West Yorkshire Pension Fund

REPORT & ACCOUNTS

Report and Accounts for the year ended 31 March 2023

22
23

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

Contents

FOREWORD

West Yorkshire Pension Fund (WYPF) is one of the largest of the regional funds that make up the Local Government Pension Scheme (LGPS). As at 31 March 2023 we had 319,484 members and 394 active employers across the UK. Our largest employers are the five West Yorkshire Councils - Bradford, Calderdale, Kirklees, Leeds and Wakefield.

We also provide shared service administration arrangements to three other LGPS funds and over twenty Fire and Rescue Authorities.

In total within our Shared Service administration arrangements, we serve 480,972 members and over 950 active employers.

Our administration service continues to perform to a very high standard in an increasingly challenging environment. During the forthcoming year we expect to implement the much talked-about McCloud remedy and we are making excellent progress in preparing for the launch of pensions dashboards.

2022/23 was also a more challenging year for global investment markets than the preceding two years; and it was therefore particularly pleasing that WYPF still delivered a positive return, with fund assets valued at £17.95 billion at the end of March. Early indications suggest that WYPF's 2022/23 investment return of 0.6% is one of the highest within the LGPS and the Fund's longer-term returns also compare favourably against the LGPS average.

The 2022 triennial actuarial valuation exercise was completed, with WYPF's funding level (the ratio of assets to liabilities) increasing to 108%. This result includes an additional allowance in the liabilities to reflect a significant increase in inflation expectations since the valuation date.

At the time of writing, stubbornly high inflation, particularly in the United Kingdom, and the policy responses of central banks are creating a difficult puzzle for investors. It is perhaps fortunate that the dramatic change in market conditions that we are seeing has coincided with the completion of the valuation process which presents the natural opportunity for WYPF to undertake a review of its strategic asset allocation and update its Investment Strategy Statement.

Implementing a decision made at previous asset allocation reviews, an external manager has recently been appointed via the Northern LGPS Pool framework to build a direct UK property portfolio. We also continue to collaborate with our pooling partners to build resilience and drive efficiencies across a range of asset classes.

During the forthcoming year we expect Government to formally introduce requirements for LGPS funds to report on climate-change risks. WYPF already measures and discloses its "carbon-footprint" on an annual basis. WYPF sees climate change as an existential threat to the planet and recognises the need to act. To that end we have made a commitment to cut the carbon emissions of the fund to net zero by 2050 and continue to seek opportunities to invest in climate solutions.

I would like to extend my thanks to all members of the bodies that provide oversight of WYPF for their valuable contributions over the past year. I would also like to thank officers, advisors, fund members and employers for their continued support.

Councillor Andrew Thornton

Chair
Joint Advisory Group and Investment Advisory Panel

MANAGEMENT STRUCTURE

SECTION 2: MANAGEMENT STRUCTURE

Members of the WYPF Joint Advisory Group

Bradford Council		
Councillor A Thornton **Chair**	Councillor G Winnard **Deputy Chair**	Councillor T Salam
Calderdale Council		
Councillor S Baines MBE (Until May 2022)	Councillor C Hutchinson	Councillor J Lynn
Councillor C Pillai (From May 2022)		
Kirklees Council		
Councillor M Crook (From May 2022)	Councillor E Firth	Councillor J Ramsay
Councillor H Uppal (Until May 2022)		
Leeds Council		
Councillor A Scopes	Councillor J Shemilt	Vacancy
Wakefield Council		
Councillor K Swift	Councillor H Mitchell	Councillor D Nicholls (From May 2022)
Trade union representatives		
L Bailey – UNISON	T Chard – GMB	A Goring – UNISON
M Morris – Unite the Union (Until Dec 22)		
Scheme member representatives		
M Morris (Until Dec 2022)		
Representative from Finance Directors of the councils of West Yorkshire		
C Chapman - Director of Finance/S151 Officer, Bradford Council (Until Dec 2022)		
C Kinsella - Director of Finance/S151 Officer, Bradford Council (From Dec 2022)		

Members of the WYPF Investment Advisory Panel

Bradford Council		
Councillor A Thornton **Chair**	Councillor G Winnard	
Calderdale Council		
Councillor S Baines MBE (Until May 2022)	Cllr C Hutchinson (From June 2022)	Councillor J Lynn
Kirklees Council		
Councillor E Firth	Councillor Ramsey (From June 2022)	Councillor H Uppal (Until May 2022)
Leeds Council		
Councillor A Scopes	Councillor J Shemilt	
Wakefield Council		
Councillor M Collins (Until May 2022)	Councillor H Mitchell	Councillor D Nicholls (From May 2022)
Trade union representatives		
L Bailey – UNISON	T Chard – GMB	A Goring – UNISON
West Yorkshire Pension Fund		
E Millier - Managing Director		
External advisors		
M George	P Hebson	M Stevens
Representative from the Finance Directors of the councils of West Yorkshire		
V Bradshaw – Chief Finanical Officer, Leeds Council		
Scheme member representatives		
P Cole	C Greaves	

SECTION 2: MANAGEMENT STRUCTURE

Members of the WYPF Local Pension Board

Employer representatives

Councillor S Lal **Chair**
Bradford MDC

Councillor L Malkin
Wakefield MDC

Councillor L Martin
Leeds City Council

B Petty
University of Bradford

Member representatives

M Binks - Unison

P Charlton - GMB (From April 2022)

I Dziya - Unison (From May 2022)

A Jones - Unite (Until Dec 2022)

M Morris - Unite (From Dec 2022)

Appointed service providers and advisers

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

LOCAL PENSION BOARD ANNUAL REPORT

Annual Report of the West Yorkshire Pension Fund Pension Board 2022/2023

Introduction

I am pleased to present the report of the Local Pension Board for West Yorkshire Pension Fund (WYPF) for the year 2022/2023. The WYPF Pension Board was established as a result of the Public Sector Pensions Act 2013, which required all public sector pension schemes to set up a representative local pension board by 1 April 2015. The board operates independently from both the Joint Advisory Group and Investment Advisory Panel. The role of the pension board is to assist the administering authority in securing compliance with all regulations and legislation and to help ensure the effective, efficient governance and administration of the scheme.

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

Governance arrangements

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

Constitution and membership

Local Pension Boards must contain an equal number of employer and scheme member representatives. WYPF's Pension Board has been established with four employer and four member representatives.

During 2022/23 one of the Member Representative left the Board - Andy Jones from Unite. Also Ben Petty an Employer Representative from University of Bradford gave notice he would leave the Board at the end of the scheme year. I would like to thank both for their support during their tenure.

As a result, a new member joined the board as a Member Representative during the year - Mark Morris from Unite and the vacant Employer Representative role has been advertised to all scheme employers with a view to fill the position prior to the June 2023 Board meeting.

The membership of the board at the end of 2023 is listed below:

Employer Representatives

- Councillor S Lal (Chair) – City of Bradford MDC
- Councillor L Martin – Leeds CC
- Councillor L Malkin – Wakefield MDC
- B Petty - University of Bradford (left 31 March 2023)

Member Representatives

- M Binks – Unison
- I Dziya – Unison (joined May 2022)
- P Charlton – GMB (joined April 2022)
- M Morris – Unite (joined December 2022)
- A Jones – Unite (left December 2022)

Information about the board members and their contact details, are available on the WYPF website via the following link:

https://www.wypf.org.uk/pension-boards/wypf-index/

SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

Meetings

During the year the board held four meetings:

- 28 June 2022
- 18 October 2022 (re-convened from 13 September 2022)
- 21 March 2023 10.30am to 11.00am (re-convened from 13 December 2022)
- 21 March 2023 11.00am to 1.00pm

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

WYPF Pension Board member training

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

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

In addition, all pension board members are required to undertake the Pensions Regulator Toolkit training (7 Modules) and Hymans learning Academy training (6 modules), both of which are an online learning programmes aimed at trustees of occupational pension schemes. The training includes a series of online learning modules and downloadable resources developed to help members meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

Additionally, all Board Members were asked to complete an additional TPR Toolkit training module regarding pension scams. This has enabled WYPF to sign up to the TPR scams pledge, joining 400 other UK pension schemes in protecting scheme members against pension scammers.

The work programme

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

- Minutes of the Joint Advisory Group meetings
- Updates to the Pensions Administration Strategy
- Proposed updates to the Funding Strategy Statement
- Register of Breaches of Law
- Local Government Pension Scheme updates
- 2022/23 WYPF Service Budget
- Training conferences and seminars
- Minutes of Investment Advisory Panel
- Report and Accounts
- Audit Plan
- 2022 Annual Benefit Statement Exercise
- Data Improvement Plan
- McCloud Planning
- Risk Register
- Communication Strategy
- Pensions Dashboard
- WYPF Pensions Administration report
- Training Strategy
- CEM Benchmarking

Training delivered during Pension Board meetings:

- LGPS scheme overview
- McCloud
- CARE revaluation and Annual Allowance

SECTION 3: LOCAL PENSION BOARD ANNUAL REPORT

Pension Board attendance and training completed in 2022/23

	Pension Board Attendance (4 meetings)	TPR Public Service toolkit-7 Modules	LGPS online learning Academy-6 Modules	Pension scams (Updated) part of the Trustee toolkit	Hot Topics In Board Training (3 sessions)	Fundamentals LGA Training	Conferences	National knowledge assessment	Valuation Training
Employer Representative									
Councillor Shakeela Lal (Chair)	4			✓	3	✓		✓	
Ben Petty	4	✓		✓	3	✓	CIPFA & LGPS	✓	✓
Councillor L Malkin	4	✓		✓	3			✓	✓
Councillor Lisa Martin	1			✓	2			✓	
Member Representative									
Mick Binks	4	✓	✓	✓	3			✓	✓
Phillip Charlton	1		✓	✓	3			✓	
Isaac Dziya	3			✓	2				
Mark Morris (Joined Dec 2022)	1			✓	1				
Andy Jones (Left Dec 2022)	2								

Conclusion

This is the eighth report of the WYPF Pension Board. WYPF’s membership, employer base and administration service will continue to evolve, as will the role of the Board in providing support and constructive challenge. I would like to thank all members of the Board for their valuable contributions over the year and our officers and advisers for their continued support and assistance.

Councillor S Lal Chair of WYPF Pension Board.

PENSIONS ADMINISTRATION REVIEW

Overview and legal status of West Yorkshire Pension Fund

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

Administering authority

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

HMRC registration

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

Fund activities during the year

Annual meetings in 2022/23

WYPF held its eighteenth annual meeting for Fund members on 26th October 2022, it was held online and recordings made available on our website. Pension fund members logged onto a video feed of the meeting.

https://www.wypf.org.uk/publications/meetings-and-events/wypf-pension-fund-member-events/annual-meeting-for-members-2022-wypf-members-only/

The meeting was chaired by Councillor Andrew Thornton, chair of WYPF's Investment Panel and Joint Advisory Group. As usual, there were presentations from Rodney Barton, WYPF's Director, and from the Fund's independent investment advisers.

Our employers' annual meeting was also held virtually on 27th October 2022. Topics covered were the triennial actuarial valuation, updates on the Fund including its investments and administration, and the general economic and financial market climate.

Employer training during 2022/23

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

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

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

Member engagement during 2022/23

We've continued to work with our pre-retirement partner Affinity Connect to offer two hour courses to members covering the financial and emotional aspects of retiring. Like our employer training, this has moved online in recent years with plans to move to a hybrid delivery model in future. We have also relatively recently restructured our Employer Relations and Communications functions splitting the responsibilities into two dedicated teams in WYPF.

Pension Increase 2022/23

Each year, WYPF pensioners receive an annual increase in accordance with pension increase legislation. The increase is linked to movements in the Consumer Price Index (CPI) in September each year. Deferred member benefits are also typically increased in line with CPI. For the financial year 2022/23 the CPI of 3.1% for September 2021 was applied on 11th April 2022.

Pension administration and cost 2022/23

As in previous years, the workload of the pension administration section continued to increase and, member numbers continued to rise, particularly with the addition of new shared service administration partners. WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000.

Our quality management systems ensure that we are committed to providing the best possible service to shared service administration partners and will continue to ensure that we deliver best value to all our stakeholders. The latest published data for all LGPS funds' administration costs shows that WYPF's pensions administration cost per member is £13.73 p.a.. This is the 3rd lowest cost amongst 85 LGPS funds and well below the national average of £26.68.

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

Shared service

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

Data quality

The Fund is required to report on data quality to the Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for common data. The latest available figures for common data accuracy are set out in the table below.

Data Type	%
Forename	100.00
Surname	100.00
Membership status	100.00
Date of birth	100.00
NI number	99.87
Postcode	99.96
Address	96.67

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

SECTION 4: PENSIONS ADMINISTRATION REVIEW

Communications

Our Contact Centre is now opened to visitors and we have continued to provide a full telephone service. Since the pandemic contact through emails and our secure member portal has increased.

WYPF produced 99.95% of annual pension benefit statements for members by the regulatory deadline of 31 August 2022. The 0.05% not produced was due to delays with employers and pension management processes. We continued to produced benefit statements after the deadline to ensure all benefit statements that can be produced are produced. This process provides members with useful information on their pension benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information.

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

MyPension

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

Pensions Age Awards

WYPF was shortlisted under the following categories:

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

European Pension Awards

WYPF was shortlisted under the following categories:

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

Disaster recovery and risk management monitoring

WYPF uses Bradford Council's pair of geographically separated data centres, which are 3.2km apart. Both purpose-built data centres are protected by redundant power (UPS), a backup generator and cooling.

- The data centres are connected by point-to-point council-owned fibre runs. Data centres have secure access systems and are monitored 24/7 by Bradford's CCTV Unit.
- Both sites are permanently live and accessible by our internal end-users who are networked to the sites via diverse fibre cable routes.
- Where possible, servers are virtualised, using VMWare. The servers and data are replicated between the VMWare hosts utilizing site recovery manager at both sites to ensure a short recovery time.
- Data is backed up to disk medium in a 24-hour cycle and written to tape archive on robotic tape libraries at both sites. An encrypted archive copy is sent to a dedicated offsite storage facility every week.
- WYPF's server, disk and core network infrastructure is monitored for errors and warnings, and these generate a ticket on the WYPF IT ITIL system for investigation and resolution.
- Critical data stores are also replicated at disk level regularly depending on the importance of the data. In the event of serious system failures, WYPF would re-provision testing hardware and the infrastructure environment for live running.
- WYPF regularly test our site recovery manager by conducting an non-disruptive test.
- WYPF conducted Disaster Recovery test in September 2022 and proved systems are available from Disaster Recovery site.

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

Social media

WYPF's Facebook and Twitter accounts were launched in November 2014 to encourage members of all ages to engage more with the Fund. A LinkedIn page is also maintained.

https://twitter.com/wypf_lgps

www.facebook.com/westyorkshirepensionfund

https://uk.linkedin.com/company/west-yorkshire-pension-fund

Privacy policy

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

www.wypf.org.uk/privacy

FINANCIAL MANAGEMENT AND PERFORMANCE

Financial Performance – analytical review

The following table identifies movements in the fund account based on expenditure between 31 March 2022 and 31 March 2023 and provides reasons for variances. The full financial statements are within section 10 – Statement of accounts of this document.

Statutory accounts financial performance variance 2023 versus 2022

Table A – dealing with members and employers

Dealings with members, employers and others directly involved in the fund	**31-Mar-23 £000**	**31-Mar-22 £000**	**Variance £000**	**Notes on significant variances**
Contributions receivable	527,987	475,463	52,524	Increased number of active members, average employer rate has reduced.
Transfers In	36,686	32,012	4,674	Increased number of new members joining WYPF employers and transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	19,820	20,171	-351	No significant change, non statutory pension payment will continue to reduce.
Benefits payable	-606,566	-591,305	-15,261	Increased number of members in receipt of pension benefits.
Non-statutory pensions and pensions increase	-19,820	-20,171	351	No significant change, non statutory pension payment will continue to reduce.
Payments to and on account of leavers	-29,654	-19,993	-9,661	Increase in number of members leaving WYPF employers and transferring their pension savings from WYPF.
Management expenses	-13,606	-10,455	-3,151	Impact of increased investment in pension services. In addition there has been an increase in investment activities.

Table B – fund assets performance

Returns on investments	**31-Mar-23 £000**	**31-Mar-22 £000**	**Variance £000**	**Notes on significant variances**
Investment income	498,917	425,221	73,696	Increased dividend payout from companies across the UK and overseas.
Taxes on income	-6,363	-9,143	2,780	Tax payments are at the same level as previous years however we have looked at the level of tax reclaimed and made adjustment to actual cash received from tax authorities globally.
Profit and losses on disposal and changes in value of investments	-436,145	1,348,594	-1,784,739	Negative movement in market value of assets during reporting year.
Stock lending	2,212	1,871	341	Stock lending activities has increased.
Net return on investments	**58,621**	**1,766,543**	**-1,707,922**	Negative market impact on investment asset values. largely offsetting investment income received.
Net increase/(decrease) in the net assets	**-26,533**	**1,652,264**	**-1,678,798**	Negative market impact on investment asset values. largely offsetting investment income received. Benefits paid exceed contributions received
Opening net assets of the fund	**17,979,466**	**16,327,202**	**1,652,265**	
Closing net assets of the fund	**17,952,932**	**17,979,466**	**-26,535**	

Fund account three-year forecast and two-year outturn

The table below shows a three-year budget estimate 2022/23 to 2025/26 and outturn figures for 2021/22 and 2022/23.

Fund account – estimates and actuals	**2025/26 Estimate**	**2024/25 Estimate**	**2023/24 Estimate**	**2022/23 Outturn**	**2021/22 Outturn**
	£000	£000	£000	£000	**£000**
Dealings with members, employers and others directly involved in the fund					
Contributions receivable	611,200	582,100	554,400	527,987	475,463
Transfers in	42,400	40,400	38,500	36,686	32,012
Non-statutory pensions and pensions increases recharged	22,900	21,800	20,800	19,820	20,171
Total income from members and employers	**676,500**	**644,300**	**613,700**	**584,493**	**527,646**
Benefits payable	-702,100	-668,700	-636,900	-606,566	-591,305
Non-statutory pensions and pensions increase	-22,900	-21,800	-20,800	-19,820	-20,171
Payments to and on account of leavers	-34,300	-32,700	-31,100	-29,654	-19,993
Total payments to members	**-759,300**	**-723,200**	**-688,800**	**-656,040**	**-631,469**
Management expenses	**-15,800**	**-15,000**	**-14,300**	**-13,606**	**-10,455**
Returns on investments					
Investment income	577,600	550,100	523,900	498,917	425,221
Taxes on income	-7,400	-7,000	-6,700	-6,363	-9,143
Profit and losses on disposal of and changes in value of investments	584,600	556,800	530,300	-436,145	1,348,593
Stock lending	2,500	2,400	2,300	2,212	1,871
Net return on investments	1,157,300	1,102,300	1,049,800	**58,619**	**1,766,542**
Net increase in the net assets available for benefits during the year	1,058,700	1,008,400	960,400	**-26,532**	**1,652,264**
Opening net assets of the fund	**19,921,732**	**18,913,332**	**17,952,932**	**17,979,466**	**16,327,202**
Closing net assets of the fund	**20,980,432**	**19,921,732**	**18,913,332**	**17,952,932**	**17,979,466**
% Increase in net assets	**5.31%**	**5.33%**	**5.35%**	**-0.15%**	**10.12%**

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

Management expenses forecast and outturn report

The table below gives the management cost forecast for 2022/23 to 2025/26 and outturn figures for 2021/22 and 2022/23.

