaining accuracy of pensioner member details
- Ensuring pensions are paid

Communication, Projects and IT

Providing Annual Benefit Statements to all active and deferred scheme members

Providing information to members via the appropriate channel, e.g. one to ones, workshops and newsletters

Improving the way users can navigate through complex information as well as looking beyond the above to other ways to access content Enhancing the Fund's website and members' self-service facility to offer a more personalised experience for users

Maintaining and updating the pensions software system, including developing reporting to provide information on progress against key performance indicators and daily work management

Technical

Providing guidance on changes in processes following legislation updates

Providing reports and extracts for the Fund Actuary and GAD Reporting and making payments to HMRC

Reviewing AVC providers and funds offered to members

Administering the Fund's Internal Dispute Resolution Procedure

Manage employers' admission agreements

Employer Liaison Team

Undertake response to outstanding requests for information to cleanse the pension records

Providing information to the Fund's actuary as required for new alternative delivery models for employer services

Undertake work as necessary to clear outstanding year-end or other data queries.

Running an Annual Meeting for employers and members.

Providing ongoing training and technical updates to employers

Provide new employers with information about their Fund responsibilities

Business plan priorities

The following are the expected key priorities for the Fund for the period 2024 to 2029 so that the objectives of the Fund are achieved. This excludes ongoing business as usual items that take place annually or more frequently. Further explanations of these key priorities are included in Appendix A to this business plan.

Many of the timescales are estimated due to reliance on external bodies, such as Government. As a result, these timescales may change.

Governance and Communications Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
G1. Review of governance arrangements	√				
G2. Review Knowledge and Skills policy/delivery	√				
G3. Review against new TPR Single Modular Code	√				
G4. Review/development of risk register	√				
G5. Business Continuity	√	√	√	√	√
G6. Diversity, equality and Inclusion	√	√	√	√	√
G7. Enhance cybersecurity	√	√	√	√	√
G8. Launch and develop new WYPF website	√	√			
G9. Improve stakeholder engagement	√				
G10. Procurement/Tenders	√	√	√	√	√
G11. Succession Planning	√	√	√	√	√

Funding and Investment Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
F1. Investment Strategy review / implementation	✓	✓			
F2. Local and impact investment	✓	✓	✓	✓	✓
F3. Developing Northern LGPS Pool	✓	✓	✓	✓	✓
F4. Develop improved cash flow monitoring	✓	✓			
F5. Investment governance best practice	✓	✓			
F6. Investment administration	✓	✓			
F7. Investment compliance	✓	✓	✓		
F8. Responsible Investment, TCFD Reporting and achieving Net Zero	✓	✓	✓	✓	✓
F9. Review requirements for cost transparency collation/reporting	✓	✓			
F10. 2025 actuarial valuation and review of funding strategy	✓	✓			

Administration Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
A1. Implement McCloud / Sargeant / Matthew remedies	✓	✓			
A2. Implement employer self-service on-line functionality to all employers	✓	✓			
A3. Omni-channel member self-service	✓	✓	✓	✓	✓
A4. Trivial Commutation / small pots options exercise	✓	✓			
A5. Frozen refund clearance exercise	✓	✓			
A6. Automation and analytics	✓	✓	✓	✓	✓
A7. Oracle transition to SQL	✓	✓	✓		
A8. GMP Reconciliation & Equalisation	✓	✓	✓		
A9. Implement changes required for national pensions dashboards	✓	✓			
A10. Further develop key performance indicators	✓	✓	✓	✓	✓
A11. Administration shared service	✓	✓			

Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
Supplier and contractor reviews and tenders					
Administration software					
Custodian	√				
Actuarial, benefits and governance consultant	√				
Investment adviser	√				
AVC fund review					
AVC provider review	√				
Legal services - based on requirements					
Banking services					

WYPF Management Team

Leandros Kalisperas
Chief Investment Officer

Euan Miller
Managing Director

Yunus Gajra
Assistant Director
Finance, Administration and Governance

Colin Standish
Assistant Director
Overseas Investments

Joanna Wilkinson
Assistant Director
UK Investments

Simon Edwards
Assistant Director
Alternative Investments

Appendix B - Business plan key tasks and actions

Information relating to key priorities

Work set out below will be included in the relevant budgets for those years.

Governance and communications key priorities

Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
G1. Review of governance arrangements	✓				
G2. Review Knowledge and Skills policy/delivery	✓				
G3. Review against new TPR Single Modular Code	✓				
G4. Review/development of risk register	✓				
G5. Business Continuity	✓	✓	✓	✓	✓
G6. Diversity, equality and Inclusion	✓	✓	✓	✓	✓
G7. Enhance cybersecurity	✓	✓	✓	✓	✓
G8. Launch and develop new WYPF website	✓	✓			
G9. Improve stakeholder engagement	✓				
G10. Procurement/Tenders	✓	✓	✓	✓	✓
G11. Succession Planning	✓	✓	✓	✓	✓

G1. Review of Governance arrangements				
2024/25	2025/26	2026/27	2027/28	2028/29
✓				

A WYPF governance review commenced during 2023 using external specialist support. Initial observations are due to be presented to JAG, IAP and Pension Board members in early 2024.

It has been recognised previously that the WYPF committee structure, terms of reference and schemes of delegations all need to be reviewed and clearly defined.

