

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

AJ

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

Summary statement:

The Administering Authority has undertaken a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches taken for the 2022 valuation exercise.

EQUALITY & DIVERSITY: None

Euan Miller
Managing Director

Portfolio: Leader of Council & Corporate

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Overview & Scrutiny Area: Corporate

1. SUMMARY

- 1.1 WYPF must maintain a Funding Strategy Statement (FSS) in accordance with the Local Government Pension Scheme Regulations 2013. It must keep the statement under review and, after consultation with such persons as it considers appropriate, make such revisions as are appropriate following a material change in its policy
- 1.2 The Administering Authority undertook a consultation exercise with all stakeholders on updates to the Funding Strategy Statement which reflect the principles and approaches it intends to take as part of the 2022 valuation exercise.

2. BACKGROUND

- 2.1 The proposed updates to the Funding Strategy Statement were:

- Approaches and principles for the 2022 Valuation

Due to the short term inflationary pressure at the 2022 valuation an adjustment of 10% be added to the liabilities for all funding targets. (This adjustment will be reviewed on a quarterly basis to ensure it remains appropriate in light of prevailing market conditions. (See point 5.12 of the FSS))

Details of the discount rates, probability of funding success and trajectory periods for the 2022 valuation. (see point 5.15 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 consultation on the proposed amendments ran for 6 weeks up until 31 December 2022.
- 2.3 A report was taken to the Joint Advisory Group (JAG) on 26 January 2023, asking for the changes to the Funding Strategy Statement to be approved. The changes were tracked to aid reference and the document was appended to the report.
- 2.4 The Joint Advisory Group did not approve the changes as they requested a number of additions in relation to disinvestment in fossil fuels within a specified timeline. However, Officers advised that the document had already been out for consultation with stakeholders and had been drafted based on comments received. It would not

be appropriate to make changes to the policy without further consultation. Officers further advised that the FSS was a policy document and needed to be consistent with other WYPF policies which were matters considered by the Investment Advisory Panel rather than the Joint Advisory Group.

- 2.5 The proposed amendments to the Funding Strategy Statement are required to enable the Rates and Adjustment certificate to be signed by the Funds Actuary by 31 March 2023 as part of the 2022 Valuation.
- 2.6 The Funding Strategy Statement will now go to the Administering Authority's Governance and Audit meeting of the 23 March 2023 where the report will recommend that the version of the FSS that was issued for consultation be approved.

3. OTHER CONSIDERATIONS

None

4. FINANCIAL & RESOURCE APPRAISAL

None

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

None

6. LEGAL APPRAISAL

None

7. OTHER IMPLICATIONS

None

7.1 SUSTAINABILITY IMPLICATIONS

None

7.2 GREENHOUSE GAS EMISSIONS IMPACTS

None

7.3 HUMAN RIGHTS ACT

None

7.4 TRADE UNION

None

7.5 ISSUES ARISING FROM PRIVACY IMPACT ASSESMENT

None

8. NOT FOR PUBLICATION DOCUMENTS

None

9 RECOMMENDATIONS

The Local Pension Board note this report.

10. Appendix

- Appendix A - FSS