	2025/26 Estimate £000	2024/25 Estimate £000	2023/24 Estimate £000	2022/23 Estimate £000	2022/23 Outturn £000	2022/23 Variance £000	2021/22 Outturn £000
Expenditure							
Accommodation	290	280	270	261	345	-84	301
Actuarial costs	410	390	370	350	317	33	189
Computer costs	1,410	1,340	1,280	1,216	1,902	-686	1,351
Contingency	1,160	1,100	1,050	1,000	0	1,000	0
Employee costs	12,330	11,740	11,180	10,643	9,842	801	8,160
Internal recharges from Bradford Council	540	510	490	463	559	-96	459
Printing and postage	350	330	310	299	402	-103	373
Other running costs	1,190	1,130	1,080	1,027	1,179	-152	1,046
Investment transaction costs	2,900	2,760	2,630	2,500	2,320	179	1,333
Total expenditure	**20,580**	**19,580**	**18,660**	**17,759**	**16,866**	**892**	**13,212**
Income							
Shared service income	-3,280	-3,120	-2,970	-2,830	-3,024	194	-2,543
Other income	-210	-200	-190	-179	-237	58	-214
Total income	**-3,490**	**-3,320**	**-3,160**	**-3,009**	**-3,261**	**252**	**-2,757**
Total	**17,090**	**16,260**	**15,500**	**14,750**	**13,606**	**1,144**	**10,455**

Estimates shown above are based on current costs of operational activities and our current and future business plans. Variances between the revised estimate and outturn for 2022/23 are mainly due to:

- **Accommodation:** overspend of £0.08m – planned repairs and cost of utilities, however there is reduced foot fall in the building, with resulting reduction in cleaning and general maintenance.
- **Actuary cost:** underspend of £0.03m actuarial work increased in March as result of increased accounting and employer triennial engagement work, however we are still underspending against budget.
- **CBMDC support service cost:** overspend of £0.10m, expected review of central support charges was delivered in October22 resulting in increased charges, this is against the background of increased service take up and staff increase in WYPF, whilst staff numbers in the Council has reduced.
- **Computer / IT costs:** overspend of £0.69m, mainly due to provisions being made for McCloud system development, pension dashboard, network servers, disaster recovery and digital services. Most of these are being funded by increase charges per member for shared service. The aim is to keep our investment in IT systems constant, by anticipating IT costs and planning for IT projects.
- **Invest to save resources:** The full £1m provision was released to support increased staffing resources and IT improvements.
- **Employees costs:** underspend of £0.80m, mainly due to vacancies in investments and WYPF support services, there is a £0.18m overspend in pension admin. In the next few years we are looking at increased staffing resources to address increased workload and regulations.
- **Other running costs:** overspend of £0.15m, mainly on cost of performance measurement, planned reduction in discount received from custodian for financial asset custody, projected increase in Northern LGPS Pool share of costs and miscellaneous adjustments for cost of services.
- **Printing and stationery costs:** overspend of £0.10m, increased printed communications for new shared service partners' members. We expect this forecast to go down – direct savings from increased uptake of digital services.
- **Investment transaction costs:** underspend of £0.18m, increased investment activities in recent months has reduced underspends to a moderate level.

- **WYPF support services cost:** is fully recharged to Pension Admin and Investment Management.
- **Other income:** £0.06m more income forecasted than planned for treasury charges and there is a noted reduction in recharge to GLIL.
- **Shared service income:** £0.19m more income projected due to increased number of shared service partners.

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

Participating employers

Analysis of employers summarised by type

There were 394 active employers at the end of the financial year. A total of 49 employers ceased their membership of the fund during the year, converted to academy status or joined multi-academy trusts. A total of 443 employers were active employers during the year.

Employers	2022/23 Active	2022/23 Joined	2022/23 Ceased	2022/23 Total	2021/22 Total
Admitted body	121	13	40	174	144
Scheduled body	273	9	9	291	319
Total	**394**	**22**	**49**	**465**	**463**

Analysis of contributions received on time and late

The table below shows the value of pension contributions received both on time and late. West Yorkshire Pension Fund receives contributions from active employers every month averaging £40m per month. Contribution payment from employers is due by the 19th of the month following the payroll month. No statutory late payment interest was charged on any of the late payments.

Contribution payment performance	2022/23 Total £000	2022/23 Received on time £000	2022/23 Received on time %	2022/23 Received late £000	2022/23 Received late %	2021/22 Received late £000	2021/22 Received late %
Employer contributions	381,697	374,300	98.06	7,397	1.94	131	0.04
Employee contributions	146,290	143,467	98.07	2,823	1.93	49	0.04
Total	**527,987**	**517,767**	**99.81**	**10,220**	**0.19**	**180**	**0.04**

Data governance and monthly returns

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

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

Monthly returns performance data	2022/23	%	2021/22	%	2020/21	%	2019/20
Number of returns expected in the year from all employers	11,760	100	11,400	100.0	9,822	100.0	5,640
Number of returns received by 19 April	11,137	94.7	11,100	97.4	9,798	99.8	5,497
Number of returns not received	623	5.3	300	2.6	24	0.2	8
Returns processed within 10 working days	10,049	85.5	9,992	87.6	9,193	93.6	5,375
Number of records on return	1,755,872	100.0	1,680,170	100.0	1,553,903	100.0	1,211,489
Number of new member records set up using monthly return	34,807	0.0	29,375	0.0	21,005	0.0	20,493
Number of leaver notifications processed using monthly returns	19,354	0.0	15,105	0.0	9,865	0.0	11,492

Employers who made contributions to the fund during 2022/23

Participating employers		
Bradford M.D.C	Blessed Peter Snow Catholic Academy Trust (Calderdale)	Churchill Contract Services (Bradford College Security)
Leeds City Council	Blessed Peter Snow Catholic Academy Trust (Kirklees)	Churchill Contract Services (Bradford College)
Calderdale M.B.C	Boothroyd Primary Academy	Churchill Contract Services (Outwood Grange Academies Trust)
Kirklees M.C	Bradford Academy	Churchill Contract Services Ltd (West Yorkshire Fire & Rescue)
Wakefield M.D.C	Bradford Children and Families Trust Ltd	Clapgate Primary School
Abbey Multi Academy Trust	Bradford College	Clayton Parish Council
Absolutely Catering Limited (Batley MAT)	Bradford Diocesan Academies Trust	Coalfields Regeneration Trust
Absolutely Catering Ltd (BGS)	Bradford District Credit Union	Cockburn Multi Academy Trust
Accomplish MAT	Bradford M.D.C. Councillors	Collaborative Learning Trust
Accord Multi Academy Trust	Bradshaw Primary School	Collingham Lady Elizabeth Hastings
Ackworth Parish Council	Bramley St Peters C of E School	Community Accord
Addingham Parish Council	Brighouse Academy	Compass (Leeds PFI Schools)
Adel St John The Baptist CE (VA) Primary School	Brigshaw Learning Partnership	Compass Contract Services (Delta Academies Trust)
Affinity Trust	Brodetsky Jewish (VA) Primary School	Compass Contract Services (UK) (Pontefract Academies Trust)
Alder Tree Primary Academy (WRAT)	Bronte Academy Trust	Compass Contract Services (UK) Ltd
All Saints CE J & I School	Brooksbank School Sports College	Compass Contract Services (Westborough High School)
All Saints Primary School (Collaborative Learning Trust)	Bulloughs (Temple Learning Academy RKLT)	Compass Contract Services (Whetley Academy)
All Saints Richmond Hill Church Of England Primary School	Bulloughs Cleaning Services Limited (Exceed Academies Trust)	Cookridge Holy Trinity C E Primary School
Amey Community Ltd Bradford BSF Phase 2 FM Services	Bulloughs Cleaning Services Limited (Share MAT)	Corpus CHRisti Catholic Primary School
Amey Community Ltd Fm Services	Bulloughs Cleaning Services Limited (WRAT)	Cottingley Primary Academy
Amey Infrastructure Services Ltd (Wakefield)	Bulloughs Cleaning Services Ltd (Poplar Farm Primary School)	Craft Centre & Design Gal. Ltd
Apcoa Parking (UK) Limited	Burley Parish Council	Creative Support Limited
Aramark Limited	Burnley Road Academy	Crescent Purchasing Ltd
Aramark Limited (Greenhead College)	C and K Careers Ltd	Crigglestone St James CE Primary Academy
Arcadis (UK) Ltd	Cafcass	Crossley Hall Primary School
Arts Council England	Calder High School	Crossley Street Primary School
Aspens (Ireland Wood Primary School)	Calderdale College	Crow Lane Primary And Foundation Stage School
Aspens Services Limited (Batley Multi Academy Trust)	Calverley C of E Primary School	Darrington C of E Primary School
Aspens Services Ltd	Cardinal Heenan Catholic High School	Deighton Gates Primary Foundation School
Aspens Services Ltd (Northern Star Academies Trust)	Care Quality Commission	Delta Academies Trust
Aspire Community Benefit Society Ltd	Carlton Academy Trust	Denby Dale Parish Council
Aspire-Igen Group Ltd	Carr Manor Community School	Dixons Academies Charitable Trust Ltd
Atalian Servest (Mast Academy Trust)	Carroll Cleaning Co Ltd (Lapage Primary School)	Dolce Limited (Bishop Konstant C.A.T)
Atalian Servest (St John Fisher Catholic Academy)	Carroll Cleaning Company (Churwell Primary School)	Elevate Multi Academy Trust
Baildon Town Council	Carroll Cleaning Company (Nessfield Primary School)	Enhance Academy Trust
Bankside Primary School	Carroll Cleaning Company Limited (Fearnville Primary School)	Enviroserve (Allerton Primary)
Bardsey Primary Foundation School	Carroll Cleaning Company Limited (Frizinghall)	Enviroserve (Low Moor Primary School)
Basketball England	Carroll Cleaning Company Ltd (Birkenshaw Primary School)	Enviroserve (Priestley Academy Trust)
Batley Grammar School (Batley M.A.T.)	Carroll Cleaning Company Ltd (Holy Trinity Primary)	Enviroserve (St Pauls Primary School)
Batley Multi Academy Trust	Carroll Cleaning Company Ltd (Peel Park Primary School)	Equans Services Ltd
Beckfoot Trust	Carroll Cleaning Company Ltd (Saltaire Primary)	Ethos Academy Trust
Beeston Hill St Lukes C E Primary School	Carroll Cleaning Company Ltd (Southmere Primary Academy)	Evolve Academy (Ethos Academy Trust)
Beeston Primary Trust	Carroll Cleaning Company Ltd (St Johns Wakefield)	Exceed Academies Trust
Belle Isle Tenant Management Org	Carroll Cleaning Company Ltd (Wakefield)	Fairfield School
Bid Services	Carroll Cleaning Company Ltd (Whetley)	Falcon Education Academies Trust
Bingley Grammar School	Castleford Academy Trust	Feversham Education Trust
Birstall Primary Academy	Cater Link Ltd (Selby College)	Feversham Primary Academy
Blessed Christopher Wharton Academy Trust	Chief Constable for West Yorkshire	Fieldhead Junior Infant And Nursery Academy

Participating employers		
Fleet Factors Ltd	Killinghall Primary School	Mellors Catering Services Limited (Exceed Academies Trust)
Foxhill Primary School	King James School	Mellors Catering Services Limited (Heckmondwike Grammar School)
Future Cleaning Services Limited (Calder High)	Kirkburton Parish Council	Mellors Catering Services Limited (Pennine Academies Trust)
Golcar Junior Infants and Nursery School	Kirklees Active Leisure	Mellors Catering Services Limited (Priestley Academy Trust)
Great Heights Academy Trust	Kirklees Citizens Advice And Law Centre	Mellors Catering Services Limited (Star Academies)
Great Heights Academy Trust (The M F G And Marsden)	Kirklees College	Mellors Catering Services Ltd (Baildon Glen Primary School)
Greenhead Sixth Form College	Kirklees M.C. Councillors	Mellors Catering Services Ltd (Cavendish Primary)
Groundwork Leeds	Kirkstall St Stephens C E (VA) Primary School	Meltham Town Council
Groundwork Wakefield	Lady Elizabeth Hastings School	Menston Parish Council
Grove House Primary School	Laisterdyke Leadership Academy	Micklefield Parish Council
Guiseley Infants	Lane End Primary Trust	Midshire Signature Services Ltd (Bronte Academy Trust)
Guiseley School	Learning Accord Multi Academy Trust	Midshire Signature Services Ltd (Co-Op Academy Smithies Moor)
Halifax Opportunities Trust (Calderdale)	Leeds Appropriate Adult Service	Midshire Signature Services Ltd (Guiseley School)
Hanson School	Leeds Arts University	Minsthorpe Academy Trust
Hawksworth C E (VA) Primary School	Leeds Beckett University	Miriam Lord Primary School
Heaton St Barnabas C of E Primary School	Leeds C.C. Councillors	Miriam Lord Primary School (Priestley Academy Trust)
Hebden Royd Town Council	Leeds Centre For Integrated Living	Mitie Catering Services Limited
Heckmondwike GS Academy Trust	Leeds City Academy	Mitie FM Ltd
Heckmondwike Primary School	Leeds City College	Mitie FM Ltd (P.C.C For West Yorkshire)
Hemsworth Town Council	Leeds College Of Building	Mitie Integrated Services Ltd
Hepworth Gallery Trust	Leeds College Of Music	Mitie Limited (Leeds Schools PFI)
Hill Top First School	Leeds East Primary Partnership Trust	Mitie PFI Limited
Holme Valley Parish Council	Leeds Grand Theatre & Opera House	Moorlands Learning Trust
Holy Family Catholic (VA) Primary School	Leeds Jewish Free School	Morley Town Council
Holy Trinity Primary C of E Academy	Leeds North West Education Partnership	Mount St Marys Catholic High School
Horbury Bridge CE J And I School	Leeds Society For The Deaf & Blind	Mountain Healthcare Ltd (W Y Police)
Horsforth School Academy	Leeds Trinity University	Myrtle Park Primary School
Horsforth Town Council	Leodis Academies Trust	N.I.C. Services Group Limited (Middleton St Marys Leeds)
Huddersfield New College	Liberty Gas Outer West	National Coal Mining Museum For England
Hugh Gaitskell Primary School Trust	Liberty Gas West	Nell Bank Charitable Trust
Humankind Charity (Leeds)	Lidget Green Community Co-Operative Learning Trust	New Collaborative Learning Trust
Hunslet St Josephs Catholic (VA) Primary School	Lighthouse School	Ninelands Primary School
Hutchison Catering Limited (Iveson)	Lindley C E Infant Academy	Normanton Town Council
Hutchison Catering Ltd (Cottingley Primary Academy)	Lindley Junior School Academy Trust	Norse Group Limited (Wellspring Academy Trust)
Hutchison Catering Ltd (Feversham Primary Academy)	Littlemoor Primary	North Halifax Grammar Academy
Hutchison Catering Ltd (Guiseley School)	Littletown Junior School	North Halifax Partnership Ltd
I S S Mediclean Ltd	Locala	North Huddersfield Trust School
Ilkley Parish Council	Locala (Calderdale)	Northern Ambition Academies Trust
Impact Education Multi Academy Trust	Longroyde Junior School	Northern Education Trust
Incommunities	Low Moor Primary School	Northern School of Contemporary Dance
Independent Cleaning Services Ltd (Star Academies Trust)	Making Space	Northern Star Academies Trust
Innovate Services Ltd (Crossflatts)	Mast Academy Trust	Northorpe Hall Child And Family Trust
Inspire Partnership Multi Academy Trust	Maxim Facilities Management Limited (Southfield Grange)	Notre Dame Sixth Form College
Interaction And Communication Academy Trust	Maxim Facilities Management Ltd (Ireland Wood Primary School)	NPS Leeds Limited
Interaction And Communication Academy Trust (High Park)	Meanwood C E (VA) Primary School	Nurture Academies Trust
Iqra Academy (Feversham Education Trust)	Mears Ltd (West)	Oasis Academy Lister Park
Keelham Primary School	Mellors Catering Services (Share MAT)	Old Earth Academy
Keepmoat Property Services Limited	Mellors Catering Services Limited (Appleton Academy)	One In A Million Free School
Keighley Town Council	Mellors Catering Services Limited (Elevate MAT)	Open College Network Yorks & Humber (Trading as CERTA)

Participating employers		
Ossett Trust	Scout Road Academy	The Family of Learning Trust
Otley Town Council	Sea Fish Industry Authority	The Gorse Academies Trust
Oulton Academy (Falcon Education Academies Trust)	Share Multi Academy Trust	The Lantern Learning Trust
Our Lady of Good Counsel Catholic Primary School	Shibden Head Primary Academy	The MFG Academies Trust
Our Learning Cloud (BDAT)	Shipley College	Thornhill Junior And Infant School
Outwood Academy Freeston	Shipley Town Council	Thornton Primary School
Outwood Academy Greenhill	Shirley Manor Primary Academy	Thorp Arch Lady Elizabeth Hastings C E (VA) Primary School
Outwood Academy Hemsworth	Sitlington Parish Council	TNS Catering (SPTA)
Outwood Academy Wakefield City	Skills For Care Limited	Together Housing Association Ltd (Greenvale)
Outwood Grange Academy	Sodexo Ltd	Together Housing Association Ltd (Pennine)
Outwood Primary Academy Bell Lane	Sodexo Ltd (Oasis Academy Lister Park)	Together Learning Trust
Outwood Primary Academy Kirkhamgate	South Elmsall Town Council	Tong Leadership Academy
Outwood Primary Academy Ledger Lane	South Hiendley Parish Council	Tranmere Park Primary
Outwood Primary Academy Lofthouse Gate	South Kirkby And Moorthorpe Town Council	Trinity Academy Halifax
Outwood Primary Academy Newstead Green	South Ossett Infants Academy	Turning Lives Around
Outwood Primary Academy Park Hill	South Pennine Academies	Turning Point
Owlcotes Multi Academy Trust	Spen Valley High School	United Response
Oxenhope Village Council	SPIE Ltd	University Academy Keighley
Paddock Junior Infant And Nursery School	SSE Contracting Ltd	University of Bradford
Pennine Academies Yorkshire	St Anne's (Bradford) Community Services	University of Huddersfield
Pinnacle (W Y Police)	St Anne's Community Services	University Technical College Leeds
Pinnacle FM Limited (Kirklees)	St Anthonys Catholic (VA) Primary School	W.Y. Fire & Rescue Authority
Pinnacle FM Ltd	St Bedes And St Josephs Catholic College	Wakefield & District Housing Ltd
Polaris M.A.T	St Edwards Catholic (VA) Primary School	Wakefield College
Pontefract Academies Trust	St Francis Catholic Primary School	Wakefield College Selby
Pool Parish Council	St Gregory The Great Catholic Academy Trust	Wakefield M.D.C. Councillors
Possabilities CIC	St John's (CE) Primary Academy Trust	Waterton Academy Trust
Priestley Academy Trust	St John's Approved Premises Limited	Wellspring Academy Trust
Primley Wood Primary School	St John's Primary Academy Rishworth	West Yorkshire Combined Authority
Primrose Lane Primary Foundation School	St Josephs Catholic (VA) Primary School Wetherby	Westborough High School
Progress To Change (Cardigan House)	St Josephs RC Primary School (Todmorden) RCAT	Westwood Primary School Trust
Progress To Change (Ripon House)	St Matthews C E Primary School	Wetherby High School
Pudsey Grangefield School	St Michael & All Angels J & I	Wetherby Town Council
Pudsey SoutHRoyd Primary School Trust	St Nicholas Catholic Primary School	Whinmoor St Paul's C E Primary School
Queensway Primary	St Oswalds Church Of England Primary School	Whitehill Community Academy
Rainbow Primary Leadership Academy	St Patricks Catholic (VA) Primary School	William Henry Smith School
Rawdon Parish Council	St Peters C E Primary School	Wilsden Primary School
RCCN Limited (Chellow Heights School)	St Philips Catholic Primary School	Wolseley UK Ltd
Red Kite Learning Trust (Harrogate HR Hub)	St Theresa's Catholic Primary School	Woodside Academy
Red Kite Learning Trust (Leeds East HR Hub)	Star Academies Trust	Worth Valley Primary School
Reevy Hill Primary School	Strawberry Fields Primary School	WRAT - Leeds East Academy
Renewi UK Services Limited	Suez Recycling and Recovery UK Limited	WRAT - Leeds West Academy
RFM Group Services Limited (Sandy Lane Primary School)	Taylor Shaw (RKLT)	Wrose Parish Council
Rodillian Multi Academy Trust	Taylor Shaw Limited (Gorse Academies Trust)	Yeadon Westfield Infants
Rook's Nest Academy	Taylor Shaw Limited (Gorse at Elliott Hudson College)	Yeadon Westfield Junior
Rothwell St Marys Catholic (VA) Primary School	Taylor Shaw Ltd (Gorse Boston Primary School)	Yorkshire Purchasing Organisation
Roundhay St Johns C E (VA) Primary School	The Anah Project	
Rufford Park Primary	The Bishop Konstant Catholic Trust	
Russell Hall First School	The Bishop Wheeler Catholic Academy Trust	
Ryhill Parish Council	The Cellar Trust Limited	
Salendine Nook Academy Trust	The Cellar Trust Ltd (Bradford Wellbeing Service)	
Salterlee Academy Trust	The Co-Operative Academies Trust	
SBFM Limited (Bradford College)	The Crossley Heath Academy Trust	

Shared service provision

In addition to the local government pensions paid each month, West Yorkshire Pension Fund also provides a pensions administration and payroll service for the following 26 organisations.