The revised Governance arrangements will seek to align with the recommendations of the LGPS Scheme Advisory Board's Good Governance project, albeit this has yet to be put into Regulations and guidance by DLUHC.

The Pension Regulator's codes of practice and recommendations from its regulatory supervision process will also be factored in.

It is expected that these tasks can be managed out of the existing budget

G2. Review knowledge and skills policy/delivery				
2024/25	2025/26	2026/27	2027/28	2028/29
✓				

The current training policy will be reviewed and updated to be in line with the new CIPFA framework and Code.

Those involved in managing WYPF will undergo a knowledge and skills assessment based on the CIPFA competencies to inform training plans for future years – this will include who has done what training, including any skills training.

The policy relating to Pension Board members (who have legal requirements in relation to obtaining the required knowledge) will be extended to JAG and IAP members – in anticipation of new requirements in this area expected from the Good Governance review.

New members to JAG, IAP or Pensions Board will need to be “onboarded” and provided with sufficient training and access to required information. WYPF is aware of the requirement in TPR’s draft new code of practice that new members undertake required training to carry out the role as soon as possible and within 6 months of appointment.

It is expected that these tasks can be managed out of existing budget and with no additional resource requirement.

G3. Review against the Pensions Regulator's new Single Code of Practice				
2024/25	2025/26	2026/27	2027/28	2028/29
✓				

The Pensions Regulator's (TPR) new General Code was laid in parliament 10th January 2024 and comes into effect on 27th March 2024.

It aims to improve pension scheme governance, consolidating ten of the regulator's existing codes and updating them but also introducing some new requirements. This will result in some changes placed on the Fund for example, maintenance of IT systems and further areas of governance.

Work is underway to review whether the Fund complies with the requirements within the new Code. After the initial review, ongoing compliance checks will be carried out on a regular basis.

Additional resource/budget may be required but the initial intention is to carry out the review internally and seek external assurance.

G4. Review / development of Risk Register				
2024/25	2025/26	2026/27	2027/28	2028/29
✓				

The risk register will be reviewed to try and make it more concise and user-friendly for JAG, IAP and Pension Board members.

The review will consider the following possible developments:

- A 'top-down' approach focussing on the Fund's primary objectives and the risks that could lead to these not being achieved
- Better alignment of the risk register with the Business Plan
- Seeking to quantify the impact of the risk mitigations in place

No additional resource or budget required.

G5. Business Continuity				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

The Pension Regulator's General Code of Practice, outlines "Governing bodies should develop and implement continuity plans to ensure that their scheme operations can be maintained, in the event of a disruption to scheme activities."

A new Business Continuity Plan was created in 2023 and was signed off by parties in WYPF and Bradford Council. During 2023 a new back up solution of last resort was implemented, an external cold site solution with ability to host up to 250 staff brought in and WYPF ran its operation from its secondary technology site for a week to test resilience. Again, in 2023 we brought back a secondary source of power supply for our main building.

WYPF will continue to maintain, dynamically adapt and add to the Business Continuity plan in real time throughout the year, with a formal review of the plan being made annually.

G6. Diversity, Equity and Inclusion				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

Review engagement with stakeholders, communications, approach to recruitment and feedback from WYPF officers and committee members to ensure sufficient attention is given to diversity and inclusion.

Ensure DE&I appropriately considered as part of review of the communication policy and reflected in all media, including the Fund's website.

Initially this is expected to be managed within the existing team and with no additional budget.

G7. Enhance Cyber Security				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

The Pension Regulator's General Code of Practice, outlines "Cyber security measures and procedures should be in place and functioning."

WYPF and City of Bradford Metropolitan District Council undertook a mock ransomware attack simulation in 2023 to practice responses to a number of recent cyber hacks whilst being externally observed and evaluated. The simulations were highly successful. WYPF and Bradford Council are documenting each organisation's respective roles in a cyber incident.

WYPF are undertaking further mock cyber simulations during 2024.

In 2022 WYPF updated and upgraded its technology stack which has greatly strengthen its cyber resilience. Three further improvements are due in 2024, 2025 and 2026.

Pensions Dashboards will identify significant amounts of money over the internet for the first time. The Pensions Dashboard Programme have identified the cyber security arrangements for all pensions providers to adopt and these will be externally audited prior to live operation.

WYPF will also need to consider how the required assurance in relation to cyber risk can be provided to other funds/schemes to which we provide shared service administration whilst maintaining appropriate security around its actual operation.

We also note that Regulator recognises that funds may need to access specialist advice in some areas e.g. forensic investigators. This type of specialist activity will require budget.

Our budget includes an allowance of £50k per annum in the short term to improve our cyber resilience. We will also add resource of suitable seniority to take ownership of our cyber related activities.

WYPF is signed up to both the UK and US daily cyber and malware alerts.

G8. Launch and develop new WYPF website				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

WYPF's current website has been in place for a number of years and needs to be upgraded. Over the past 12 months WYPF has run member focus groups to establish members' views on the current website, their wants and needs from the new website, and developed an online panel of circa 3,000 members where we can test concepts and content.

We have developed a member first website which has been tested with 350 members and some WYPF contact centre staff. The new website does have a discreet corporate area that shows WYPF's third party services.

During Spring 2024 we are looking to put this new website live.

