

Report of the Managing Director – West Yorkshire Pension Fund to the meeting of Joint Advisory Group to be held on 26 January 2023

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

Summary statement:

The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

EQUALITY & DIVERSITY:

None

Euan Miller
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Portfolio:

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Overview & Scrutiny Area:

1. SUMMARY

- 1.1 The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

2. BACKGROUND

- 2.1 The updates to the Funding Strategy Statement that were consulted on are:

- Due to the short term inflationary pressure at the 2022 valuation an adjustment of 10% be added to the liabilities for all funding targets. (This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions. (See point 5.12 of the FSS))
- Details of the discount rates, probability of funding success and trajectory periods for the 2022 valuation. (see point 5.15 of the FSS)
- For the majority of employers an adjustment to any surplus used to reduce the contributions to below the primary rate will be made such that only the surplus above a funding level of 105% as at 31 March 2022 is used to calculate secondary contributions from 1 April 2023. This adjustment reflects the fall in asset values since 31 March 2022 and the challenging outlook. It is intended to reduce the risk of an employer's contributions reducing from 1 April 2023 only to be increased from 1 April 2026 if market conditions remain challenging and the funding position falls below 100% at the 2025 valuation. (see point 5.21 of the FSS)
- The introduction of two groups or pools of employers for funding purposes:
 - Town and Parish Councils and,
 - Academies Groups

References to how this would work are made throughout the document.

- 2.2 A copy of the draft Funding Strategy Statement with the changes tracked to aid reference is shown at Appendix A.

- 2.3 In order to support the Academies in understanding the introduction of pooling for funding purposes, all academies were invited to an information session with the Fund and Fund Actuary on 18 October. A recording of the session was also circulated to all Academies after the event.

- 2.4 The FSS consultation exercise commenced on 18 November and ran until 31 December 2022. A copy of all the responses received from the consultation exercise is provided in Not for Publication Appendix B.

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

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

appropriate following a material change in its policy set out in the statement, and if revisions are made, publish the statement as revised.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

None

7. OTHER IMPLICATIONS

None

7.1 SUSTAINABILITY IMPLICATIONS

None

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 COMMUNITY SAFETY IMPLICATIONS

None

7.4 HUMAN RIGHTS ACT

None

7.5 TRADE UNION

None

7.6 WARD IMPLICATIONS

None

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

None

7.8 IMPLICATIONS FOR CHILDREN AND YOUNG PEOPLE

None

7.9 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

Not for Publication Appendix B – Comments received from the consultation exercise on the principles and approaches included set out in the Funding Strategy Statement. **This report is a ‘NOT FOR PUBLICATION’ item as it falls within information relating to the financial and business affairs of the West Yorkshire Pension Fund as defined by Schedule 12A of the Local Government Act 1972 as amended**

9 RECOMMENDATIONS

The Joint Advisory Group approve the changes to the Funding Strategy Statement.

10. APPENDICES

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

Not for Publication Appendix B – Comments received from the consultation exercise on the principles and approaches included set out in the Funding Strategy Statement. **This report is a ‘NOT FOR PUBLICATION’ item as it falls within information relating to the financial and business affairs of the West Yorkshire Pension Fund as defined by Schedule 12A of the Local Government Act 1972 as amended**