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

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

The combined shared service membership for the 2022/23 financial year is shown in the following table.

	Service type	Shared service partners	2022/23 Active	2022/23 Pensioners	2022/23 B'ficiaries	2022/23 Deferred	2022/23 Undecided	2022/23 Frozen	2022/23 Total	2021/22 Total
	LGPS	W Yorkshire PF	110,704	96,561	12,070	87,284	1,910	10,955	319,484	307,797
1	LGPS	Lincolnshire LGPS	26,704	24,566	2,620	25,612	522	2,752	82,776	79,131
2	LGPS	LB Hounslow LGPS	6,997	7,312	944	7,613	184	1,395	24,445	23,925
3	LGPS	LB Barnet LGPS	9,729	8,587	1,059	9,517	527	1,406	30,825	30,343
4	FIRE	West Yorkshire Fire	1017	2,040	366	315	3	3	3,744	3,704
5	FIRE	South Yorkshire Fire	648	1,127	204	163	2	13	2,157	2,117
6	FIRE	North Yorkshire Fire	651	543	94	452	25	12	1,777	1,730
7	FIRE	Humberside Fire Authority	765	931	166	311	4	4	2,181	2,092
8	FIRE	Lincolnshire Fire	595	360	65	671	80	36	1,807	1,731
9	FIRE	Royal Berkshire Fire	401	460	61	243	2	3	1,170	1,163
10	FIRE	Buckinghamshire and Milton Keynes Fire	379	397	76	374	31	6	1,263	1,234
11	FIRE	Devon and Somerset Fire	1666	1,296	195	1,204	32	18	4,411	4,166
12	FIRE	Dorset and Wiltshire Fire	972	883	118	792	25	7	2,797	2,705
13	FIRE	Tyne and Wear Fire	603	1,226	197	128	2	0	2,156	2,130
14	FIRE	Northumberland Fire	303	326	56	234	5	2	926	887
15	FIRE	Norfolk Fire	639	486	94	367	10	7	1,603	1,572
16	FIRE	Staffordshire Fire	575	699	128	718	1	17	2,138	2,124
17	FIRE	Hereford and Worcester Fire	584	479	75	436	14	4	1,592	1,538
18	FIRE	Durham and Darlington Fire	443	524	98	270	2	0	1,337	1,322
19	FIRE	East Sussex Fire	569	571	108	371	45	5	1,669	1,608
20	FIRE	Derbyshire Fire	696	703	114	407	7	13	1,940	1,843
21	FIRE	Leicestershire Fire	572	641	84	346	15	11	1,669	1,612
22	FIRE	Nottinghamshire Fire	612	820	135	410	2	7	1,986	1,966
23	FIRE	Cambridgeshire Fire	459	450	51	471	2	11	1,444	1,399
24	FIRE	Northamptonshire Fire	399	383	54	338	13	15	1,202	1,133
25	FIRE	Shropshire Fire	423	335	45	303	27	8	1,141	0
26	FIRE	Warwickshire Fire	375	381	68	259	16	5	1,104	0
		Total	**168,480**	**153,087**	**19,345**	**139,609**	**3,508**	**16,715**	**500,744**	**480,972**

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

Benefits paid

West Yorkshire Pension Fund pays almost 109,000 pensioners and beneficiaries with a gross pension payroll in excess of £50m each month for West Yorkshire members. The Fund also pays pensions to members of pension funds participating in our shared services administration arrangements. Only payments to West Yorkshire Pension Fund members are charged to the account in this financial statement.

Pension overpayment

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

	2022/23 £000	2021/22 £000	2020/21 £000	2019/20 £000	2018/19 £000	2017/18 £000
Annual payroll	606,566	591,305	550,077	553,082	506,461	485,808
Overpayments	642	409	423	331	626	76
Overpayments written off	19	0	0	27	7	7
Overpayments recovered	265	175	270	62	359	161

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

Analysis of overpayments	2022/23 No. of payments	2021/22 No. of payments	2020/21 No. of payments	2019/20 No. of payments	2018/19 No. of payments	2017/18 No. of payments
Pensions paid	1,271,730	1,227,740	1,173,770	1,160,604	1,096,524	1,042,404
Cases overpaid	628	435	375	295	365	54
Cases written off	30	0	0	36	6	29
Cases recovered	437	317	295	225	270	262

Fraud prevention – National Fraud Initiative

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

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

	Number of records sent	Number of mismatches	Number of mismatches %	Overpay-ments	Overpay-ments %	Possible Frauds	Mismatches carried forward at 31 March
2022/23	329,082	2,379	0.70	24	0.01	0	10
2021/22	288,636	1,685	0.60	15	0.01	0	22
2020/21	286,429	963	0.34	4	0.00	0	1
2019/20	277,293	3,845	1.40	17	0.01	2	10
2018/19	260,387	3,339	1.28	3	0.00	2	2

Internal audits completed during 2022/23

The internal audit function for the West Yorkshire Pension Fund is carried out by Bradford Council; each year an agreed number of planned audits are performed on financial systems and procedures across the organisation. Listed below is a summary of reviews that were carried out during the financial year 2022/23.

Shared Service Admission

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

At the time of this audit review, in addition to the local government pensions paid each month, West Yorkshire Pension Fund was also providing a pensions administration service to a further 3 LGPS Funds and 23 Fire and Rescue Authorities on a shared service basis. The audit reviewed the processes and procedures in place with regard to the West Yorkshire Pension Fund's growth of its shared service provision. The control environment was found to be of a good standard with a number of recommendations being made to enhance the process.

Northern LGPS Collaborative Work – NPEP

As part of the formation of the Northern LGPS, the Northern Private Equity Pool (NPEP) was established as a joint venture structured as an English partnership. The partnership operates as a single legal entity through which the three Northern LGPS Funds can invest collectively and collaboratively in private equity assets. This audit reviewed the systems and controls which exist within the NPEP investment operations and was undertaken in collaboration with Internal Audit colleagues at Tameside Council (Greater Manchester Pension Fund) and Wirral Council (Merseyside Pension Fund). The arrangements were found to be of a good standard with three recommendations for improvement being made.

New Pensions and Lump Sums – Deferred Benefits

This audit examined the calculation of the deferred pension benefits for those members who have left the employment of a scheme employer. The control environment for this process was found to be of a good standard with one recommendation for improvement being made.

Reimbursement of Agency Payments

This audit examined the reimbursement of payments made in respect of the administration service provided by the WYPF for its shared service clients i.e. other LGPS Funds and Fire and Rescue Authorities. The control environment around this process was found to be of an excellent standard with no recommendations for improvement being required.

Review of the West Yorkshire Pension Fund 2021/22 Accounts

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

AVC Arrangements

Members of the Local Government Pension Scheme have the opportunity of paying extra contributions into the West Yorkshire Pension Fund AVC Plan, which can be arranged with three providers, Scottish Widows, Prudential or Utmost. The standard of control around these arrangements was found to be good, however, a number of recommendations were made to enhance the control of this process.

Equities

Since November 2019, all quoted investments are now held under the custody of the Northern Trust Bank (previously HSBC), and represent a significant proportion of the West Yorkshire Pension Fund investment portfolio, the annual audit review of this asset class found the process to be well controlled with no recommendations for improvement being made.

Fire Service New Pensions and Lump Sums – Normal and Early Retirements

At the time of the audit West Yorkshire Pension Fund provided an administration service for the payment of 21 fire and rescue authority pensions. This audit examined the calculation of the annual pension and the lump sum following a Fire Pension member's decision to retire. The control environment was largely as required resulting in one recommendation for improvement.

Annual Benefit Statements

All active and deferred members of Local Government Pension Scheme and Fire Service Schemes, receive an Annual Benefit Statement. This statement provides a number of pension details which demonstrate the value of their current benefits calculated from information provided by the member's employer on their monthly returns. No issues were identified during the course of this audit.

UK Fixed and Index Linked Public and Corporate Bonds

Investment in this asset class at the time of the audit was approximately 13% of the of the total investment portfolio. The control environment for this asset class was deemed to be excellent with no issues identified.

UK and Overseas Unit Trusts (Property and Other)

Approximately 4% of the West Yorkshire Pension Fund investment portfolio is held in Property Unit Trusts. The control environment surrounding the UK Property Unit Trusts was deemed to be largely as expected with one recommendation for improvement being made.

Treasury management

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

WYPF quality management

ISO 9001:2015

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

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

WYPF quality policy

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

Quality management system

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

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

Information Security Management System ISO 27001

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

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

Management and customer service key performance indicators

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

	Work type	**Total cases 2022/23**	**Target days 2022/23**	**Target cases met 2022/23**	**KPI target 2022/23 %**	**Actual KPI 2022/23 %**	**Actual KPI 2021/22 %**
1	Payment of pensioners (WYPF LG pensioners and beneficiaries)	2,069,184	Paid on due days	2,069,184	100	100.00	100
2	Change of address	3,508	20	3,401	85	96.95	95.77
3	Change to bank details	1,574	20	1,539	85	97.78	94.24
4	Death in service	89	10	72	85	80.9	86.9
5	Death in retirement	3,036	10	2,757	85	90.81	91.76
6	Death on Deferred	176	10	156	85	88.64	78.71
7	Deferred benefits	3,737	35	3,087	85	82.61	90.93
8	Deferred Benefits into payment actual	2,874	5	2,836	90	98.68	95.32
9	Divorce quote	467	40	460	85	98.50	90.93
10	Monthly posting	5,366	10	5,096	95	95.00	94.19
11	Payroll changes	2,256	20	2,246	85	99.56	97.68
12	Pension estimate	2,654	10	2,056	90	77.47	83.06
13	Refund payment	2,194	10	2,177	90	99.23	99.41
14	Refund quote	3,963	35	3,627	85	91.52	99.73
15	Retirement actual	2,937	10	2,927	90	99.66	97.20
16	Transfer out payment	195	35	171	85	87.69	86.98
17	Transfer-in payment	467	35	434	85	92.93	94.48
18	Transfer-in quote	763	35	762	85	99.87	99.29
19	Transfer-out quote	2,107	35	2,042	85	96.92	92.44
20	Update member details	12,059	20	11,964	100	99.21	99.78

Cost per member

	West Yorkshire Pension Fund	**Position**	**West Yorkshire Pension Fund**	**LGPS lowest (excluding WYPF)**	**LGPS highest**	**Average LGPS**
	2022/23	**2021/22**	**2021/22**	**2021/22**	**2021/22**	**2021/22**
	Financial Statement	**Gov't data SF3**	**Gov't data SF3**	**Gov't data SF3**	**Gov't data SF3**	**Gov't data SF3**
Admin cost per member	£16.54	3rd	£13.73	£0.00	£121.01	£26.68
Investment cost per member	£22.92	1st	£17.97	£18.02	£1,023.22	£282.32
Oversight and governance	£2.95	5th	£2.27	£0.00	£58.94	£11.21
Total cost per member	**£42.41**	**1st**	**£33.97**			
Lowest / Highest / Average (not a sum of figures in the table above)				**£34.06**	**£1,064.53**	**£320.21**

SECTION 5: FINANCIAL MANAGEMENT AND PERFORMANCE

2022/23 WYPF cost per member

The 2022/23 annual cost of administering the West Yorkshire Pension Fund per member is £16.54, investment management £22.92 and oversight and governance £2.95 giving a total management cost per member of £42.41. These figures compare favourably with the average cost for authorities in the Department for Levelling Up, Housing and Communities (DLUHC) – SF3 data collection results for the previous year shown in the table above.

2021/22 administration cost per member

From the latest data provided by government, WYPF's pension administration cost of £13.73 per member is the 3rd lowest amongst LGPS fund in England and Wales for 2021/22. The lowest cost is £0.00 and the highest is £121.01

2021/22 investment management cost per member

WYPF's investment management cost is the lowest cost per member in the latest result at £17.97; the lowest cost (excluding WYPF) is £18.02 and the highest £1,023.22. The reason for this low cost is primarily that WYPF has relatively simple investment arrangements with a small number of mandates and a centralised office support for both investment management and pension administration.

2021/22 oversight and governance cost per member

On oversight and governance, WYPF's is the 5th lowest cost at £2.27. The lowest is £0.00 and the highest is £58.94.

2021/22 total cost per member

WYPF has the lowest total cost per member (administration, investment, and oversight & governance) at £33.97. The national average for the LGPS in 2021/22 is £320.21 and the highest is £1,064.53.

Staff numbers

	2022/23 FTE	2021/22 FTE	2020/21 FTE	2019/20 FTE	2018/19 FTE
Investments	28.8	28.5	23.9	22.7	22.1
Service centre staff	65.3	57.7	52.4	54.8	59.5
Payroll	22.4	21.4	17.3	16.1	17.6
ICT/UPM staff	14.6	12.6	14.4	15.4	14.4
Finance staff	19.8	15.8	11.8	12	14.5
Business support staff	39.1	35.1	27.4	28.4	28.8
Technical	5.6	5.6	5.0	4.9	4.9
Total	**195.7**	**176.8**	**152.2**	**154.3**	**161.8**

Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 319,484 as at 31 March 2023. Active members are employed by 394 separate organisations.

	2022/23	% change	2021/22	% change	2020/21	% change	2019/20	% change	2018/19
Active members	110,704	5.55%	104,890	3.77%	101,079	0.80%	100,281	0.20%	100,060
Pensioners	96,561	3.93%	92,906	3.98%	89,346	4.72%	85,323	7.20%	79,583
Beneficiaries	12,070	2.25%	11,804	2.44%	11,523	1.13%	11,394	-3.40%	11,794
Deferred members	87,284	0.72%	86,657	1.12%	85,696	-1.30%	86,821	-2.70%	89,241
Undecided leavers	1,910	17.61%	1,624	-3.22%	1,678	33.60%	1,256	-29.00%	1,770
Frozen refunds	10,955	10.49%	9,915	10.35%	8,985	-4.13%	9,372	3.40%	9,066
Total	**319,484**	**3.80%**	**307,796**	**3.18%**	**298,307**	**1.31%**	**294,447**	**1.01%**	**291,514**

Admissions to the fund

Employees joining the fund were as follows.

	2022/23	2021/22	2020/21	2019/20	2018/19
Employees joining with no previous service	25,185	21,007	20,306	21,153	21,283
Employees with transfers from other local government funds	65	20	23	42	31
other pension schemes	248	248	249	415	245
Total	**25,498**	**21,275**	**20,578**	**21,610**	**21,559**

Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2022/23	2021/22	2020/21	2019/20	2018/19
Members awarded immediate retirement benefits	2,982	3,298	3,151	2,801	2,754
Benefits awarded on death in service	113	106	117	94	106
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	6,676	6,465	5,602	7,560	9,875
Total	**9,771**	**9,869**	**8,870**	**10,455**	**12,735**

INVESTMENT REPORT

Investment Advisory Panel – operational review

Retirement and new officers

The January meetings of the IAP and JAG saw the final attendance of Rodney Barton as Fund Director and we wish him a long and happy retirement. Succeeding him as Managing Director is Euan Miller, who joined from Greater Manchester Pension Fund, one of our partner Funds in Northern Pool. Euan has played a major role in helping to establish our Pool, including detailed negotiations with the Department for Levelling Up, Housing and Communities (DLUHC) concerning the unique attributes of the three member Funds. We have also welcomed Leandros Kalisperas as the new Chief Investment Officer for the Fund. Although Leandros only joined in January, he has already spent a lot of time with the investment team and the external advisors to establish what needs to be done to ensure the sustainability of the investment function into the future, bearing in mind the changing shape of our asset allocation. It is wonderful to be able to report that the management of the Fund remains in safe hands.

High global inflation – many factors

Another action-packed year, both in the world of investments and also in the wider world. There was a high economic price to pay following Russain invasion of Ukraine, with inflated energy and commodity prices as Europe sharply reduced reliance on Russian supplies. In the UK this manifested itself in a large increase in the cost of living, well above the accelerating rate of inflation. Central banks globally sought to bring inflation back under control by rapidly increasing interest rates. How effective that will be remains to be seen, but at least some value has returned to bond markets. This was the year that the UK experienced three Prime Ministers in rapid succession, with the brief foray into Trussenomics causing temporary chaos in financial markets, thankfully stabilised by rapid intervention from the Bank of England. In more recent weeks markets were spooked by the failure, for different reasons, of Silicon Valley Bank and Credit Suisse. Hopefully the current year will see the pressure on households ease as inflation falls back to more manageable levels.

Strategic asset allocation

Despite the turbulence seen in public markets, the Fund continued to perform well against benchmark. During the first half of the financial year public markets saw a fall in value, but private markets remained relatively stable. The consequence of this was that the asset allocation weightings moved towards the target positions contained within the last Strategic Asset Allocation review. Over calendar year 2022 most developed equity markets fell in value, the exception being the UK, which was marginally up. This will have benefitted Fund performance, given the large overweight position in UK equities in comparison the underweight position in US equities. With approval from the Investment Advisory Panel (IAP), officers commenced reducing the underweight position in Bonds, purchases being funded from cash and more recently from UK equities. During the latter part of the year property valuations started to come under downwards pressure, but with a large divergence in performance from the differing segments of the sector. Falls in value might not be welcome in normal circumstances, but it does provide the Fund with more attractive investment opportunities as we seek to increase our allocation in this area, assisted by our new external property manager, who is due to be appointed imminently.

ESG focus and engagement

The Fund has continued to improve standards in the Environmental, Social and Governance (ESG) area. A notable success was the Fund's revised application to sign up to the new Financial Reporting Council (FRC) Stewardship Code being accepted. By way of a reminder, the standards to achieve acceptance have become much more rigorous and requires everyone involved with the Fund to play their part. The FRC are looking for clearly definable outcomes at every level of the investment process, and being an internally managed Fund brings considerable responsibilities to provide that. The Sustainable Investment Engagement Manager's work supports and enables the investment managers to include greater emphasis on ESG and climate related issues in their investment processes in the future.

Panel members participated in a training session in December, focusing on the Decarbonisation of the West Yorkshire Pension Fund, with a range of speakers providing guidance on how this could be achieved. A further session to help define the investment beliefs in the management of Fund assets is expected to be held in the near future.

Supporting this, a good communications policy will enable internal and external stakeholders to see the work that the Fund is undertaking is market leading in terms of best practises.

Operational risk management

Challenges still lie ahead. The Recruitment and Retention Policy for the Fund still needs to be made fit for purpose, now and in the future. There remain gaps in the team, which need to be filled by suitably qualified people. We need to be able to retain our skilled staff in a highly competitive environment, including an appropriate career development path for our trainees. We are likely to see a number of our long serving staff retire over the next few years, so we need to be able to plan ahead to ensure a good succession is in place. It is essential that the Administering Authority recognises and responds to the very different requirements that the Fund has in comparison to the Council staff structure.

Remaining with the subject of operational support provided by the Administering Authority, the Panel should continue to monitor risks arising from these arrangements, with the compatibility of Council procurement and IT policy being a key focus at present, as set out in the WYPF risk register.

Governance review

Turning now to Fund Governance, a full review is to be undertaken with the support of an external specialist, which will make reference to the Scheme Advisory Board's (SAB) Good Governance Project in the process. This will include reviewing the roles and responsibilities of the IAP, the JAG and the LPB, with the objective to ensure that the work that they do properly complement each other, while retaining their requisite independence. In simple terms this will check the remit of each, so that the IAP remains focused on investments issues, the JAG on administrative issues and the LPB on their Fund oversight role (as defined by Regulations). While the proposals outlined in the SAB Project are at the moment purely advisory, they are due to be part of a consultation to be undertaken by DLUHC. One of the main objectives is to better define the relationship between Funds and their Administrating Authority, to ensure that potential conflicts of interest are appropriately managed and that the Fund is properly resourced to fulfil their functions. This stops short of complete ring fencing of the Pension Fund from the Authority, to ensure that local accountability can be maintained.

Investment reporting to the IAP has continued to improve, but our new CIO will be seeking further improvement in terms of greater emphasis on forward looking strategy and content that provides good quality information for the IAP to fulfil their strategic oversight role.