It is not anticipated that any further resource or budget will be required.

G9. Improve stakeholder engagement				
2024/25	2025/26	2026/27	2027/28	2028/29
✓				

Improved stakeholder engagement can benefit WYPF in a number of ways, including:

- raising scheme members' awareness of their pension benefits;
- a higher proportion of employers carrying out the employer role to a satisfactory standard;
- making it easier to recruit high quality team members;
- increasing opportunity for collaborative working with others;
- greater levels of feedback being received allowing for further improvements to WYPF service.

Whilst it is difficult to measure, indications are that particular areas in which engagement could be improved include how we engage some groups of employers (for example increasing attendance at the Employer AGM) and how we communicate positive developments relating to responsible investment to members, employers and the wider public.

We will explore different communication methods with employers to increase awareness and employers' understanding of the Fund's aims and requirements.

We will look to enhance the content of the responsible investment section of the WYPF website, be more proactive in announcing positive news in relation to responsible investment activity and will explore ways of presenting the WYPF investment portfolio to better highlight the significant levels of 'green' investment such as renewable energy infrastructure.

It is not expected that this work will require additional resource requirements or budget for external support.

G10. Procurement/Tenders				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

Several contracts are due to be retendered in the next 5 years covered by the business plan.

- A list of these is provided in the previous section (Business Plan key priorities)
- The procurement process will be managed within internal teams and with support from Bradford Council and no additional resource or budget is required to be set aside for these exercises.

G11. Succession planning				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

There are a number of key individuals in the WYPF Management Team who will be retiring in the next five years, in both the investment, and member services teams.

A comprehensive plan for the recruitment of new individuals and/ or providing sufficient mentoring, training and shadowing to those individuals who will take on the roles will be needed to avoid the consequences of the loss of the significant levels of experience and knowledge of those individuals.

This should not involve any additional budget or resource, but to recruit and/or develop for the required roles may incur some additional costs, so this will be kept under review.

Funding and investment key priorities

Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
F1. Investment Strategy review / implementation	✓	✓			
F2. Local and impact investment	✓	✓	✓	✓	✓
F3. Developing Northern LGPS Pool	✓	✓	✓	✓	✓
F4. Develop improved cash flow monitoring	✓	✓			
F5. Investment governance best practice	✓	✓			
F6. Investment administration	✓	✓			
F7. Investment compliance	✓	✓	✓		
F8. Responsible Investment, TCFD Reporting and achieving Net Zero	✓	✓	✓	✓	✓
F9. Review requirements for cost transparency collation/reporting	✓	✓			
F10. 2025 actuarial valuation and review of funding strategy	✓	✓			

F1. Investment Strategy review / implementation				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

The Strategic Asset Allocation (SAA) review took place in Q2 2023 following the completion of 2022 actuarial valuation in Q1 2023. The main parts of an updated SAA benchmark were agreed at the IAP in July 2023 and this will be incorporated into an updated Investment Strategy Statement (ISS), which will be consulted on with stakeholders in early 2024. Impacts on requirements for investment office organisation flow from SAA Review.

The Review included a meaningful reduction in the proportion of UK listed equities in the SAA benchmark and this has consequential effects on portfolio construction and team resourcing, both of which are underway.

The Review also included a larger allocation in the benchmark to a new and wider Alternatives programme, to include opportunities in the UK with impact and levelling up effects, as well as climate transition solutions. Some of these opportunities will be privately originated and/or negotiated, and this will necessitate increasing the number of officers focussing on these areas. This has been allowed for in the budget and recruitment is underway.

F2. Local and impact investment				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

There are a number of drivers for WYPF to invest more in place-based investments in the West Yorkshire area as well as the UK more broadly.

(a) Strategic Asset Allocation review in Q2/Q3 20023 and Investment Beliefs review in Q423 supporting the view that there is an opportunity within a well-diversified Total Fund to support the ‘levelling-up’ agenda. This also aligns with the recent DLUHC consultation that encourages LGPS funds to do more in this space. These local investments could include, for example; investment in sustainable and affordable transport, funding the building of affordable and energy efficient homes, and investment in climate solutions.

(b) Many of the opportunities in this space will be private rather than public in nature and will involve greater liaison with relevant entities, including e.g West Yorkshire Combined Authority, British Business Bank and UK Infrastructure Bank. Given the reduction in UK listed equity allocations, capital can be recycled into UK private market opportunities.

Investments must meet the twin aims of delivering a positive local impact and generating an appropriate return for WYPF given the risks involved.

These investments are often relatively resource intensive and additional officers and specialist advice will be required. However, it is envisaged that many of these investments would be made in conjunction with Northern LGPS Pooling partners, who have considerable experience and resource in this field, which will help reduce cost and risk.

F3. Developing Northern LGPS Pool				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

DLUHC consulted during 2013 on proposed changes to the LGPS Investment Regulations and guidance. Several of the proposals were intended to speed up the progress of pooling of assets across the LGPS in England and Wales.

WYPF will be working with our partners in the Northern LGPS Pool to consider regulation changes and associated guidance (when released) and to create a Pool Business Plan summarising the intended development of the Northern LGPS Pool. At the time of writing it is not expected that there will need to be significant levels of additional resource or budget to deliver this.

F4. Develop improved cash flow modelling				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

Over time, the Fund's investment programme has become a little less concentrated in regular dividend-paying stocks and a little more concentrated in private market and alternative opportunities, with more lumpy and non-contractual cashflows. The changes being made to investment strategy following 2023 review reinforce this trend. Whilst this is acceptable given we remain Total Return focused for now, it is essential to assess the longer term impacts of any maturing of the liabilities of the Fund.

A review of how cashflows (pension contributions, pension payments, and asset related cashflows) are forecast and monitored, and available for regular management review and oversight, should be carried out to ensure this is clear and robust, and is integrated into day to day management of the Fund. As part of this, we will also look for an updated projection of expected future benefit payments to be provided by the Actuary following the 2022 valuation.

This review is expected to be carried out within the existing teams and without the need for additional budget or resources. The cost of any additional support from the Actuary will depend on our precise needs but is expected to be of the order of £3K-£10K.

F5. Investment governance best practice				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

The Regulator's new Code of Practice has a number of best practice modules which public sector schemes such as the LGPS are encouraged to follow. This includes a module on Investment monitoring. It is expected that WYPF is already compliant with the majority of the recommendations but a review against the Regulator's suggestions will be carried out.

The review of compliance will consider content within the following best practice investment - related modules:

- Investment governance
- Investment monitoring
- Climate change
- Investment Strategy Statement

The "best practice" compliance review will be carried out by the existing investment team – no additional resource or budget required.

F6. Investment administration				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

The investment administration function plays an important part both in (a) supporting day-to-day investment management activities, as well as (b) supporting the overall governance of the Fund.

In relation to (a), investment administration has become more complex given the addition of asset classes, including private markets, and therefore the capacity for investment administration to support investment management efficiently is potentially under strain. There have been moves towards easing the burden here in 2023, including looking to delegate more activities to our custodian, but there may be further headwinds ahead, including the introduction of T+1 settlement for equities and bonds in the US at end of May 2024.

A review of whether further delegation to our custodian and/or any order management system might be needed is important. This will be done from existing resources.

F7. Investment compliance

2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓		

A compliance function within a traditional asset manager would ensure that the business adheres to (a) external rules including to protect investors and ensure that markets are fair, efficient and transparent and (b) internal controls. WYPF does not currently have a dedicated compliance function given that its investors (its c450 employers and c.300k members) are in a different position to investors in for example an open-ended mutual fund managed by an external manager. However, WYPF does have to play its part in ensuring markets are operating appropriately and as stated in the ISS, WYPF seeks to follow best practice wherever possible.

A review of what that should mean for WYPF, is merited and may include recommending centralising compliance controls within a small internal Legal & Compliance team. This can be done from existing resources.

F8. Responsible Investment, TCFD Reporting and achieving Net Zero

2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

Responsible Investment

Through its Investment Strategy Statement, WYPF has made a public pledge to integrate Environmental, Social and Governance considerations into its investment decisions. The Fund is also a signatory to the Stewardship code reflecting its ambition to be an active, engaged, and responsible investor.

We recognise that Responsible Investment protocols and guidelines are evolving rapidly and commit to review our approach regularly and to adopt and integrate best practise wherever possible. We closely monitor the approaches of other LGPS and Pools, the LGPS Scheme Advisory Board and its Responsible Investment sub-committee, regulatory bodies and other pertinent organisations.

We believe that our corporate engagements are most effective when conducted in collaboration with other like-minded investors. We will continue seek out such partnerships to maximise our engagement influence.

We will report on our Responsible Investment approaches and outcomes in our annual Stewardship Report and aim to introduce a ESG scorecard to provide a relatively simple snapshot of progress.

Climate

We have recognised that climate change is the single greatest ESG challenge facing the Fund. In January 2022 the Fund prepared a TCFD statement explaining how we identify, measure and mitigate climate change risk. We intend to update this document on a bi-annual basis to report on the progress that the Fund has made. Any update will incorporate the pending recommendations and guidance expected from DLUHC following their Autumn 2022 consultation.

Achieving net zero

In conjunction with our partners in the Northern LGPS Pool; in March 2021 WYPF made a Paris Aligned net zero commitment to decarbonise the fund by 2050. We will review the progress made toward this commitment in our next TCFD statement.

WYPF will be reviewing its engagement with the oil and gas sector during 2024 and is seeking to commission some external specialist support for this work. This has been allowed for in the budget.

F9. Review requirements for cost transparency collation/reporting				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

WYPF is not FCA regulated but is looking to broadly follow the requirements of MiFID II and the SAB Code of Transparency and new standardised disclosure templates. The information and data provided should be 'fair, clear and not misleading'. We have investment management costs as well as related execution costs.

Investment management costs

The challenge arises for WYPF from the fact that c.75% of the assets are managed directly in-house with costs clearly able to be identified and included in the official accounts. Of the remaining 25% of assets that are managed through funds and/or other private vehicles, it is not as straightforward to establish the look-through costs of engaging external managers. There is now an online system (Byhiras) put in place by SAB for submission of manager information, including a check against the MiFID II total cost. This works well for listed assets, where we already understand a majority of the costs. But not for private market assets. We have engaged our private market managers to submit ILPA cost templates for the money we have invested with them.