Training

Training at all levels for those involved in the management of the Fund remains high on the list of priorities, with clearly defined policies now in place for this to be provided and monitored. During the last year members have been able to undertake online modular training, facilitated by Hymans Robertson, which included a test of members' knowledge. While challenging, this has provided a good guide for future training requirements. At some other Funds formal accredited training is required for all members and those who deputise on the relevant bodies (in our case IAP, JAG and the LPB). With the ever-increasing scrutiny of LGPS Funds, this should now be considered for WYPF. Good training adds value to the function of meetings, as members will understand the key issues that they need to focus on that are relevant to the Fund, enabling well informed decisions to be taken.

2022/23 Summary

In conclusion; the Fund is in good shape as a result of the work undertaken by the members and officers of the Fund. With new leadership in place the Fund can look forwards to the future with confidence, so long as the progress made in the last year is maintained and the relevant changes referred to above are made. Change should be evolutionary, not revolutionary, but it is necessary to ensure the ability to pay our pensioners now and into the future is maintained.

INVESTMENT MANAGEMENT AND STRATEGY

Investment management and strategy

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

The latest government LGPS data released in late 2022 for 2021/22 financial year shows the fund's investment management costs were £17.97 (£17.25 in 2020/21) per scheme member. Our total cost per member is the lowest for all local authority pension funds and compares exceptionally well with the average LGPS cost for 2021/22 of £282.32 (£238.43 in 2020/21).

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

The global inflationary pressures and the continued Russian aggression in Ukraine is a major concern across all sectors, however WYPF had a very limited exposure of assets to Russia of 0.1% and we continue to keep a watchful eye on events, which have had a negative impact on all markets.

Investment performance

In 2022/23 our investments made a positive return of 0.6%, against a benchmark return of -1.1%. This performance is 1.7% above our benchmark. Our medium to long-term performance is as follows - three years 11.4% (7th percentile), five years 6.4% (19th percentile), ten years 7.4% (33rd percentile) and thirty years 8.0% (13th percentile), exceeding our benchmark at all of these time periods.

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

Voting policy

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

Custody of financial assets and stock lending

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

Northern Local Government Pension Scheme

In 2015 the Ministry of Housing, Communities and Local Government (MHCLG) issued guidance on LGPS asset pooling (LGPS: Investment Reform Criteria and Guidance), which sets out how the government expected funds to establish asset pooling arrangements. In January 2019, the MHCLG issued an informal consultation on draft guidance on asset pooling within the LGPS, setting out changes to the pooling framework. At the time of writing, that consultation has not been responded to, however DLUHC has recently released a new consultation which sets out a proposed direction of travel for LGPS asset pooling.

SECTION 7: INVESTMENT MANAGEMENT AND STRATEGY

We have set up the Northern Local Government Pension Scheme Pool (NLGPS) with Grater Manchester Pension Fund (GMPF) and Merseyside Pension Fund (MPF) as a partnership. The NLGPS Pool is focused on effectiveness, long term investment performance and cost management. LGPS funds across England and Wales have come together to form eight asset pools. The NLGPS is one of the largest pools with assets undermanagement of approximately £60 billion.

NLGPS governance

The NLGPS Pool is managed as a partnership, via a joint committee that meets quarterly in Tameside at the GMPF headquarter. The NLGPS Joint Committee is made up of 6 members, 2 from each member fund - the chair and deputy-chair of each of the Pooling Partners' pension committees, plus trade union representatives.

In order to manage core investment management costs and improve investment opportunities, NLGPS partners have:

a.) Procured Northern Trust (NT) as a common custodian for the Pool, delivering significant cost savings for WYPF, GMPF and MPF.

b.) Set up the Northern LGPS Private Equity Ltd Partnership to scale up co-investment in private equity vehicles and reduce costs.

c.) Invested in GLIL Infrastructure LLP, alongside the LPP Pool.

d.) Made a number of other private market investments on a joint basis, including investments in affordable housing.

More details can be found on the NLGPS website: https://northernlgps.org/node/46

NLGPS setup costs and ongoing costs

NLGPS cost savings

NLGPS investment performance

NLGPS investment management benchmarking (CEM report)

Investment strategy March 2023

ASSET CLASS	Book Cost	Market value	Weighting	Fund specific benchmark	Control range
	£ Million	£ Million	%	%	%
Total equities	**5,166**	**11,218**	**62.89**	**59.10**	**51.6-66.6**
UK equities	2,462	4,652	26.08	24.10	19.1-29.1
Overseas equities	2,704	6,566	36.81	35.00	27.5-42.5
North America	723	2,377	13.33	12.60	7.6-17.6
Europe (Ex UK)	732	1,983	11.12	9.20	4.2-14.2
Japan	395	771	4.32	4.10	1.6-6.6
Asia Pacific (Ex Japan)	306	547	3.07	3.60	1.1-6.1
Emerging markets	548	888	4.98	5.50	3-8
Total bonds	**1,943**	**2,171**	**12.17**	**17.50**	**15-20**
UK govt. bonds	455	508	2.85	4.00	1.5-6.5
UK govt. index linked	460	559	3.13	3.50	1-6
UK corporate bonds	462	477	2.67	5.00	4-6
Global govt. bonds	98	116	0.65	2.50	1.5-3.5
Global corporate bonds	468	513	2.87	2.50	1.5-3.5
Total alternatives	**2,138**	**3,199**	**17.95**	**16.60**	**14.1-19.1**
Hedge funds	52	144	0.81	0.70	-0.3-1.7
Private equity funds	301	951	5.33	5.50	4-7
Private credit	52	87	0.49	1.00	-1-3
Northern LGPS private equity pool	263	378	2.12	1.50	0.5-2.5
Private equity infrastructure	448	581	3.26	3.10	1.6-4.6
GLIL infrastructure (Northern LGPS)	506	633	3.55	2.50	1-4
Listed alternatives	518	425	2.39	2.30	0.8-3.8
Property	**495**	**596**	**3.34**	**4.80**	**3.3-6.3**
Cash	**228**	**652**	**3.65**	**2.00**	**0.5-3.5**
Total WYPF financial assets	**9,970**	**17,836**	**100.00**	**100.00**	

INVESTMENT MARKETS

SECTION 8: INVESTMENT MARKETS

UK economy and equity market

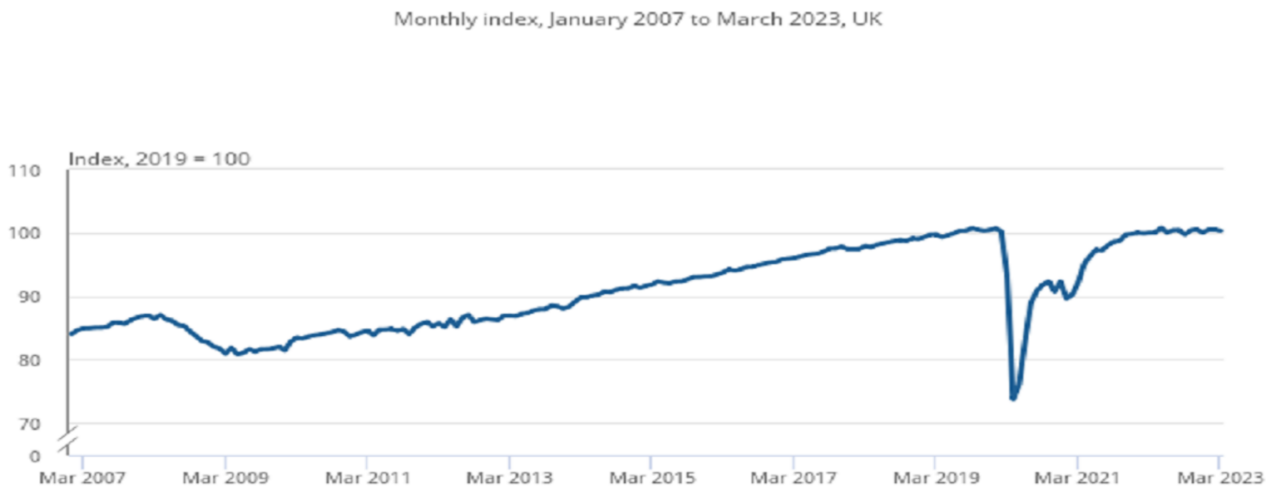
Political events made headlines during the year. Boris Johnson resigned as Prime Minister with effect from September 2022, with his successor Liz Truss only managing to stay in post for a few weeks, the record for the shortest premiership in UK history. The 'mini budget' announced by her chancellor Kwasi Kwarteng caused the value of Sterling to collapse to its lowest ever level against the US Dollar, with the Bank of England being forced to step in to alleviate a collapse in bond markets. Rishi Sunak succeeded Liz Truss in October 2022.

The UK Economy has had a difficult year, with the rate of inflation being particularly high. The Bank of England raised interest rates a number of times during the period in an attempt to bring inflation down. At the end of March 2023 the Bank of England base rate was 4.25%, the highest rate since 2008. CPI inflation rate rose above 10.%, the highest level since the early 1990s and more than 5 times the Bank of England 2% target. The Bank expects inflation rates to fall over the course of 2023.

The impact of the Russian invasion of Ukraine in February 2022 caused energy and food commodity prices to rise. Although the government introduced an energy price cap to help domestic and business users meet the cost of their bills, the 'cost of living crisis' continues to affect many households.

Real wage growth lagged behind the rate of inflation throughout the year. Workers in many sectors staged industrial action over pay and working conditions. Rail, postal, healthcare workers and teachers strikes have been widely reported in the media. In the month of December 2022 alone 822,000 days were lost to industrial action.

UK GDP



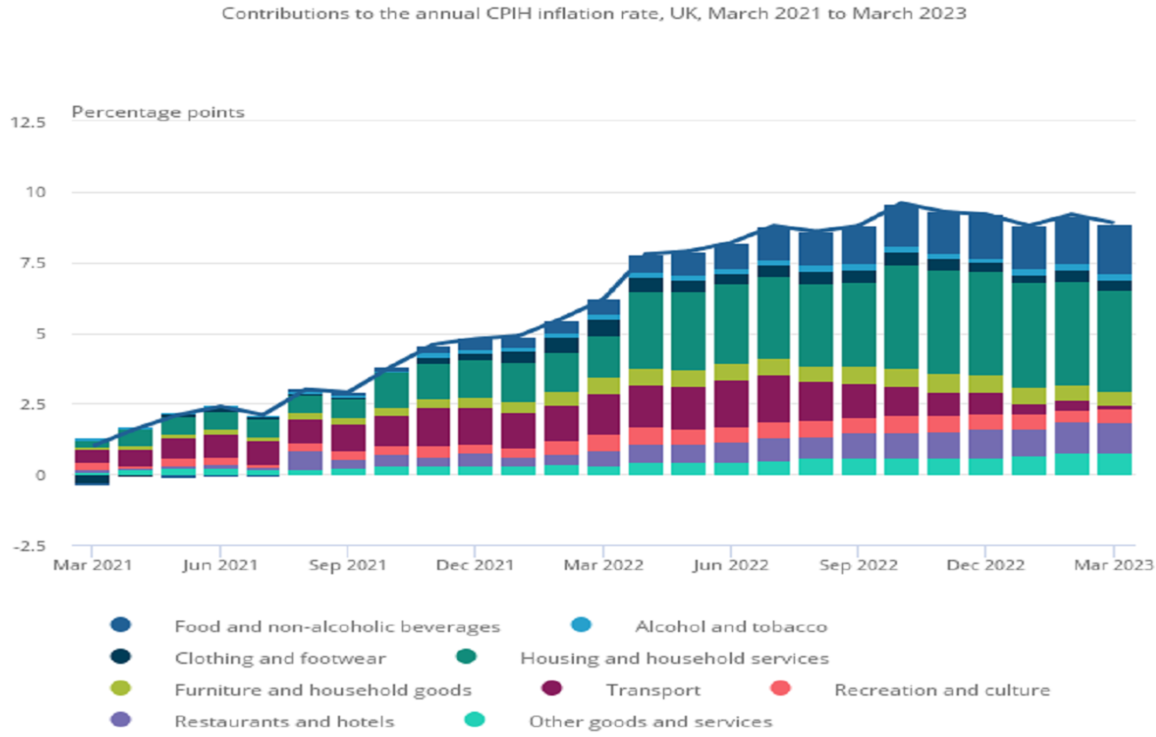
Source: GDP monthly estimate from the Office for National Statistics

The economic recovery from the Covid-19 pandemic slowed during the year, and growth has been relatively muted. Monthly GDP now stands at 0.1% above pre-pandemic levels.

SECTION 8: INVESTMENT MARKETS

UK INFLATION RISING RAPIDLY

The chart below for CPIH inflation (which includes housing costs) shows the main contributors to inflation between March 2021 and March 2023. As transport costs fell (due to the fall in the price of petrol and other fuels) household costs increased as mortgage, council tax, rent and other domestic bills rose. Food price inflation remains very high at around 17.5%, the highest rate in 45 years.

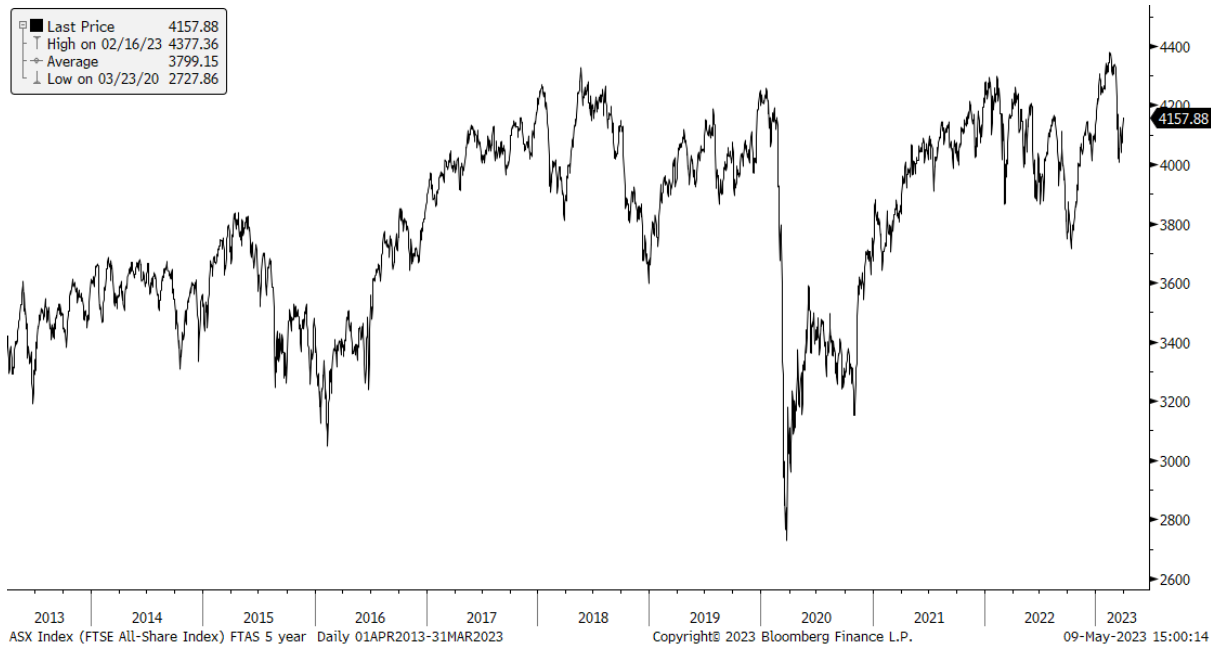


Source: Consumer price inflation from the Office for National Statistics

SECTION 8: INVESTMENT MARKETS

UK equity market

FTSE All Share Index over 10 years



WYPF UK equity portfolio performance

The FTSE100 index hit an all time high of 8,014 on 20 February 2023, but retreated after the collapse of Silicon Valley Bank in the USA, which led to a widespread fall in global stock markets

The annual performance of the UK equity portfolio was hit by weakness in smaller companies. Longer term, the in house team of investment managers continue to outperform the benchmark FTSE All Share index.

Periods to March 2023	UK equity portfolio total return	FTSE All Share Index total return	Out/(Under) Performance	UK equity portfolio annualised return	FTSE All Share Index return	Out/(Under) Performance
	%	%	%	% pa	% pa	% pa
3 years	49.24	48.10	1.14	14.28	13.99	0.29
10 years	78.89	76.51	2.38	5.99	5.85	0.14

SECTION 8: INVESTMENT MARKETS

Long term (ten year) performance has been consistently good, and performance over three years has been notably strong. Global stock markets collapsed when the Covid19 pandemic began in early 2020, and the oil price came under severe pressure shortly afterwards. The three year performance of the UK portfolio reflects the recovery from the lows seen at the beginning of the pandemic, further boosted by the oil and gas sector as the oil price rose strongly. The oil and gas sector remains a large part of the UK Equity benchmark.

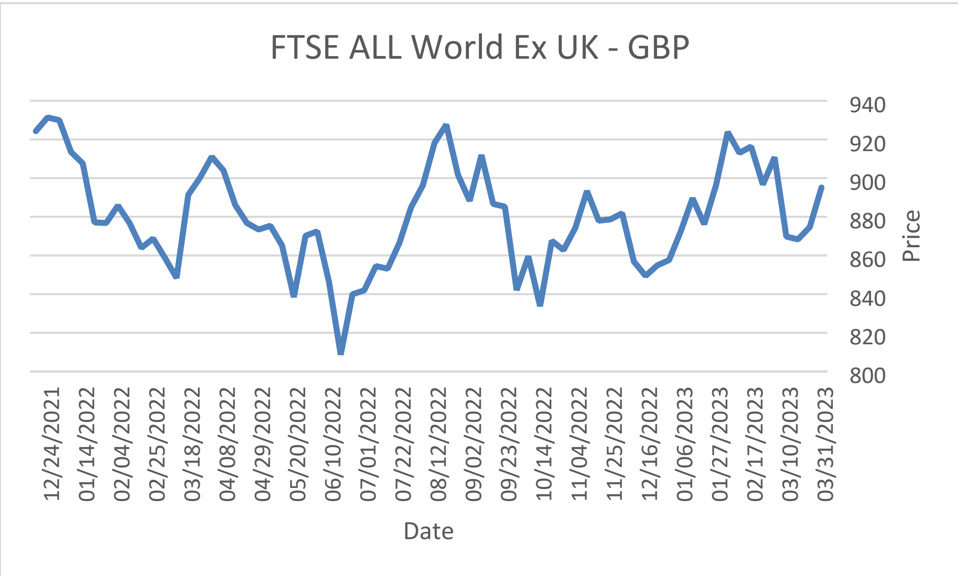
The long term nature of the Fund means that managers can use a range of investment styles including growth, income and value. This smooths returns over a longer time horizon, and avoids the potential pitfalls of following investment fashions.

UK equities appear undervalued compared to global equities, resulting in a number of UK companies being taken over by overseas competitors or private equity investors.

UK dividends are an important source of income for the Fund, with around £175m of dividends received in 2022/3.

Global Equities

Global equity markets were highly volatile over the financial year with the FTSE All World Index tumbling -11% in the spring, then rallying 15% in the summer. In spite of this dramatic volatility, market returns for the year were largely flat with the index closing slightly down by -1.15%.



Regional returns varied with emerging, Asia ex Japan and North American indices losing -3.9%, and -3.6%, and -2.5% respectively, whilst Japan and Europe ex UK, made positive returns, gaining 2.0% and 8.5% respectively. The Fund's portfolio made a positive return of 3.6% for the year, beating its weighted bench mark by 2.0%.

Equity Markets began the financial year on a sharp downward correction following the Russian invasion of Ukraine which, together with ongoing COVID related lock-downs in China, caused supply shortages and stubbornly high inflation. To curb this inflation, central banks introduced increasingly tight monetary policies, such as higher interest rates, leading to intensified recession fears and a flight from riskier assets.

Central Bank interest rates in developed economies have risen significantly in a very short space of time (rising in the US from 0.25% to 5.0% in one year), and this has caused significant financial stress. In March 2023, two small US regional banks (SVB and Signature Bank) and one large Swiss Bank (Credit Suisse), collapsed and were later taken over by larger rivals. Fear of a major banking crisis emerged and then receded as central banks quickly restored order. Markets regained their nerve by the end of March 2023 but most strategists expect that with higher prices and lower profits, companies will reduce activity and unemployment will therefore rise leading to a mild recession and continued market volatility.