So in aggregate and on a look through basis, our investment management costs comprise:

- Direct listed assets (costs known and go through official WYPF accounts)
- Listed assets managed by external managers (WYPF has asked managers to submit on Byhiras)
- Private markets assets managed by external managers (WYPF has asked managers to submit their ILPA templates)

We are looking in 2024 to consolidate our understanding of all of the above costs through an external vendor CEM. If successful, this will allow Finance to consider what costs can be incorporated into official accounts and/or notes to the accounts, taking into account CIPFA guidance.

Execution costs

There are a number of other costs, including brokerage, research, FX and similar and whilst WYPF is not FCA regulated, we should review whether we are getting best execution, albeit we should recognise that sometimes these costs cannot easily be disentangled from the broader relationship added value of our suppliers. It is not currently expected that this work will result in additional budget requirements or resources.

F10. 2025 actuarial valuation and review of funding strategy				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

A formal actuarial valuation of the Fund detailing the solvency position and other financial metrics must be carried out as at 31st March 2025. It is a legal requirement of the LGPS Regulations. It determines the contribution rates payable by the employers to fund the cost of benefits and make good any existing shortfalls as set out in the Funding Strategy Statement.

This is considered in conjunction with the strength of covenant for each employer participating in the Fund. The deadline for completion of the work is 31 March 2026.

Reviews of the Funding Strategy Statement may also be required outside of the actuarial valuation cycle; for example in order to make changes to the methodology for calculating exit payments/credits when employers exit the fund, or to reflect regulatory changes.

As part of the actuarial valuation process IAP and JAG may wish to consider whether to create alternative investment strategies for certain employers or groups of employers, recognising the increasing divergence of employer funding targets and objectives.

Administration key priorities

Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
Administration					
A1. Implement McCloud / Sargeant / Matthew remedies	✓	✓			
A2. Implement employer self-service on-line functionality to all employers	✓	✓			
A3. Omni-channel member self-service	✓	✓	✓	✓	✓
A4. Trivial Commutation / small pots options exercise	✓	✓			
A5. Frozen refund clearance exercise	✓	✓			
A6. Automation and analytics	✓	✓	✓	✓	✓
A7. Oracle transition to SQL	✓	✓	✓		
A8. GMP Reconciliation & Equalisation	✓	✓	✓		
A9. Implement changes required for national pensions dashboards	✓	✓			
A10. Further develop key performance indicators	✓	✓	✓	✓	✓
A11. Administration shared service	✓	✓			

A1. Implement McCloud / Sargeant / Matthews remedies

2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

Court of Appeal judgements (McCloud and Sargeant) in 2018 found that transitional provisions in the CARE schemes for Firefighters and Judges in April 2015 gave rise to unlawful age discrimination. This impacts the LGPS as the new CARE scheme from April 2014 included a statutory underpin for older members. Remedies have recently been issued by Government to remove the inequality in the schemes, which will result in changes to scheme benefits, some of which will be retrospective.

WYPF has established a project team for the LGPS funds we administer to identify the affected members so their benefits can be amended.

Changes for the Fire scheme are potentially more material given members are to be given the choice over what scheme will apply over the remedy period. In addition, a separate rectification exercise is also taking place (Matthews) relating to retained firefighters' eligibility to join the Scheme prior to 2006, which then interacts with the Sargeant remedy. A project team has been set up to manage the changes for the Fire authorities we administer.

These works areas have been allowed for in the 2024/25 budget (see Appendix B). A significant proportion of the spend is in relation to amendments to the pensions administration software. It is possible that spend against budget and the timing of spend may be materially different to projections due to the timing of release and implications of guidance and the timing of pensions administration software changes.

A2. Implement employer self-service on-line functionality to all employers

2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

WYPF has been working on new on-line functionality for all employers participating in the Fund. This will ultimately require all employers to upload pension information on a monthly basis to the Fund's on-line employer self-service facility to ensure the Fund's pension records are up to date. As well as improving the integrity of the Fund's data, this will introduce increased efficiencies for all parties.

WYPF is in the process of moving to a new version of the software which can better manage online submission of forms as currently around half of the forms are still submitted outside of the online self service approach. The new system will include functionality which moves data straight from these systems onto member records without individual staff member intervention, reducing the risk of errors.

This project is in its latter stages so is expected to be completed in 2024

A3. Omni-channel member self-service				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

WYPF’s online member self-service needs development to optimise the member experience and enable more functionality to be undertaken online, – for example on-line retirement, CETV calculations.

It is intended to bring the online system in house, allowing WYPF to be platform neutral i.e. it can implement the best in class software at any point or change suppliers without this affecting clients or scheme members. Development work has started and itis not expected that this work will require additional budget.

A4. Trivial commutation / small pots options exercise				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

Trivial commutation is where a member who is entitled to a small pension can elect to give up the entirety of that pension and instead receive their benefit as a single lump sum payment. A project will be carried out to identify any pensioners and dependants who may be eligible for trivial commutation and to offer it to them. This will reduce the administrative burden on the Fund paying a large number of very small pensions over a number of years as well as providing greater clarity from a funding perspective. The government has a limit for members to trivially commute their pension in relation to a single pension (£10,000 value – called a "small pot") and total benefits (£30,000 – called "trivial commutation").

As well as reducing the number of pensioner payments that require ongoing payment this could also reduce a fund's liabilities. It will also be welcomed by a number of pensioners who would prefer a one-off lump sum payment rather than ongoing smaller payments of little value.

This option is already offered to members at retirement but the shared service administration team will continue to carry out trivial commutation projects over the next 5 years. This will also involve a review of existing procedures to ensure that trivial commutation is offered in appropriate cases. No additional resource or budget will be required.

A5. Frozen refund clearance exercise				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

Members who leave the scheme without meeting the 'vesting period' (the minimum period to qualify for benefits) are only entitled to a refund of their own contributions. Since 1 April 2014 the regulations have required that this must be paid within five years of the member leaving the scheme, but before that many members did not claim their refunds in case they rejoined the scheme in the future and could then count that service.

This has meant that the Fund has built up a number of "frozen refunds" i.e. refunds that have not yet been claimed. WYPF has carried out a review of these cases and is in the process of paying as many as possible. This will help the Fund meet legal requirements that all benefits must be paid before the member's 75th birthday and will also reduce the Fund's liabilities.

This is being resourced through existing teams and with no additional budget required.

A6. Automation and Analytics				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

After initial positive results in relation to linking deferred benefit records, we will continue to deploy automation into both administration and finance processes in an agile way driving down the number of administration and finance tasks that need human intervention, alleviating cost and error. The simpler tasks will continue to be automated first, with a move up in complexity as we learn. In this way software will be released as early as possible in order to benefit the organisation as early as possible.

Data analytics will be used to further develop our advancing online and client Management Information needs.

A7. Transition from Oracle to SQL				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓		

All Local Government Pensions Administration Software systems now run from SQL. WYPF's technology teams need to complete the task of converting our administration operation to SQL by Jan 2026. This is a significant piece of work and there will be implications for resourcing, reprogramming, training and licences as well as procurement etc .
Work has commenced to identify elements requiring conversion and whether this needs internal resource to build or can be passed to external developers. Conservatively 116 months development time is required to convert to SQL; this excludes conversion of client take on frameworks which would require a further 2 year re-development. areas have been identified and these are being progressed i.e. Payroll. Code developed in the UPM teams also requires conversation and is a further 8/10 months.

Additional resource/budget will be required but the intention is to carry out substantial part of the work internally,

A8. GMP reconciliation and equalisation

2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓		

GMP Reconciliation

Prior to the removal of "contracted-out" status in April 2016, pension schemes including the LGPS had to ensure the benefits they paid met a minimum level, one element of which was a Guaranteed Minimum Pension (GMP) figure that accrued individually for each scheme member up to April 1997. Following the end of contracting out HMRC is no longer maintaining GMP and other contracting out member records so individual pension schemes must ensure that the contracting out and GMP data they hold matches that held by HMRC.

The WYPF data has been extracted from HMRC ahead of the facility being discontinued and the number of cases that it will be required to look at has been identified. The high level stages to complete the project are as follows:

- Active members - Stage 1 (identify data mismatches)
- Active members - Stage 2 (finalise data reconciliation)
- Deferred and Pensioner reconciliation completion (all data reconciled)
- Stage 3 GMP Rectification

This reconciliation project will inevitably result in identifying some pensioners and dependents whose pension has been overpaid or underpaid (albeit some by very small amounts). Some of these under or overpayments will have been in place for several years and back payments made or collected in accordance with industry guidance. Stage 1 and 2 have been completed with work due to start on stage 3.

GMP Equalisation

The courts have determined that it is necessary to revisit pension benefits for members who accrued a GMP to ensure equal treatment between men and women. In March 2021 the Government confirmed that the solution for LGPS funds was to apply full indexation on all GMP (i.e. all pension) for those members who reached state pension age after 5 April 2016. This has been implemented by WYPF but we are likely to have to revisit transfers-out over a number of years to ensure the correct amount was paid in respect of the GMP element. It is not expected that this work will require additional staff or budget.

A9. Implement changes required for national pensions dashboards				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

Pension dashboards are a Government initiative first announced in the Budget 2016 with the legal framework contained in the Pension Schemes Act 2021. The idea is to allow pension savers in the UK access to view the values of all of their pension pots, including the State Pension, through one central platform. Public service pension schemes are expected to connect to the dashboard ecosystem in September 2025 and we will need to ensure that WYPF and the other schemes we administer are ready for implementation. This is a significant piece of work which will have significant ongoing impacts for both administration and technology.

WYPF has made good progress in this area to date with a procurement already completed for a Integrated Service Provider (ISP) to connect WYPF to the dashboard system's central digital architecture.

Additional resource/budget will be required but the intention is to carry out substantial part of the work internally,

A10. Further develop key performance indicators				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓	✓	✓	✓

The WYPF Administration Section currently sets performance targets for delivering 22 common administration tasks within a set timeframe and tabulates the number of outstanding and completed tasks. This provides a reasonable indication of the performance of the Administration Section and is useful in terms of allocating resources and strategic planning. However, it is unlikely to provide a complete picture of administration workloads and performance. Weaknesses include:

- The age of outstanding tasks is not clear on the management information
- Where the target timeframe is not met for a task, no indication is provided of how close to the deadline the task was completed
- The source of delays to completing a task is not always clear (i.e. delays caused by inaccurate information supplied by member/employer)

It is proposed that WYPF work with its shared service administration partners to further develop its key performance indicators to try and address any weaknesses such as those highlighted above. This improvement in Management Information should ultimately result in a more efficient administration service.