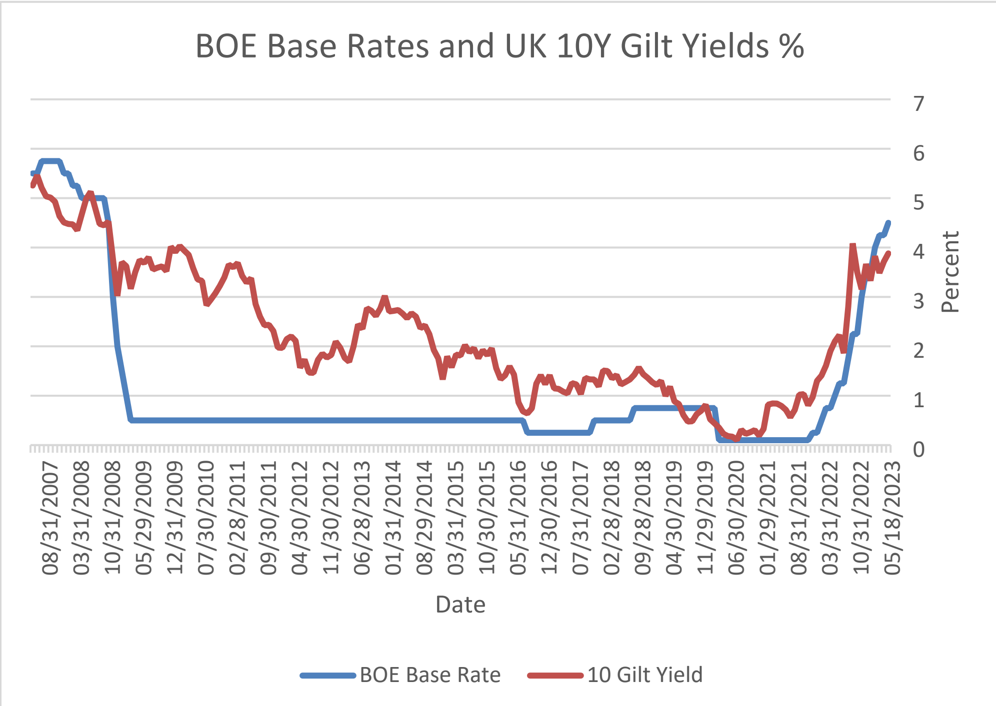
SECTION 8: INVESTMENT MARKETS

World markets excluding the UK, are trading more cheaply than a year ago with a PE ratio of 16 against the previous multiple of 17.3. Dividend yields have also increased over the year from 1.8% to 2.3% at the end of March 2023, indicating that markets now offer better value than a year ago.

Bond Markets

Bond Markets were unusually volatile over the year with capital values declining significantly as interest rates soared from all-time lows to levels not seen since September 2008. As can be seen in the chart below, following the Great Financial Crisis of 2008, Bank of England (BOE) base interest rates were cut from 5% to just 0.25% to help boost the economy, and bond yields gradually followed suit. For the succeeding decade and a half, bond markets existed in a new era of low interest rates and yields, supported by loose Central Bank Policies and without any obvious catalyst to cause things to change. Until inflation appeared.

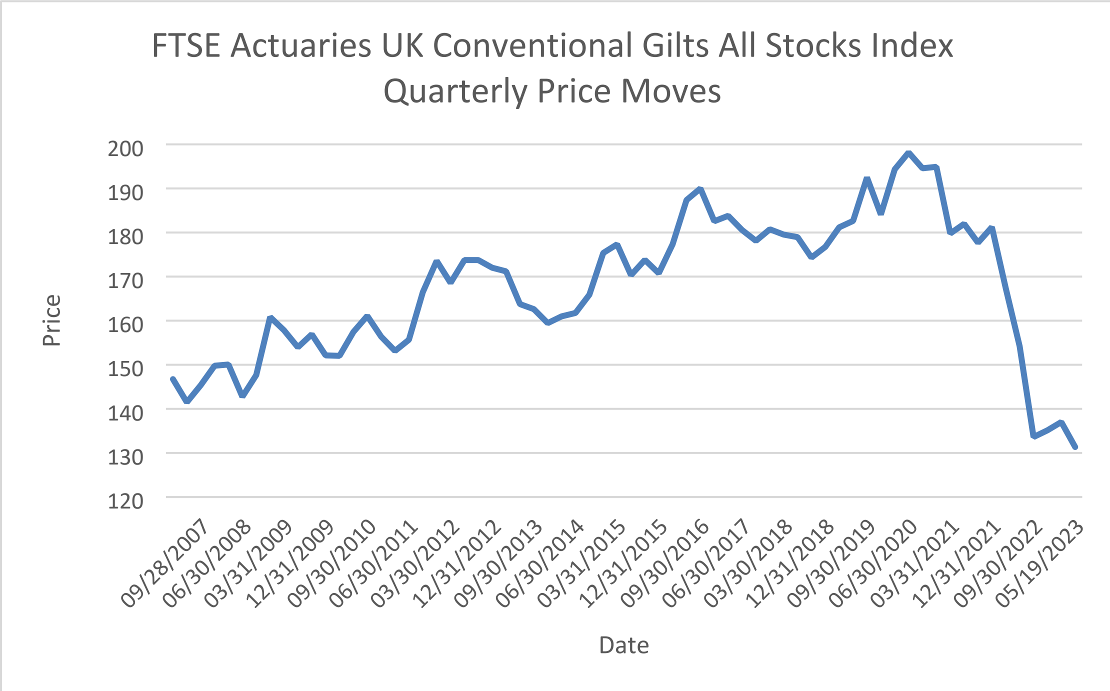
The Chart below show the course of BOE base interest rates and corresponding UK 10 Year Gilt yields since 2007.



From the end of 2021, as most developed economies began to reopen after the pandemic lockdowns, central banks began to tighten their monetary policies and raised interest rates to try and return the financial markets to a more normal footing. However, due to a combination of supply shortages, a tight labour market and then the Russian invasion of Ukraine, inflation spiked. To reduce that inflation, central banks aggressively raised interest rates (the BOE increased rates from 0.25% to 4.25% over one year). Gilt yields followed suit, rising from 1.3% to 3.5% over the year, causing prices to fall resulting in large capital losses. UK Gilts for example, tumbled in price by -18.1%.

The chart below shows the course of Gilt prices since 2007. Because Gilt and bond coupon payments are fixed, changes in yields are reflected in changes to the stock price. As base rates fall, bond prices rise thus lowering the yield of the stock. The reverse applies when yields rise.

SECTION 8: INVESTMENT MARKETS



Whilst inflation remains high, especially in the UK, most economies appear to have made some progress and inflation has started to fall across most developed markets. US inflation for example, peaked in June 2022 at 8.7% but has fallen away to 5.8% by the end of March 2023. With the anticipated taming of inflation, interest rates are expected to be cut later this year. Most Asian markets have been largely unaffected by high inflation. With yields at c4%, gilts and global bonds now offer more attractive returns than they have for some time.

Alternative Investments

As at 31 March 2023, the private market equity, credit and infrastructure portfolios accounted for 14.7% (£2,630m) of the West Yorkshire Pension Fund. In addition, at year end, undrawn commitments amounted to a further £1,609m. This included £258m committed to NPEP (see below for explanation) which had not yet been deployed to underlying private equity investments. During the year, the overall private market portfolio experienced capital calls of £483.5m and distributions of £298.0m, resulting in a net investment of £185.5m.

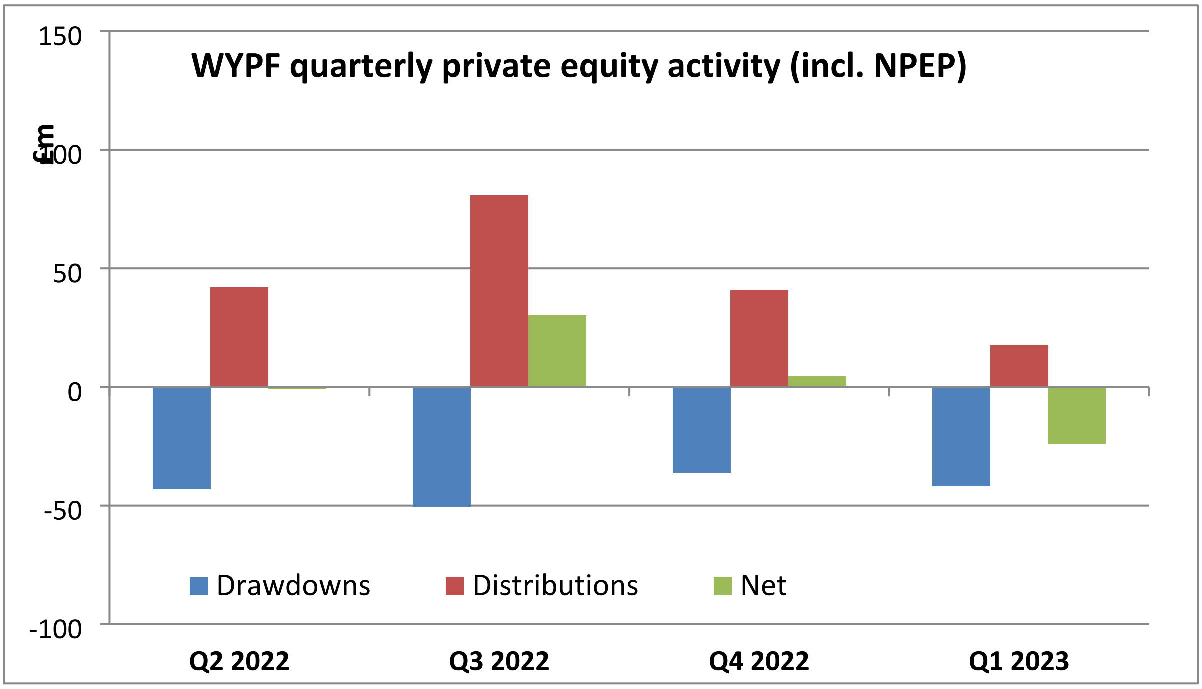
Private Equity

The market rebound seen in 2021/22 petered out during the spring and summer of 2022, and slowed further during the second half of 2022/23. For the financial year to 31 March 2023, the number of private equity deals globally decreased by approximately 24% on the prior year. The total deal value decreased by approximately 39% (Preqin) and average deal sizes decreased approximately 20%. The WYPF private equity portfolio experienced a less pronounced decrease in buyout activity with a decrease in drawdowns of 21%, compared with 39% for the market overall. (Drawdowns are typically dictated by the amount committed in each vintage year. They are also dependent upon the manager's speed of deployment and use of a credit line.) Excluding commitments made via NPEP, drawdowns decreased 23%, which reflects reduced commitments made to this part of the portfolio since 2018, when NPEP launched.

As private equity markets digest higher interest rates and second order impacts, deal activity will no doubt be less than buoyant. Evaluating the longer-term economic environment for underwriting purposes remains challenging for managers. Nevertheless, larger buyout managers with better access to financing continue to complete deals. Elsewhere in the market, more equity is being used versus debt. In addition, smaller deals are being seen that are less reliant on debt financing. Managers see supply chain opportunities from reshoring ('just in case' rather than 'just in time'), as valuations and EBITDA margins adjust downwards. Managers also continue to invest thoughtfully around ESG value creation opportunities, whilst executing a moderate level of bolt-on acquisitions for their investee platform companies in order to drive growth.

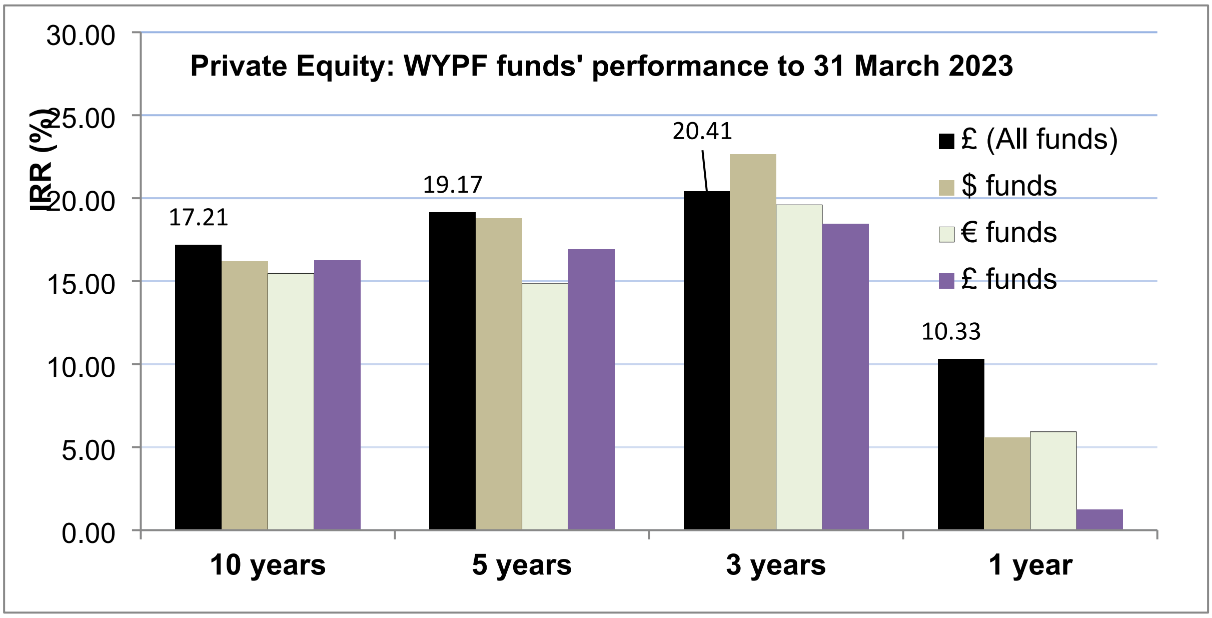
The value of global private equity backed exits for 2022/23 was 37% lower than the previous year. The slow-down in exits accelerated throughout the year with 1H declining by 22% on the same period a year earlier. 2H declined more significantly, by 53%. WYPF's experience was directionally the same, but larger in magnitude: 1H -40%, 2H -58%. Overall, the WYPF portfolio saw distributions that were 47% lower than the previous year. Lower distribution levels and a private-vs-public valuation lag has led LPs to overshoot their private market allocation. This has led to a difficult fundraising market, particularly for smaller managers. The number of global private equity funds raised in 2022 was 35% lower than in 2021. However, the value of funds raised in 2022 was only 13% lower, implying a 32% increase in average fund size.

As reported previously, the Northern Private Equity Pool (NPEP) makes commitments to underlying private equity funds on behalf of its founding partners: West Yorkshire Pension Fund, Merseyside Pension Fund and Greater Manchester Pension Fund. NPEP is a joint-venture limited partnership akin to a typical private equity structure. During the year, NPEP received a further £465m in commitments from its founding members, including £190m from WYPF. In total, WYPF has now committed £945m to NPEP. Further annual commitments are expected from all founding members. WYPF's undrawn NPEP commitment amounted to £643m at year end.



For the year to 31 March 2023, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £9.8m overall, compared to £128.6m in the prior year. Meanwhile, the portfolio increased by £140m from £1,189m to £1,329m. As a proportion of the WYPF, the weighting of the private equity portfolio increased from 6.7% at the start of the financial year to 7.4%. This was primarily due to the relative out-performance delivered by the Fund's private equity managers, relative to total fund. This was in part due to Sterling weakness.

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



SECTION 8: INVESTMENT MARKETS

WYPF's private equity portfolio remains well diversified across industry sectors, geographies, vintage years, financing stages and managers. For the 12 months to 31 March 2023, the portfolio returned 10.3%. Sterling returns were impacted by a stronger USD (7.6%) and Euro (4.1%). Overall, this gave an overall positive currency effect of 5.6%. For the 10-year period to 31 March 2023, the Private Equity portfolio in Sterling has delivered annualised returns of 17.2%.

WYPF's private equity investments held through NPEP delivered returns of 1.6% in Sterling for the year to 31 March 2023, and 17.5% p.a. since inception.

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

Private equity fund	WYPF Commitment (£m)
Northern Gritstone (NG)	25
WestBridge Fund III	15
Northern Private Equity Pool (NPEP)	190
Total	230

The £25m commitment to NG is in the form of £5m ordinary equity shares and £20m preferred equity shares. This was part of a larger commitment made by Northern LGPS. NG targets early-stage companies developing and commercialising technology and related Intellectual Property (IP) originated at UK universities. The aim is to generate an appropriate risk adjusted return whilst boosting economic growth in the North of England, and supporting the Government's "levelling up" agenda.

During the year, approval was given for the NPEP investment vehicle to make five primary fund commitments with five different managers, one of which is new manager relationship for WYPF.

As at 31 March 2023, un-drawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £653.5m.

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

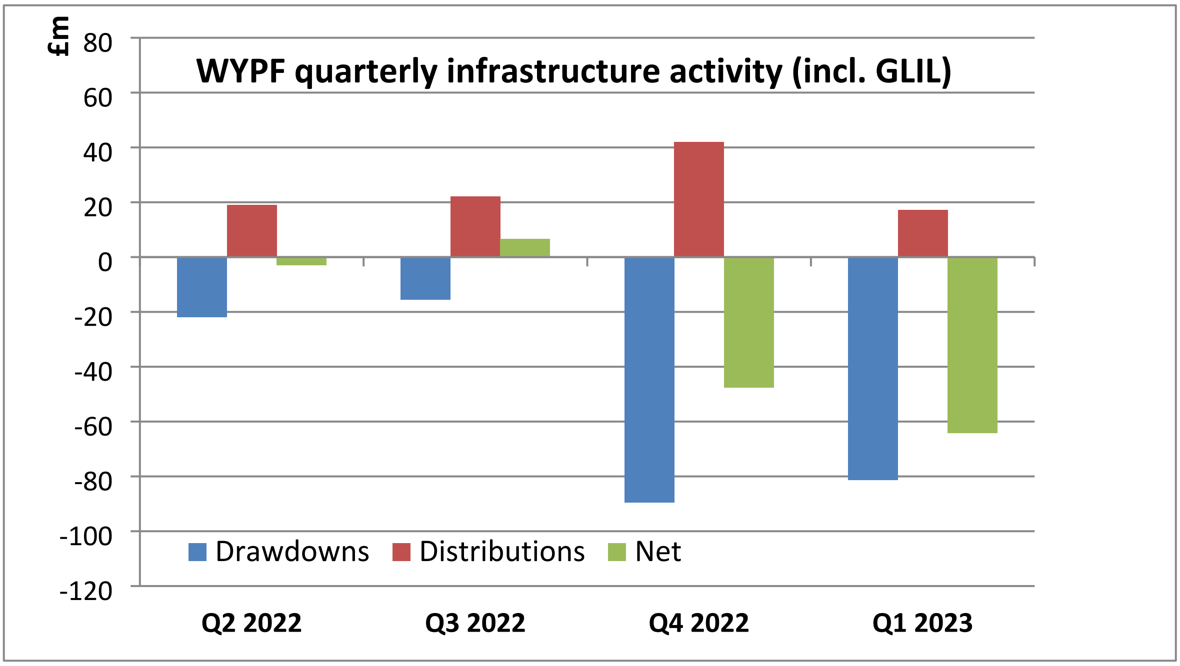
Infrastructure

During the financial year to 31 March 2023, the number of reported infrastructure deals globally decreased by just 7% on the prior year. However, the total deal value decreased by 21% (Preqin). Excluding GLIL, the WYPF infrastructure portfolio experienced a smaller decline (7%) in drawdown levels, compared with 21% for the market overall. Distributions declined by 20%, resulting in a slightly higher net investment (£37.4m), compared to the prior year (£32.3m).

In addition to the above, WYPF net invested a further £70.7m via its commitment to GLIL. GLIL is a cost-effective, limited liability partnership focussed on investing in direct UK infrastructure. During the year, WYPF increased its commitment to GLIL by a further £175m, taking the total amount to £700m. As at 31 March 2023, WYPF's unfunded amount to GLIL was £144.2m.

Including monies drawn down for GLIL, net investment was £108.1m, 30% lower than the prior year (£154.5m). Capital called from GLIL was predominantly for equity stakes in a UK offshore wind farm and toll road, along with a further equity stake in an existing portfolio company.