It is not envisaged that any additional resource of budget is required.

A11. Administration Shared Service				
2024/25	2025/26	2026/27	2027/28	2028/29
✓	✓			

WYPF currently provides an administration shared service to three other LGPS funds and over half of the Fire Authorities in England. All costs are shared equally on a per-member basis.

During 2024 we will look to work with the shared service partners to carry out a strategic review of the shared service arrangements to ensure partners' and WYPF's interests are aligned and risks to WYPF of hosting the service are appropriately managed. One of the matters to consider is whether the shared service would benefit from a 'brand', in a similar manner to several other LGPS shared service arrangements (Local Pensions Partnership, Peninsula Pensions etc…)

Appendix B - Business Plan Budget

Operating Cost Budget and forecast 2022/23 to 2028/2029

WYPF TOTAL SERVICE COST	22/3 BUDGET £000	22/3 OUTTURN £000	23/4 BUDGET £000	23/4 FORECAST £000	24/5 FORECAST YR1 £000	25/26 FORECAST YR2 £000	26/27 FORECAST YR3 £000	27/28 FORECAST YR4 £000	28/29 FORECAST YR5 £000
01 PENSION ADMINISTRATION	5,250	5,270	6,265	5,970	7,307	7,550	7,625	7,701	7,779
03 OVERSIGHT	1,004	1,009	998	942	1,017	1,029	1,039	1,050	1,060
PENSION ADMIN & OVERSIGHT	**6,254**	**6,284**	**7,263**	**6,912**	**8,324**	**8,579**	**8,665**	**8,751**	**8,839**
02 INVESTMENT MANAGEMENT	**8,496**	**7,322**	**9,346**	**7,669**	**10,174**	**10,510**	**10,615**	**10,721**	**10,829**
TOTAL WYPF NET EXP	**14,750**	**13,601**	**16,609**	**14,581**	**18,498**	**19,089**	**19,280**	**19,473**	**19,667**
PER MBR		**£42.68**	**£51.01**		**£57.34**	**£59.18**	**£59.77**	**£60.37**	**£60.97**
MBR NUMBER		**319,489**	**325,630**		**322,581**	**322,581**	**322,581**	**322,581**	**322,581**

WYPF TOTAL SERVICE COST	22/3 BUDGET £000	22/3 OUTTURN £000	23/4 BUDGET £000	23/4 FORECAST £000	24/5 FORECAST YR1 £000	25/26 FORECAST YR2 £000	26/27 FORECAST YR3 £000	27/28 FORECAST YR4 £000	28/29 FORECAST YR5 £000
Accommodation	261	345	371	398	424	432	437	441	445
Actuary	350	317	301	200	200	202	204	206	208
CBMDC Support Services	463	559	567	604	851	860	868	877	886
Computer	1,216	1,902	1,893	2,298	2,328	2,426	2,450	2,475	2,500
Contingency - Invest to save	1,000	0	750	0	750	758	765	773	780
Employees	10,643	9,842	12,240	11,303	13,253	13,743	13,881	14,019	14,159
Other Running Costs	1,027	1,179	1,060	1,220	1,244	1,257	1,270	1,283	1,296
Printing & stationery	299	402	350	376	376	380	384	387	391
Transaction Costs	2,500	2,320	2,500	1,861	2,750	2,745	2,773	2,800	2,828
WYPF TOTAL SERVICE EXP	**17,759**	**16,866**	**20,032**	**18,260**	**22,176**	**22,803**	**23,031**	**23,261**	**23,494**
Other Income	-179	-237	-200	-271	-271	-274	-276	-279	-282
Shared Service Income	-2,830	-3,024	-3,222	-3,408	-3,408	-3,442	-3,477	-3,511	-3,546
WYPF TOTAL SERVICE NET EXP	**14,750**	**13,605**	**16,610**	**14,581**	**18,497**	**19,087**	**19,278**	**19,471**	**19,665**
PER MBR sf3		**£42.68**							
PER MBR		**£42.58**	**£51.01**		**57.34**	**£59.17**	**£59.76**	**£60.36**	**£60.96**
MBR NUMBER		**319,489**	**325,630**		**322,581**	**322,581**	**322,581**	**322,581**	**322,581**

Appendix C – Communications plan

The aim of the Fund's communications strategy is to make sure that all stakeholders are engaged with and kept informed of developments within the Fund. We want to ensure transparency and an effective communication process will help to maintain the efficient running of the scheme. An outline communications plan for 2024 to 2025 is set out below.

Communications events 2024/25 – 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 have 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
	Engage 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 2024 – 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
	Planning for a successful retirement	2 to 4 per year	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
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 2024 – councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)			

	Newsletter	1 per year	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 2024 – 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

Appendix D - Business Plan activities for LGPS and Fire Authority shared service partners

Key Action/Task	2022/23	2023/24	2024/25	2025/26	2026/27
Governance and communications					
G3. Review against new TPR Single Modular Code	✓				
G4. Review/development of risk register	✓				
G5. Business Continuity	✓	✓	✓	✓	✓
G6. Diversity, equality and Inclusion	✓	✓	✓	✓	✓
G7. Enhance cybersecurity	✓	✓			
G8. Launch and develop new WYPF website	✓	✓			
G10. Procurement/Tenders	✓	✓	✓	✓	✓
G11. Succession Planning	✓	✓	✓	✓	✓

Key Action/Task	2024/25	2025/26	2026/27	2027/28	2028/29
Administration					
A1. Implement McCloud / Sargeant / Matthew remedies	✓	✓			
A2. Implement employer self-service on-line functionality to all employers	✓	✓			
A3. Omni-channel member self-service	✓	✓	✓	✓	✓
A4. Trivial Commutation / small pots options exercise	✓	✓			
A5. Frozen refund clearance exercise	✓	✓			
A6. Automation and analytics	✓	✓	✓	✓	✓
A7. Oracle transition to SQL	✓	✓	✓		
A8. GMP Reconciliation & Equalisation	✓	✓	✓		
A9. Implement changes required for national pensions dashboards	✓	✓			
A10. Further develop key performance indicators	✓	✓	✓	✓	✓
A11. Administration shared service	✓	✓			

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City of BRADFORD
METROPOLITAN DISTRICT COUNCIL

Report of the Managing Director of West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 25 January 2024.

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Subject: Continuing Professional Development (CPD)

Summary statement:

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

The training and conferences listed below will assist Members in meeting this requirement.

EQUALITY & DIVERSITY:

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

Euan Miller
Managing Director

Portfolio:

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

Overview & Scrutiny Area:

1. Training

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

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

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

1.4 Members of the Board, JAG and the Investment Advisory Panel were asked to complete an online knowledge assessment questionnaire produced by Hymans. The results of this assessment will help identify training requirements for Committee members.

1.5 The Fund will develop a training plan to ensure these training requirements are met. Going forward, training undertaken during the year will be published in the Annual Report or the Governance Compliance Statement.

2. Hymans – 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

The training has been updated to take into account user feedback and additional improvements. The key changes see shortened and refreshed modules (new videos, jargon busters and knowledge checks).

Members are expected to work through all modules as they have done with the previous learning plan. Continued learning of both core and fund specific topics are expected from the Pension Regulator, Scheme Advisory Board, and other interested parties such as members and employers. It has always been our expectation that users would 'redo' the core learning plan at least annually or biennially.

JAG members have been enrolled on this training and are expected to complete this in this financial year. Progress will be monitored by Officers and reported at each JAG meeting. Members are encouraged to pick up this training as soon as possible (if you have forgotten your login details or need assistance) please contact the author of this report).

3.0 Other Training available to JAG members

PLSA Trustee Training

TRUSTEESHIP - PART 1: THE THEORY

Expert trainers take trustees with less than 12 months' experience, including no experience at all, through how pension schemes work, what is expected of them and how to apply good scheme governance.

As a live, interactive course, it brings to life the Pensions Regulator's Trustee Knowledge and Understanding requirements.

2024 course dates - 14 March, 4 June, 12 September.

TRUSTEESHIP - PART 2: THE PRACTICE

With support and guidance from independent experts, trustees with some experience will take part in boardroom simulations to learn how to approach the issues you will face in your role.

2024 course dates - 16 April, 27 June, 5 November.

TRUSTEESHIP - PART 3: THE EXPERT

This course is aimed at those who have been in their trustee role for two to three years, who are familiar with the basic principles of trusteeship and accustomed to attending trustee meetings – but who are keen to hone their skills and improve their effectiveness as a trustee.

2024 course dates – 20 November.

PLSA Investment Conference
Edinburgh, 27-29 February 2024

2024 is set to be another year of huge change, challenge and opportunity for pension funds. At the first PLSA conference of the year we will bring the full investment chain together to discuss the future of pensions investment across a variety of session types with a programme shaped around your needs
(Leandros, our CIO is one of the speakers).

LGC Investment Seminar
14-15 March Carden Park Cheshire

The event is primarily aimed at LGPS pool and fund officers and provides a high level of investment debate with knowledge sharing, practical advice and innovative ideas. In a professional and relaxed environment, attendees share best practice and gather the valuable insight they need to fulfil their responsibility to scheme members.

PLSA Local Authority Conference
11-13 June Gloucestershire

Discover cutting-edge solutions and gain invaluable insights at the PLSA Local Authority Conference, bringing together a powerful network of LGPS professionals. Enhance your role with the latest trends, policies, and innovation tailored for local authority challenges.

PLSA Annual Conference
15-17 October 2024, Liverpool

Empower yourself with the latest insights at the PLSA Annual Conference, the definitive gathering for the pensions community. Connect, learn, and shape the future of pensions through expert-led sessions, valuable networking, and access to the policy debate and groundbreaking practical solutions

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 TACKLING THE CLIMATE EMERGENCY IMPLICATIONS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.6 WARD IMPLICATIONS

None

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

None

7.8 IMPLICATIONS FOR CORPORATE PARENTING

None

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESSMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9. OPTIONS

None

10 Recommendation

10.1 It is recommended that Members of the JAG undertake the TPR Toolkit online training and the Hymans Robertson online Learning Academy Training.

10.2 JAG members are also encouraged to attend external training events and conferences provided by PLSA, LGA, Actuaries, and other specialist organisations.

11. Appendices

None

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