SECTION 8: INVESTMENT MARKETS

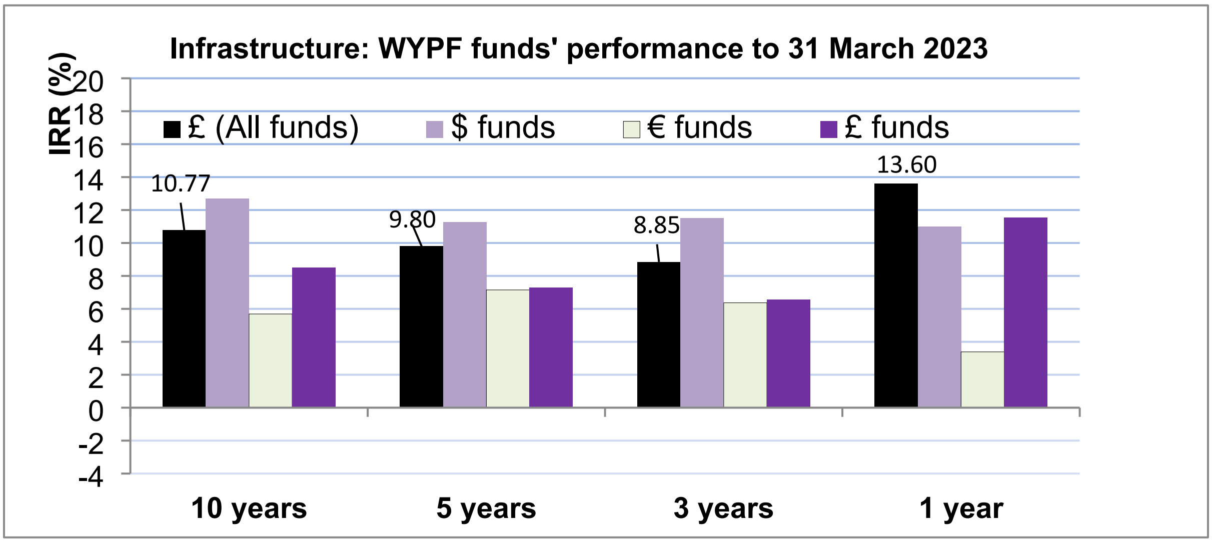


As a proportion of WYPF, the weighting of the infrastructure portfolio increased to 6.8% (£1,214m), from 5.3% (£940m) the previous year.

Local currency performance for funds denominated in each currency, and also performance on translation into Sterling, is shown below. The infrastructure performance shown below excludes GLIL. In valuation terms, Sterling, USD, and Euro-denominated funds constitute 34%, 48%, and 18% of the infrastructure portfolio, respectively.

For the 12 months to 31 March 2023, the portfolio returned 13.6%. Sterling returns were positively impacted by USD (6.7%) and Euro strength (4.2%). Overall, this gave a positive currency effect of 4.0%.

For the 10-year period to 31 March 2023, the Infrastructure portfolio in Sterling has delivered annualised returns of 10.8%.



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

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

Infrastructure fund	WYPF Commitment (£m)
Antin infrastructure Partners Fund V	50
LS Power Equity Partners V	42
GLIL	175
Total	267

At 31 March 2023, un-drawn commitments (incl. GLIL) amounted to £474.2m.

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

Private Credit

2022/23 was the first full year in which WYPF allocated investment to Private Credit. Commitments were made to the following funds:

Credit fund	WYPF Commitment (£m)
Arcmont Direct Lending Fund IV	55
BlackRock European Middle Market Private Debt Fund III	55
Golub Capital Credit Opportunities Fund VI	58
ISQ Global Infrastructure Credit Fund	42
MC Credit Fund IV	44
Colbeck Strategic Lending Fund III	30
FitzWalter Capital Partners II	42
Total	326

Commitments are diversified across managers, credit type, and geography.

Hedge Funds

WYPF's hedge fund exposure is mainly via a bespoke fund similar to a managed account-type structure. This USD-denominated fund comprises six underlying multi-strategy funds and three macro funds. This fund returned 8.9% (USD), versus -3.1% for the HFRX Global Hedge Fund Index (USD) for the year to 31 March 2023. Since inception (1 May 2012), this fund has delivered annualised local returns of 7.9%, 10.5% when translated into Sterling.

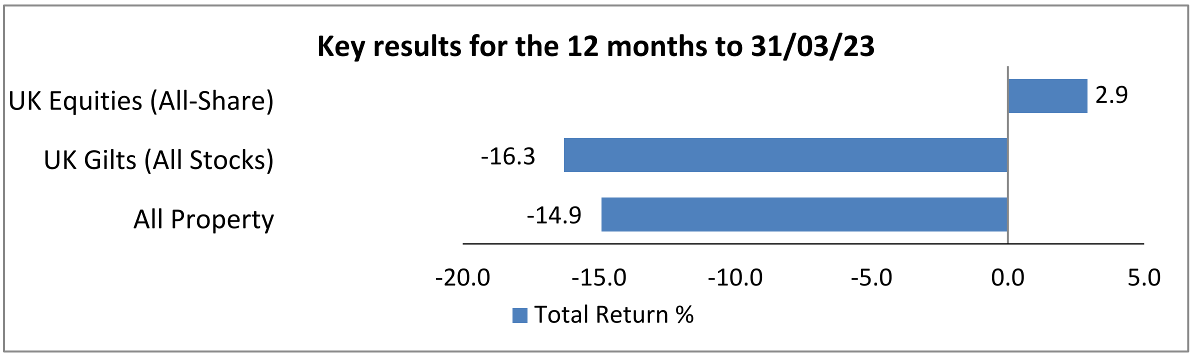
WYPF continues to focus on efficient diversification whilst achieving mid–high single digit returns and limiting downside risk.

SECTION 8: INVESTMENT MARKETS

Property

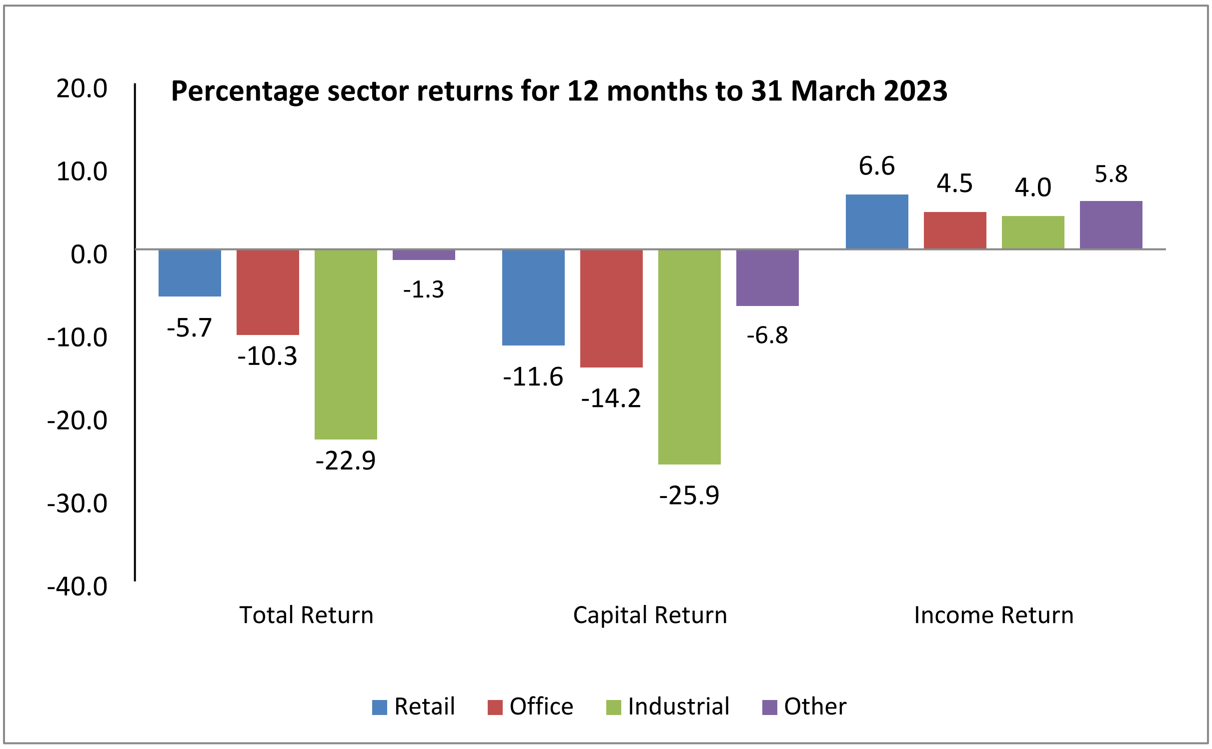
For the year to 31 March 2023, total returns for the UK direct MSCI All Property benchmark amounted to -14.9%. This compares to the WYPF agreed benchmark of the All Property Funds Index, which returned -14.4%.

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



Source: Bloomberg and MSCI UK Quarterly Property Index

Returns by property sector are given below.



Source: CBRE Monthly (12m total return for CBRE All Property was -12.6%)

During the course of the year, UK commercial property transaction volumes slowed and, from September onwards, most main sectors saw month-on-month capital value declines.

Capital value declines in the Retail sector were driven mainly by Standard Shops (-15.2%) and to a lesser extent Retail Warehouses (-10.9%). Shopping Centre capital values fell 7.8% during the year. This was a greater fall than the prior year (-4.6%), however it was the second highest performing sector this year. Store rationalisation has been a key theme within retail, as occupiers continue to reduce their cost base and reposition for growth. Therefore, further rental divergence is expected between well-occupied and high vacancy retail locations. Nevertheless, according to Savills, shopping centre and high street rental terms outside of London and the South East have gradually improved in favour of the landlord. These recent capital value declines coupled with a business rates revaluation may result in more competition for prime retail locations, thereby positively impacting rents.

SECTION 8: INVESTMENT MARKETS

The City of London investment market continued to see strong transaction volumes through to September, after which activity slowed abruptly. Q1 2023 transaction volumes were less than half those recorded in Q1 2022 (Savills). This is reportedly due, in part, to a lack of fresh core assets in excess of £50m coming to the market. Leasing activity across the Central London office market is also faltering with occupiers applying caution given macroeconomic uncertainty. Despite this, active demand for Central London office space is higher than the long-term average. Occupiers' preference for high quality space dominates the take-up figures in the City. The Office sector delivered a total return of -10.3% for the twelve months to 31 March 2023. Outer London/M25 Offices (-16.9%) were the real laggards, whereas the West End Offices (-7.0%) and Rest of UK Offices (-11.0%) suffered the least.

The Industrial sector also experienced reduced investment activity throughout the year, with capital values falling abruptly after September's mini budget. Leasing transactions also slowed, with take-up in the industrial and logistics sector declining by more than a third in 2022 compared to the prior year. This is reportedly due to a lack of availability in key sectors. This was the worst performing sector, with a total return of -22.9%. Within this, Rest of UK Industrials returned -16.4% and outperformed South East Industrials at -26.2%.

'Other' property includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. Capital values outperformed all other sectors of the UK property market, declining by 6.8% for the year to 31 March 2023. The total return after income was -1.3%.

Typically, it has been the bigger, prime, lower-yielding assets that suffered the largest capital value falls following the UK's mini budget. Nevertheless, it is these assets that are expected to perform strongly over the long term.

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

Direct property

Post-year end, WYPF appointed DTZ Advisors to run a direct UK property mandate. The objective of the mandate is to help WYPF grow its direct portfolio in a cost-effective manner. The focus will be on low-risk properties with sustainable income yield. The aim of making direct investments is to lessen ongoing fees and enhance control, enabling long-term investment throughout market cycles.

Overall activity

During the year, a £25m commitment was made to Macquarie Goodstone Development Partners 1 (GDP 1); a development fund focussed on the UK Build to Rent market. This was part of a larger commitment made by Northern LGPS.

Overall, WYPF made property purchases of £27.9m and sales of £67.9m, giving a net divestment of £40.0m for the 12 months to 31 March 2023. The majority of capital (£20.0m) was invested in affordable housing.

Sale proceeds mainly resulted from the liquidation of two UK open-ended funds (£50.3m). The property portfolio returned -13.7% for the twelve months to March, outperforming its benchmark of -14.4%.

At 31 March 2023, un-drawn commitments amounted to £59.3m.

2022 un-drawn commitments for property amounted to £56.3m.

AUDITOR’S REPORT

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

Report on the audit of the financial statements

We have examined the Pension Fund financial statements for the year ended 31 March 2023 included within the West Yorkshire Pension Fund annual report, which comprise the Fund Account, the Net Assets Statement and the notes to the financial statements, including the summary of significant accounting policies.

Opinion

In our opinion, the Pension Fund financial statements are consistent with the audited financial statements of City of Bradford Metropolitan District Council for the year ended 31 March 2023 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

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

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

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

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

Use of this auditor’s statement

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

[Signature]

Alistair …

Key Audit Partner
For and on behalf of Mazars LLP
5th Floor
3 Wellington Place
Leeds
LS1 4AP
[Insert date]

STATEMENT OF ACCOUNTS

Statement of accounts

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

The Director of Finance is responsible for the preparation of the Statement of Accounts, which is required to present fairly the financial position of the fund at 31 March 2023 and its income and expenditure for the year ended 31 March 2023.

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

Fund account for the year ended 31 March 2023

	Note	2023 £000	2022 £000
Dealings with members, employers and others directly involved in the fund			
Contributions receivable	6	527,987	475,463
Transfers in	7	36,686	32,012
Non-statutory pensions and pensions increases recharged	8	19,820	20,171
		584,493	**527,646**
Benefits payable	9	-606,566	-591,305
Non-statutory pensions and pensions increase	8	-19,820	-20,171
Payments to and on account of leavers	10	-29,654	-19,993
		-656,040	**-631,469**
Net additions/(withdrawals) from dealing with members		-71,547	-103,823
Management expenses	13	-13,606	-10,455
Net additions / (withdrawals) including management expenses		**-85,153**	**-114,278**
Returns on investments			
Investment Income	15	498,917	425,221
Taxes on income	15a	-6,363	-9,143
Profit and losses on disposal and changes in value of investments	17a	-436,145	1,348,594
Stock lending	17c	2,212	1,871
Net return on investments		**58,621**	**1,766,543**
Net Increase/(decrease) in the net assets available for benefits during the year		**-26,533**	**1,652,264**
Fund opening net assets		**17,979,466**	**16,327,202**
Fund closing net assets		**17,952,932**	**17,979,466**

Net Assets Statement at 31 March 2023

	Note	2023 £000	2022 £000
Investment assets			
Bonds	17	1,441,185	1,402,820
Equities (including convertible shares)	17	10,813,389	10,867,442
Index-linked securities	17	674,588	755,940
Pooled investment vehicles	17	4,247,114	4,251,295
Direct Property	17	6,125	7,350
Cash deposits	17	614,400	556,926
Cash in bank	17	37,117	6,230
Other investment balances	17	80,283	61,580
Investment liabilities			
Other investment balances	17	-18,496	-43
Total net investments		**17,895,705**	**17,909,540**
Current assets			
Debtors	20	94,683	95,663
Current liabilities			
Creditors	21	-37,456	-25,737
Net current assets and liabilities		**57,227**	**69,926**
Net assets of the scheme available to fund benefits		**17,952,932**	**17,979,466**

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2023. This financial statement shows the net value of assets owned by the fund, the actuarial calculation of the present value of promised retirement benefits is provided in Note 12.

Signed

Christopher Kinsella

Director of Finance
City of Bradford Metropolitan District Council DD MMMM 2023

Notes to the accounts

Note 1. Operations and Membership

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

Administering Authority

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

Legal Status

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

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

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

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

Management

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

Participating employers

There were 443 participating employers during the year, 49 left in the year, leaving 394 at 31st March 2023 (433 employers as at 31st March 2022) whose employees were entitled to be contributors to the Fund.

Membership

Total membership as at 31st March 2023 is 319,484 (31st March 2022 was 307,797).

At 31 March 2022	Profile of membership	At 31 March 2023
104,891	Active members	110,704
104,710	Pensioner members	108,631
98,196	Members with preserved pensions	100,149
307,797	**Total members**	**319,484**

Benefits payable

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

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

Note 2. Actuary's Report

West Yorkshire Pension Fund

Statement of the Actuary for the year ended 31 March 2023

Introduction

This statement has been prepared in accordance with Regulation 57(1)(d) of the Local Government Pension Scheme Regulations 2013 (the 'LGPS Regulations').

The LGPS Regulations require that a full actuarial valuation is carried out every third year. The purpose of this is to establish that the West Yorkshire Pension Fund (the 'Fund') is able to meet its liabilities to past and present contributors and to review employer contribution rates. The last full actuarial investigation into the financial position of the Fund was completed as at 31 March 2022 by Aon, in accordance with Regulation 62 of the LGPS Regulations.

Actuarial Position

1. The valuation as at 31 March 2022 showed that the funding level of the Fund had increased since the previous valuation with the market value of the Fund's assets as at 31 March 2022 (of £17,979.5M) covering 108.5% of the liabilities.

2. The valuation also assessed each individual employer's (or group of employers') position separately. Contribution requirements were determined based on the principles in the Fund's Funding Strategy Statement and are set out in Aon's report dated 31 March 2023 (the "actuarial valuation report"). In addition to the contributions certified, payments to cover additional liabilities arising from early retirements (other than ill-health retirements) will be made to the Fund by the employers.

Total contributions payable by all employers over the three years to 31 March 2026 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (£M)
2023	16.4%	2.546
2024	16.3%	1.833
2025	16.2%	1.747

3. The funding plan adopted in assessing the contributions for each employer is in accordance with the Funding Strategy Statement. Different approaches were adopted in relation to the calculation of the primary contribution rate, stepping of contribution changes and recovery periods as agreed with the Administering Authority and reflected in the Funding Strategy Statement, reflecting the employers' (or Group's) circumstances.

4. The valuation was carried out using the projected unit actuarial method for most employers, allowing for future increases in pensionable pay. The main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows:

Discount rate for periods in service

Secure scheduled and subsumption body funding target *	4.50% p.a.
Intermediate funding targets	
▪ Low risk	4.25% p.a.
▪ Medium risk	4.05% p.a.
▪ Higher risk	3.95% p.a.
Ongoing orphan funding target	3.95% p.a.
Orphan exit funding target	N/A
Discount rate for periods after leaving service	
Secure scheduled and subsumption body funding target *	4.50% p.a.
Intermediate funding targets	
▪ Low risk	4.25% p.a.
▪ Medium risk	4.05% p.a.
▪ Higher risk	3.95% p.a.
Ongoing orphan funding target	1.60% p.a.
Orphan exit funding target	1.60% p.a.
Rate of pay increases	3.55% p.a.
Rate of increase to pension accounts	2.30% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.30% p.a.

* The secure scheduled and subsumption body discount rate was also used for employers whose liabilities will be subsumed after exit by a secure scheduled body.

In addition, a 10% uplift was applied to the past service liabilities to make allowance for short-term inflation above the long-term assumption.

The assets were valued at market value.

5. The key demographic assumption was the allowance made for longevity. The post retirement mortality assumption adopted for the actuarial valuation was in line with standard self-administered pension scheme (SAPS) S3 Heavy mortality tables with appropriate scaling factors applied based on an analysis of the Fund's pensioner mortality experience and a Fund membership postcode analysis using Aon's Demographic HorizonsTM longevity model, and included an allowance for future improvements based on the 2021 Continuous Mortality Investigation Projections Model, with a long term annual rate of improvement in mortality rates of 1.5% p.a. The resulting average future life expectancies at age 65 (for normal health retirements) were:

	Men	Women
Current pensioners aged 65 at the valuation date	21.5	24.5
Current active members aged 45 at the valuation date	22.8	25.6

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

6. The valuation results summarised in paragraphs 1 above are based on the financial position and market levels at the valuation date, 31 March 2022. As such the results do not make allowance for changes which have occurred subsequent to the valuation date. The Actuary, in conjunction with the Administering Authority, monitors the funding position on a regular basis.

7. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2023 to 31 March 2026 were signed on 31 March 2023. Other than as agreed or otherwise permitted or required by the Regulations and in line with the Fund’s policy, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2025 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

8. This Statement has been prepared by the Actuary to the Fund, Aon, for inclusion in the accounts of the Fund. It provides a summary of the results of their actuarial valuation which was carried out as at 31 March 2022. The valuation provides a snapshot of the funding position at the valuation date and is used to assess the future level of contributions required.

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

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

9. The report on the actuarial valuation as at 31 March 2022 is available on the Fund's website at the following address:

https://www.wypf.org.uk/media/3466/west-yorkshire-pension-fund-2022-actuarial-valuation-report-v2.pdf

Aon Solutions UK Limited

April 2023

Note 3. Accounting policies

Basis of preparation

This statement of accounts summarises the Fund's transactions for the 2022/23 financial year and its financial position at year-end as at 31 March 2023. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 which is based upon International Financial Reporting Standards (IFRS), as amended for the UK public sector.

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

Contributions

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

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

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

Transfers in and out of the fund

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

Benefits payable

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

Management expenses

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

Administrative expenses

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

Oversight and Governance costs

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

Investment management expenses

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

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

Actuarial present value of promised retirement benefits

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

Cash and cash equivalents

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

Financial liabilities

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

Investment income

Interest income

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

Property related income

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

Dividend income

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

Distribution from pooled funds

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

Movement in the net market value of investments

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

Taxation

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

Financial assets

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

Additional voluntary contributions (AVCs)

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

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

Currency translation

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

a. Proceeds of sales of foreign assets are translated into sterling at the exchange rate on the day of sale and recorded in our investment book of records in sterling and in local currency.

b. Purchase of foreign investments are translated into sterling using the exchange rate at the time of purchase and recorded in our investment book of record at book cost in sterling and local currency.

c. Balance of foreign currency income accounts are moved daily to capital account using the mid-market rate on the date of movement.

d. Dividends from foreign investments are translated into sterling using the mid-market rate on the date of receipt.

e. When currency is sold or purchased the actual trade rate is used and commissions are charged to management expense.

Acquisition costs of investments

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

Netting

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

a. currently has a legally enforceable right to set off the recognised amounts,

   and

b. intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Contingent liabilities and contractual commitments

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

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

Investment transactions

Investment transactions occurring up to 31 March 2023 but not settled until later are accrued in the accounts.

Note 4. Critical judgements in applying accounting policies

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

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

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

Fair value of financial instruments

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

Retirement benefit obligations

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

Russian War on Ukraine

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

Note 5. Events after the balance sheet date

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

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

- those that are indicative of conditions that arose after the reporting period (non-adjusting events after the reporting period).

There have been no adjusting events since 31 March 2023 and up to the date when these accounts were authorised, that require any adjustments to these accounts.

Note 6. Contributions receivable

	2022/23 £000	2021/22 £000
By category		
Employers	381,697	340,809
Members	146,290	134,654
Total	**527,987**	**475,463**

By type of employer		
Administering authority	63,702	56,589
Scheduled bodies	426,338	382,105
Admitted bodies	37,947	36,769
Total	**527,987**	**475,463**

By type of contribution		
Employees normal contributions	139,825	127,362
Employees additional contributions	6,464	7,292
Employers normal contributions	379,905	338,521
Employers deficit contributions	1,793	2,288
Total	**527,987**	**475,463**

Employer contribution rates and deficit contributions

Employer contributions receivable in 2022-23 were based on 31 March 2019 triennial valuation. At each triennial valuation (latest 31 March 2022) the Actuary calculates an employer rate for each employer. In addition to this some employers are also required to pay an additional monetary amount to cover any past service deficit, which is recoverable over an appropriate period.

Employee contribution rates

Employees' contributions are as set out in the LGPS regulations from 1st April 2014, and there are several tiered employee contribution rates. The rates for 2022/23 based on pay in the financial year are provided below.

2022/23 Pay	Contribution rate
Up to £15,000	5.50%
£15,001 to £23,600	5.80%
£23,601 to £38,300	6.50%
£38,301 to £48,500	6.80%
£48,501 to £67,900	8.50%
£67,901 to £96,200	9.90%
£96,201 to £113,400	10.50%
£113,401 to £170,100	11.40%
£170,101 or more	12.50%

Note 7. Transfers in from other pension funds

	2022/23 £000	2021/22 £000
Individual transfers in from other schemes	36,686	32,012
Bulk transfers in from other schemes	0	0
Total Transfers In	**36,686**	**32,012**

Note 8. Non-statutory pensions increase and recharges

	2022/23 £000	2021/22 £000
Pensions	19,820	20,171
Total	**19,820**	**20,171**

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

Note 9. Benefits payable

	2022/23 £000	2021/22 £000
Pensions		
Funded pensions – retired employees	-451,922	-426,763
Funded pensions – dependants	-35,227	-33,499
Total pensions	**-487,149**	**-460,262**
Lump sums		
Funded lump sums on retirement	-102,880	-117,537
Funded lump sums on death	-16,537	-13,506
Total lump sums	**-119,417**	**-131,043**
Total benefits paid in year	**-606,566**	**-591,305**

	2022/23 £000	2021/22 £000
Benefits payable by type of employer member body		
Pensions		
Administering authority	-91,467	-84,132
Scheduled bodies	-455,218	-446,975
Admitted bodies	-59,881	-60,198
Total pensions	**-606,566**	**-591,305**

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

Note 10. Payments to and on account of leavers

	2022/23 £000	2021/22 £000
Refund of contributions	-1,840	-1,488
Individual transfers	-27,814	-18,505
Total	**-29,654**	**-19,993**

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

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

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

	2022/23 £000	2021/22 £000
Value of funds at 1 April	32,873	40,616
Contributions received	9,910	8,813
Transfers and withdrawals values	461	30
Interest and bonuses/change in market value of assets	-862	-6,995
Sale of investments to settle benefits due to members	-5,567	-7,930
Value of funds at 31 March	**36,816**	**34,534**

AVC Provider	Members still paying contributions 2022/23 Count	Members 2021/22 Count	2022/23 £000	2021/22 £000
Utmost	173	191	1,657	1,980
Prudential	3,060	2,510	35,160	30,896
Scottish Widows	394	422		1,658
Total	**3,627**	**3,123**	**36,817**	**34,534**

Scottish Widows have so far been unable to provide details of contributions made by scheme members or the total value of the fund's invested by Scottish Widows on behalf of members of the West Yorkshire Pension Fund at 31 March 2023.

Note 12. Actuarial present value of promised retirement benefits

The fund is part of the Local Government Pension Scheme and under IAS 26 it is required to disclose the actuarial present value of promised retirement benefits across the fund as a whole. The fund provides defined benefits, which for membership to 31 March 2014, are based on members' final pensionable pay. On the 1 April 2014 the scheme changed from a final salary scheme to a CARE (career average revalued earnings) scheme and pension benefits are based on a member's pay in each scheme year. The required valuation is carried out by the fund actuary Aon Hewitt using assumptions derived in the same way as those recommended for individual participating employers reporting pension liabilities under IAS 19. This approach results in a different valuation of liabilities than at the triennial funding valuation (actuarial statement on p57).

Introduction

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

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

CIPFA's Code of Practice on local authority accounting for 2022/23 sets out that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed.

The results as at 31 March 2022 together with the results as at 31 March 2019 are shown in the table below. The corresponding fair value of Fund assets is also shown in order to show the level of surplus or deficit within the Fund when the liabilities are valued using IAS 19 assumptions.

	Value as at 31 March 2022 £m	Value as at 31 March 2019 £m
Fair value of net assets	17,979.5	14,363.0
Actuarial present value of the defined benefit obligation (see Notes)	-24,016.4	-19,365.8
Surplus / (deficit) in the fund as measured for IAS 26 purposes	**-6,036.9**	**-5,002.8**

Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2022. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2022 (% p.a.)	31 March 2019 (% p.a.)
Discount rate	2.70	2.40
CPI Inflation (pension increases) (1) (2)	3.00	2.20
Rate of general increase in salaries (3)	4.25	3.45

(1) Pension increases in excess of Guaranteed Minimum in payment where appropriate.

(2) The assumption for the revaluation rate of pension accounts is set equal to the assumption for pension increases. In the 2022 assumption we have also made allowance for higher actual CPI for the period 30 September 2021 to 31 March 2022, where 30 September 2021 is the date of the reference CPI index that the Scheme’s benefits had been increase by in April 2022.

(3) A promotional salary scale is assumed to apply in addition to this, at the rates assumed in the relevant valuation of the Fund.

Demographic assumptions

The mortality assumptions are based on actual mortality experience of members within the Fund based on analysis carried out as part of the 2022 Actuarial Valuation and allow for expected future mortality improvements. Sample life expectancies at age 65 in normal health resulting from these mortality assumptions are shown below.

	31 March 2022	31 March 2019
Males		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	21.5	22.3
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	22.8	23.0
Females		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2022)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2022)	25.6	26.2

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2022 valuation. Assumptions for the rates of the rates of withdrawal and ill health retirements (for active members), the allowance made for cash commutation on retirement, and the proportion of members whose death gives rise to a dependant's pension are the same as those adopted in the 2022 valuation of the fund, which are detailed in the actuary's valuation report.

Key risks associated with reporting under IAS 26 and sensitivity

Volatility of results

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

- A decrease in corporate bond yields will increase the value placed on the liabilities for accounting purposes, although this will be marginally offset by the increase in the assets as a result (to the extent the Fund invests in corporate bonds).
- The majority of the pension liabilities are linked to either pay or price inflation. Higher inflation expectations will lead to a higher liability value. The assets are not perfectly correlated with inflation meaning that an increase in inflation will increase the deficit.
- The majority of the Fund's obligations are to provide benefits for the life of the member following retirement, so increases in life expectancy will result in an increase in the liabilities.

Post balance sheet date experience

Since 31 March 2022 the Fund's assets have generally delivered lower than expected returns. However, corporate bond yields have increased significantly which will have led to a reduction in the value of the defined benefit obligation (liabilities) on an accounting basis. We would expect the Fund's IAS 26 balance sheet position to have improved significantly over the year with a lower IAS 26 deficit at 31 March 2023 if the Fund had chosen to update the position annually.

Choice of accounting assumptions

The calculation of the actuarial present value of the promised retirement benefits involves projecting future cash flows from the Fund many years into the future. This means that the assumptions used can have a material impact on the surplus/deficit. As such the Fund Administering Authority should ensure that it understands the reasoning behind the assumption adopted and is comfortable that they are appropriate.

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

Sensitivity of results to key assumptions

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

IAS 19 requires entities to disclose information about the sensitivity of the defined benefit obligation to changes in key assumptions although it is not clear that IAS 26 or the CIPFA Code of Practice requires this information. Nevertheless, we have set out below how the results would alter by changing the discount rate, the pay increase assumption and pension increase assumption by plus or minus 0.1% and if life expectancy was to reduce or increase by one year. In each case, only the assumption mentioned is altered. All other assumptions remain the same.

Sensitivity analysis

Discount rate assumption

Adjustment to discount rate assumption	+0.1% £m	-0.1% £m
£ change to present value of the defined benefit obligation	-474.4	480.8
% change in present value of defined benefit obligation	-2.0%	2.0%

Rate of general increase in salaries

Adjustment to salary increase rate assumption	+0.1% £m	-0.1% £m
£ change to present value of the defined benefit obligation	45.9	-45.4
% change in present value of defined benefit obligation	0.2%	-0.2%

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

Adjustment to pension increase rate assumption	+0.1% £m	-0.1% £m
£ change to present value of the defined benefit obligation	434.9	-425.9
% change in present value of defined benefit obligation	1.8%	-1.8%

Post retirement mortality assumption

Adjustment to members' life expectancy	-1 year £m	1 year £m
£ change to present value of the defined benefit obligation	-998.8	1,000.6
% change in present value of defined benefit obligation	-4.2%	4.2%

Note 13. Management expenses

	2022/23 £000	2021/22 £000
Administrative costs	-5,275	-4,225
Investment management expenses	-7,322	-5,531
Oversight and governance	-1,009	-699
Total	**-13,606**	**-10,455**

This analysis of the costs of managing West Yorkshire Pension Fund during the accounting period has been prepared in accordance with CIPFA guidance. The investment management expenses above includes a statutory audit fee of £37.4k (2021/22 £37.4k) is included on oversight and governance. The statutory audit fee does not include fees chargeable to the fund for pension assurance work undertaken at the request of employer auditors. Fees payable for this work total £20k (2021/22 £18k) and are recharged to the relevant employers. No other fees have been paid to the external auditor.

The costs associated with the setting up and running Northern LGPS that relate specifically to WYPF are included within the administration costs above. The total actual costs for the 2022/23 reporting period were £100.8k (2020/21 £75.6k & 2021/22 £25.2k). The brought forward estimated provision from 2021/22 was £120k and the provision for outstanding amounts for 2022/23 was £19.2k.

Note 14. Investment expenses

	2022/23 Total £000	Management fees £000	Performance related fees £000	Transaction costs £000
Bonds	440	437	0	3
Equities	4,436	3,276	0	1,160
Index-linked securities	204	204	0	0
Pooled investment vehicles	1,788	1,287	0	501
Direct property	2	2	0	0
Cash deposits	198	198	0	0
	7,068	**5,404**	**0**	**1,664**
Custody Fees	254			
Total	**7,322**			

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

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

Note 15. Investment income

	2022/23 £000	2021/22 £000
Income from bonds	47,294	39,191
Dividends from equities	358,970	311,676
Income from index-linked securities	3,954	3,475
Income from pooled funds	72,852	69,706
Income from direct property	566	662
Interest on cash deposits	15,281	511
Total	**498,917**	**425,221**

Note 15a. Tax on income

	2022/23 £000	2021/22 £000
Dividends from equities	-12,122	-9,942
Investment tax reclaim	5,759	799
Total	**-6,363**	**-9,143**

Note 16. Direct property holdings

	2022/23 £000	2021/22 £000
Opening balance	7,300	7,300
Additions		
Net increase/ decrease in market value	-1,225	50
Closing balance	**6,125**	**7,350**

Note 17. Investments

Note 17a. Movement in the value of investments

	Opening value at 1 April 2022 £000	Purchases cost £000	Sales proceeds £000	Change in market value £000	Closing value at 31 March 2023 £000
Bonds	1,402,820	129,755	-302,277	210,887	1,441,185
Equities	10,867,442	393,908	-20,755	-427,206	10,813,389
Index linked securities	755,940	29,162	-69,689	-40,825	674,588
Pooled funds	4,251,295	264,220	-87,491	-180,910	4,247,114
Direct property	7,350	0	0	-1,225	6,125
Cash Deposits	556,926	57,106	-2,766	3,134	614,400
Cash at bank re investments	6,230	30,887	0	0	37,117
Other investment debtors	61,580	0	18,703	0	80,283
Other investment creditors	-43	-18,453	0	0	-18,496
Totals	**17,909,540**	**886,585**	**-464,275**	**-436,145**	**17,895,705**

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

* Balancing figure due to adjustments through purchases and sales.

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

Note 17b. Investments analysis by security type

	2022/23 £000	2021/22 £000
Bonds		
Public sector quoted	721,917	731,966
Other quoted	719,268	670,854
	1,441,185	**1,402,820**
Equities	**10,813,389**	**10,867,442**
Index-linked securities	**674,588**	**755,940**
Pooled funds		
Hedge funds	144,142	124,360
Property	590,253	717,807
Equity	983,903	1,125,960
Private equity	1,315,285	1,250,522
Private equity infrastructure	1,213,531	1,032,646
	4,247,114	**4,251,295**
Direct property	**6,125**	**7,350**
Cash deposits	**614,400**	**556,926**
Cash in bank	**37,117**	**6,230**
Other Investment assets	**80,283**	**61,580**
Other Investment liabilities	**-18,496**	**-43**
Total	**17,895,705**	**17,909,540**

Note 17c. Stock lending

	2022/23 £000	2021/22 £000
Stock lending		
Income – bonds	368	185
Income – UK equities	327	235
International equities	1,611	1,533
	2,306	**1,953**
Less – costs	-94	-82
Total	**2,212**	**1,871**

As at 31 March 2023, the value of stock on loan was £832 million, equivalent to approximately 5% of the total value of the Fund's investment portfolio. The stock on loan was covered by collateral valued at £887million (which includes a 6.25% margin on value). The collateral includes; Basket of Equities £281million, Gilts £44million and US Equities £282million.

Note 18. Fair value – basis of valuation

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

Description of asset	Valuation hierarchy	Basis of valuation	Observable and unobservable	Key sensitivities affecting the valuations provided
Market quoted equities	Level 1	Listed investments are shown at bid prices. The bid value of the investments is based on the bid market quotation of the relevant stock exchange.	Not required	Not required
Quoted bonds	Level 1	Fixed interest securities are valued at a market value based on current yields	Not required	Not required
Cash deposits, investment balances and debtors	Level 1	Cash value at yearend	Not required	Not required.
Pooled investments, unit trusts and quoted property funds.	Level 2	Closing bid price where bid and offer prices are published closing single price where single price is published. Valuations for Property Funds are provided by Fund managers and where available closing bid price is used.	NAV – based pricing set on a forward pricing basis.	Not required
Unquoted bonds	Level 3	Fund managers' capital statements	Evaluated price feeds	Not required
All unquoted, delisted or suspended assets, pooled investments - hedge funds, unit trusts and property funds	Level 3	Closing bid price where bid and offer prices are published – closing single price where single price is published.	These are based on the net asset values provided by the fund managers. Values are normally received by West Yorkshire Pension Fund between 30 and 90 days after the month end to which they relate. The values reported in the financial statements are therefore based on December 2021 to March 202, adjusted according to estimates of investment fund performance in March, as informed by fund managers. We gain assurance over valuations and capital statements provided by fund managers by comparing valuations to funds' audited accounts' Net Asset Values and updated capital statements provided in subsequent periods. In the case of delisted assets we use latest available price or price advised by investment managers.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cashflows and by any differences between audited and unaudited accounts.
Freehold and leasehold properties	Level 3	Valued at fair value at the year-end by CBRE independent valuers – in accordance with the RICS Valuation – Global Standards 2017 which incorporate the International Standards and the RICS Valuation – Professional Standards UK January 2014 (revised July 2017) ('The Red Book').	Existing lease terms – Independent market research – Nature of tenancies – Estimated growth – Assumed vacancy levels – Discount rate	Changes in rental growth, vacancy levels or discount rates could affect valuations as could changes to market prices.
Unquoted equity	Level 3	Comparable valuation of similar companies in accordance with International Private Equity and Venture Capital Valuation Guidelines (2012).	These are based on valuations provided by the general partners to the private equity funds in which West Yorkshire Pension Fund has invested. They are prepared in accordance with the International Private Equity and Venture Capital Valuation Guidelines, which follow the valuation principles of IFRS and US GAAP. Valuations are performed annually and mainly as at the end of December. Cashflow adjustments are used to roll forward the valuations to 31 March as appropriate.	Valuations could be affected by material events occurring between the date of the financial statements provided and the pension funds own reporting date by changes to expected cash flows and by any differences between audited and unaudited accounts.

Note 18a. Sensitivity of assets valued at level 3

The fund has determined that the valuation methods described in the table above are likely to be accurate within the following ranges and has set out below the potential impact on the closing value of investments held at 31 March 2023.

	Assessed valuation range (+/-)	Value at 31 March 2023 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	16.0%	144.0	167.0	121.0
Property funds	13.7%	590.3	671.2	509.4
Direct property	9.9%	6.1	6.7	5.5
Private equity	7.5%	2,528.8	2,718.5	2,339.1
Other assets	1.6%	119.5	121.4	117.6
Total		**3,388.7**	**3,684.8**	**3,092.6**

2021/22 sensitivity analysis figures.

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

Financial instruments – valuation

Valuation of financial assets carried at fair value

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

Level 1

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

Level 2

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

Level 3

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

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

Note 18b. Valuation hierarchy

31 March 2023	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets				
Financial assets at fair value through profit and loss	13,218	576	3,383	17,177
Financial assets at amortised cost	826	0	0	826
Total financial assets	**14,044**	**576**	**3,383**	**18,003**
Non financial assets at fair value through profit and loss				
Direct property	0	0	6	6
Financial liabilities				
Financial liabilities at amortised cost	-56	0	0	-56
Total financial liabilities	- 56	0	6	-50
Total	**13,988**	**576**	**3,389**	**17,953**

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

Reconciliation of fair value measurements within level 3

Reconciliation of fair value measurements within level 3	Market value 01-Apr-22 £000	Purchases £000	Sales £000	Change in market value £000	Market value 31-Mar-23 £000
Pooled investments - hedge funds	124,146	0	0	19,854	144,000
Property funds	717,807	57,794	12,459	-199,807	590,254
Direct property	7,350	0	0	-1,225	6,125
Private equity (inc NLGPS)	2,283,167	140,137	60,738	44,773	2,528,815
Other assets	16,686	9,223	-361	93,949	119,497
Total	**3,149,156**	**209,154**	**72,836**	**-42,456**	**3,388,690**

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

Note 19. Financial instruments – classification

The following table analyses the carrying value of the financial assets and liabilities by category and by net asset statement heading as at 31 March 2023. The table also includes Direct Property (non-financial instrument) for completeness.

31 March 2023	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
Financial assets				
Bonds	1,441,185	0	0	1,441,185
Equities	10,813,389	0	0	10,813,389
Index-linked securities	674,588	0	0	674,588
Pooled investment vehicles	4,247,114	0	0	4,247,114
Cash deposits	0	614,400	0	614,400
Cash at bank	0	37,117	0	37,117
Other investment balances	0	80,283	0	80,283
Debtors	0	94,683	0	94,683
Total financial assets	**17,176,276**	**826,483**	**0**	**18,002,759**
Financial liabilities				
Other investment balances	0	0	-18,496	-18,496
Creditors	0	0	-37456	-37,456
Total financial liabilities	**0**	**0**	**-55,952**	**-55,952**
Total	**17,176,276**	**826,483**	**-55,952**	**17,946,807**
Non financial instruments				
Direct property	**6,125**	**0**	**0**	**6,125**
Total	**17,182,401**	**826,483**	**-55,952**	**17,952,932**

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

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

Note 20. Current assets – debtors

	2022/23 £000	2021/22 £000
Contributions due from employers	58,168	37,980
Other debtors	36,515	57,683
Total	**94,683**	**95,663**

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

Note 21. Current liabilities – creditors

	2022/23 £000	2021/22 £000
Unpaid benefits	-14,918	-11,278
Other current liabilities	-22,538	-14,459
Total	**-37,456**	**-25,737**

Note 22. Related party transactions

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

Administering body

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

In 2022/23, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £559k in respect of support services provided (£459k in 2021/22). The support costs include a full year support for financial systems, payroll, HR, legal, internal audit and information technology services.

Employers

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

Members

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

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

Key management personnel

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

IAS 24 requires entities to disclose key management personnel compensation. The Fund has identified key management personnel as the Director of the West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £289k (2021/22 £140k). Details of the remuneration for these two posts are included in Note 33 of the City of Bradford Metropolitan District Council's statement of accounts.

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

Risk and risk management

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

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

and

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

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

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

a. Market risk

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

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

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

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

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

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

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

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

b. Price risk

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

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

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

Price risk – sensitivity analysis

Potential price changes are determined based on the observed historical volatility of asset class returns. Riskier assets such as equities will display greater potential volatility than bonds for example, so the overall outcome will depend largely on asset allocation. The fund has determined that the following movements in market price risk are reasonably possible for the 2022/23 reporting period.

Asset type	2022/23 Potential market movement +/- (% p.a.)	2021/22 Potential market movement +/- (% p.a .)
UK bonds	8.40	1.3
Overseas bonds	1.00	0.3
UK index-linked	22.20	5.9
Overseas index-linked	22.20	5.9
UK equities	0.80	12.2
Overseas equities	3.60	8.1
Pooled funds UK equities	0.80	12.2
Pooled funds overseas Equities	3.60	8.1
Pooled funds UK properties	13.70	18.6
Pooled funds overseas properties	13.70	18.6
Pooled funds UK hedge fund	16.00	17.8
Pooled funds UK private equities	7.50	34.9
Pooled funds overseas private equities	7.50	34.9
Pooled funds UK private equity infrastructure	12.20	12.9
Pooled funds overseas private equity infrastructure	12.20	12.9
Direct property	9.90	10.1
Cash certificate of deposits	1.60	0.5
Cash bank	1.60	0.5
Other investment assets	1.60	0.5
Other investment liabilities	1.60	0.5

Asset type	Value as at 31-Mar-23 £000	Value as at 31-Mar-22 £000
UK bonds	918,431	911,984
Overseas bonds	522,755	490,836
UK index-linked	570,141	659,908
Overseas index-linked	104,447	96,032
UK equities	4,777,457	4,902,166
Overseas equities	6,035,932	5,965,276
Pooled funds UK equities	441,165	546,390
Pooled funds overseas Equities	542,738	579,570
Pooled funds UK properties	488,670	610,566
Pooled funds overseas properties	82,896	86,722
Pooled funds UK hedge fund	144,142	124,360
Pooled funds UK private equities	880,217	832,312
Pooled funds overseas private equities	453,755	438,729
Pooled funds UK private equity infrastructure	1,018,548	868,183
Pooled funds overseas private equity infrastructure	194,982	164,463
Direct property	6,125	7,350
Cash certificate of deposits	614,400	556,926
Cash bank	37,117	6,230
Other investment assets	80,283	61,580
Other investment liabilities	-18,496	-43
Total Investment Assets	**17,895,705**	**17,909,540**

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

Asset type	Value as at 31-Mar-23 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	918,431	8.40	995,579	841,283
Overseas bonds	522,755	1.00	527,983	517,527
UK index-linked	570,141	22.20	696,712	443,570
Overseas index-linked	104,447	22.20	127,634	81,260
UK equities	4,777,457	0.80	4,815,677	4,739,237
Overseas equities	6,035,932	3.60	6,253,226	5,818,638
Pooled funds UK equities	441,165	0.80	444,694	437,636
Pooled funds overseas Equities	542,738	3.60	562,277	523,199
Pooled funds UK properties	488,670	13.70	555,618	421,722
Pooled funds overseas properties	82,896	13.70	94,253	71,539
Pooled funds UK hedge fund	144,142	16.00	167,205	121,079
Pooled funds UK private equities	880,217	7.50	946,233	814,201
Pooled funds overseas private equities	453,755	7.50	487,787	419,723
Pooled funds UK private equity infrastructure	1,018,548	12.20	1,142,811	894,285
Pooled funds overseas private equity infrastructure	194,982	12.20	218,770	171,194
Direct property	6,125	9.90	6,731	5,519
Cash certificate of deposits	614,400	1.60	624,230	604,570
Cash bank	37,117	1.60	37,711	36,523
Other investment assets	80,283	1.60	81,568	78,998
Other investment liabilities	-18,496	1.60	-18,792	-18,200
Total Investment Assets	**17,895,705**		**18,767,907**	**17,023,503**

Asset type	Value as at 31-Mar-22 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK bonds	911,984	1.30	923,840	900,128
Overseas bonds	490,836	0.30	492,309	489,363
UK index-linked	659,908	5.90	698,843	620,973
Overseas index-linked	96,032	5.90	101,698	90,366
UK equities	4,902,166	12.20	5,500,230	4,304,102
Overseas equities	5,965,276	8.10	6,448,463	5,482,089
Pooled funds UK equities	546,390	12.20	613,050	479,730
Pooled funds overseas Equities	579,570	8.10	626,515	532,625
Pooled funds UK properties	610,566	18.60	724,131	497,001
Pooled funds overseas properties	86,722	18.60	102,852	70,592
Pooled funds UK hedge fund	124,360	17.80	146,496	102,224
Pooled funds UK private equities	832,312	34.90	1,122,789	541,835
Pooled funds overseas private equities	438,729	34.90	591,845	285,613
Pooled funds UK private equity infrastructure	868,183	12.90	980,179	756,187
Pooled funds overseas private equity infrastructure	164,463	12.90	185,679	143,247
Direct property	7,350	10.10	8,092	6,608
Cash certificate of deposits	556,926	0.50	559,711	554,141
Cash bank	6,230	0.50	6,261	6,199
Other investment assets	61,580	0.50	61,888	61,272
Other investment liabilities	-43	0.50	-43	-43
Total Investment Assets	**17,909,540**		**19,894,828**	**15,924,252**

c. Interest rate risk

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

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

The Fund's direct exposure to interest rate movements as at 31 March 2023 and 31 March 2022 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2023 £000	31 March 2022 £000
Bonds	1,441,186	1,402,820
Cash deposits	614,400	556,926
Cash at bank	37,117	6,230
Total	**2,092,703**	**1,965,976**

Interest rate risk – sensitivity analysis

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

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

Asset type	Value as at 31 March 2023 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,441,186	1,455,598	1,426,774
Cash deposits	614,400	620,544	608,256
Cash balances	37,117	37,488	36,746
Total	**2,092,703**	**2,113,630**	**2,071,776**

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

d. Currency risk

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

The following table summarises the fund's currency exposure as at 31 March 2023 and 31 March 2022.

Currency exposure – asset type	Value as at 31 March 2023 £000	Value as at 31 March 2022 £000
Overseas bonds	522,755	490,836
Overseas index-linked	104,447	96,032
Overseas equities	6,035,932	5,965,276
Pooled funds overseas Equities	542,738	579,570
Pooled funds overseas properties	82,896	86,722
Pooled funds overseas private equities	453,755	438,729
Pooled funds overseas private equity infrastructure	194,982	164,463
Total overseas assets	**7,937,505**	**7,821,628**

Currency risk – sensitivity analysis

Following analysis of historical data the Fund considers the likely volatility associated with foreign exchange rate movements to be 6.0%, (2021/22 6.0%). A 6.0% strengthening/weakening of the pound against the various currencies in which the Fund holds investments would decrease/increase the net assets available to pay benefits as follows.

Asset type	Value as at 31 March 2023 £000	Value on increase £000	Value on decrease £000
Overseas bonds	522,755	554,120	491,390
Overseas index-linked	104,447	110,714	98,180
Overseas equities	6,035,932	6,398,088	5,673,776
Pooled funds overseas Equities	542,738	575,302	510,174
Pooled funds overseas properties	82,896	87,870	77,922
Pooled funds overseas private equities	453,755	480,980	426,530
Pooled funds overseas private equity infrastructure	194,982	206,681	183,283
Total overseas assets	**7,937,505**	**8,413,755**	**7,461,255**

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

e. Credit risk

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

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

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

f. Liquidity risk

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

Note 24. Contractual commitments

At 31 March 2023 the West Yorkshire Pension Fund had the following undrawn commitments.

	Investment value at 31 March 2023 £m	Undrawn commitments £m
Asset class		
Private equity	2,529	1,609
Property funds	590	59
Total	**3,119**	**1,668**

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

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

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

Note 25. Accounting developments

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

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

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

Note 26. Investment Strategy Statement

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

Appendix A: Resolving Complaints

Internal dispute resolution procedure

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

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

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

The IDRP is a two-stage process.

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

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

If further help is needed

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

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

Policing pension schemes

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

Appendix B: Further Information and Contacts

WYPF senior management team

Managing Director – West Yorkshire Pension Fund	Euan Miller Phone 01274 434517 E-mail euan.miller@wypf.org.uk

WYPF Administration

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Head of Finance	Ola Ajala Phone 01274 434534 E-mail ola.ajala@wypf.org.uk
Head of Employer Services & Compliance	Caroline Blackburn Phone 01274 434523 E-mail caroline.blackburn@wypf.org.uk
Service Centre Group Head of Service	Grace Kitchen Phone 01274 434266 E-mail grace.kitchen@wypf.org.uk

WYPF Investments

Chief Investment Officer-West Yorkshire Pension Fund	Leandros Kalisperas Phone 07890 420810 E-mail leandros.kalisperas@wypf.org.uk
Assistant Director – UK	Joanna Wilkinson Phone 01274 432038 E-mail joanna.wilkinson@wypf.org.uk
Assistant Director - Overseas	Colin Standish Phone 01274 432748 E-mail colin.standish@wypf.org.uk
Assistant Director - Alternative	Simon Edwards Phone 01274 432783 E-mail simon.edwards@wypf.org.uk

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

Appendix B: Further Information and Contacts

Company information

West Yorkshire Pension Fund
(Administered by City of Bradford Metropolitan
District Council)

Aldermanbury House

4 Godwin Street

Bradford
BD1 2ST
United Kingdom

Phone **01274 434999**

Website **www.wypf.org.uk**
Email **pensions@wypf.org.uk**

Appendix C: Glossary of Terms

Glossary of terms

Active member

An employee who is currently paying pension contributions.

Actuarial valuation

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

Additional voluntary contributions (AVCs)

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

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

Administering authority

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

Admission body

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

Asset allocation

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

Best Value

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

Brent oil price

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

Career average revalued earnings (CARE) pension scheme

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

Appendix C: Glossary of Terms

Cash equivalent value (CEV)

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

Consumer Price Index (CPI)

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

Contracted out

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

Commutation

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

Convertible shares

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

Custodian

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

Data governance

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

Death grant

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

Deferred pensioner

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

Deficit payments

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

Denomination

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

Designating body

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

Appendix C: Glossary of Terms

Discretion

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

Direct property

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

Eligible councillor

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

Employer covenant

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

Equity risk premium

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

Financial instruments

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

Fixed income securities

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

Fund of funds (FoF)

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

Guaranteed minimum pension (GMP)

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

General partners

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

Index-linked bonds

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

Appendix C: Glossary of Terms

Internal rates of return (IRR)

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

Local government

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

Myners' principles

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

The Myners' principles for defined benefit schemes cover:

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

Ordinary shares

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

Pension board

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

Pension liberation fraud

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

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

Personal pension

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

Policy statement

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

Pooled funds

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

Appendix C: Glossary of Terms

Private equity

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

Quality management

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

Quantitative easing

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

Related party transactions

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

Retail Prices Index

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

Rule of 85

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

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

Scheduled body

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

State Earnings Related Pension Scheme (SERPS)

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

Spot rate

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

Stakeholder pension

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

Appendix C: Glossary of Terms

State pension age

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

State Second Pension (S2P)

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

Statutory compliance

This means following the laws on a given issue.

Stock lending

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

Subsumption

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

Transfer value

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

Transferred service

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

Treasury management

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

Unitised funds

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

Voting policy

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

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

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

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

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

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

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

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

West Yorkshire Pension Fund's voting policy is available in full at **www.wypf.org.uk**

Appendix D: Pension Administration Strategy

Contents

Appendix D: Pension Administration Strategy

Regulatory framework and purpose

1. The regulations

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

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

1.1. Purpose

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

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

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

2. Review of the strategy

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

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

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

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

3. Liaison and communication

3.1. Authorised contacts for employers

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

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

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

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

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

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

3.2. Liaison and communication with employers

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

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

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

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

4. Employer duties and responsibilities

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

4.1. Events for notification

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

Appendix D: Pension Administration Strategy

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
Monthly postings (submitted via secure portal)	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of compliance of returns received in target
New starters	Monthly return		Notified via the monthly return, the administrator will process the data within two weeks following monthly return submission	100% compliance or better
Change of hours, name, payroll number or job title	Monthly return (exception report)	Web form	Notified via monthly returns, the administrator will process the data within two weeks following monthly submission. For exception report output from the monthly return, change data response must be provided to the administrator within two weeks of receipt of the exception report. If the employer isn't using monthly return then information is due within six weeks of change event.	90% compliance or better
50/50 and main scheme elections	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Service breaks/absences	Web form		Within six weeks of the date of the absence commencing	90% compliance or better
Under three-month optouts	Monthly return		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission.	90% compliance or better
Leavers	Monthly return Web form		Notified by the employer via monthly return, the administrator will process the data within two weeks following monthly data submission, else within six weeks of leaving. For exception reports, leaver forms must be provided within two months of receipt of the exception report.	90% compliance or better
Retirement notifications	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy.	100% compliance
Death in service notifications	Web form		Within three days of the date of notification.	100% compliance

4.1.2. Notifiable events

Employers should also provide information on any circumstances which might affect their future participation in the Fund or their ability to make contributions to the Fund "notifiable events". These include the following:

- **A decision which will restrict the employer's active membership in the Fund in future**
  Examples include: ceasing to admit new members under an admission agreement; ceasing to designate a material proportion of posts for membership; setting up a wholly owned company whose staff will not all be eligible for Fund membership; outsourcing a service which will lead to a transfer of staff.
- **Any restructuring or other event which could materially affect the employer's membership**
  Examples include: a Multi-Academy Trust re-structuring so there is change in constituent academies, the employer merging with another employer (regardless of whether or not that employer participates in the Fund), a material redundancy exercise, significant salary awards being granted, a material number of ill health retirements, large number of employees leaving voluntarily before retirement or the loss of a significant contract or income stream.
- **A change in the employer's legal status or constitution which may jeopardise its participation in the Fund**
  Examples include the employer ceasing business (whether on insolvency, winding up, receivership or liquidation), loss of charitable status, loss of contracts or other change which means the employer no longer qualifies as an employer in the Fund
- **If the employer has been judged to have been involved in wrongful trading**
- **If any senior personnel, e.g. directors, owners or senior officers have been convicted for an offence involving dishonesty, particularly where related to the employer's business**
- **Where the employer has, or expects to be, in breach of its banking covenant**
- **Details of any improvement notice (or equivalent) served by the appropriate regulator, e.g. Education Funding and Skills Agency, Office for Students, Charity Commission, Regulator for Social Housing etc, or S114 notice for local authorities**

Employers should provide this information in advance of the event occurring (where possible) or as soon as practicable thereafter.

4.2. Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions. Organisations with third-party providers can’t delegate responsibility for this even if day- to-day tasks are carried out by that provider.

The administrator is not responsible for verifying the accuracy of any information provided by the employer for the purpose of calculating benefits under the provisions of the Local Government Pension Scheme. That responsibility rests with the employer.

Any over-payment as a result of inaccurate information being supplied by the employer shall be recovered from that employer.

In the event of the administrator being fined by The Pensions Regulator, this fine will be passed on to the relevant employer where that employer’s actions or inaction caused the fine.

Employers are responsible for keeping the Administering Authority informed of all events or decisions which might affect their participation in the Scheme, including the ‘notifiable events’ as set out in 4.1.2 above. In such circumstances the Administering Authority may increase an employer’s contribution as set out in the Funding Strategy Statement. Any increase may be backdated where the employer has failed to provide information to the Administering Authority in a timely manner.

4.3. Discretionary powers

Employers are responsible for exercising the discretionary powers given to employers by the regulations. The employer is also responsible for compiling, reviewing and publishing its policy to employees in respect of the key discretions as required by the regulations. A copy of these discretions must be sent to the administrator.

4.4. Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member at least once a year in April or more frequently if required in their policy. The employer must also inform the member of the band that they have been allocated on joining the scheme and when they have been reallocated to a different band.

4.5. Internal dispute resolution procedure (IDRP)

Employers must nominate an adjudicator to deal with appeals at stage one of the IDRP where the dispute is against a decision the employer has made or is responsible for making. Employers are responsible for providing details of the IDRP and the adjudicator in writing to members when informing them of decisions they have made.

5. Payments and charges

5.1. Payments by employing authorities

Employers will make all payments required under the LGPS regulations, and any related legislations, promptly to the relevant pension fund and /or its additional voluntary contribution (AVC) providers (Prudential/Scottish Widows/Utmost) as appropriate.

5.2. Paying contributions

Member and employer contributions can be paid over at any time and should be accompanied by a monthly postings submission however they must be paid to the relevant fund by the 19th day of the month following the month in which the deductions were made. The monthly posting submission should be uploaded to the administrator by the same deadline and the data should reconcile to the payment made to the relevant fund.

Where the 19th falls on a weekend or bank holiday, the due date becomes the last working day prior to the 19th.

5.3. AVC deductions

Employers will pay AVCs to the relevant provider within one week of them being deducted.

5.4. Late payment

Employers can be reported to The Pensions Regulator where contributions are received late in accordance with the regulator's code of practice. If a matching monthly posting submission is not provided with a contribution payment by the deadline this will also be recorded as a late payment because the relevant pension fund will not be able to correctly allocate the payment received.

5.5. Awards of additional pension

Where an employer awards a member an additional pension all augmentation costs must be paid in full in one payment.

5.6. Early retirement costs

Employers should pay the full amount of the cost of any early retirements.

WYPF employers must pay this within the 30-day payment term stated on the invoice. Depending on the ability to pay, WYPF may agree to payment by monthly instalments over a maximum period of 12 months. Interest will be charged at a rate determined by the fund actuary.

LPF, BPF and HPF will invoice their respective funds' employers and will have their own payment terms that should be discussed with them if the need arises.

5.7. Interest on late payment

In accordance with the LGPS regulations, interest may be charged on any amount overdue from an employing authority by more than one month.

5.8. Employer contributions

Employers' contributions rates are not fixed and employers are required to pay whatever is necessary to ensure that the portion of the fund relating to their organisation is sufficiently funded to meet its liabilities.

5.9. Actuarial valuation

An actuarial valuation of the fund is undertaken every three years by the fund actuary. The actuary balances the fund's assets and liabilities in respect of each employer and assesses the appropriate contribution rate and any secondary payment, if appropriate, for each employer for the subsequent three years.

5.10. Administration charges

The cost of running the administrator is charged directly to the shared service partners; the actuary takes these costs into account in assessing employers' contribution rates.

6. Administering authority duties and responsibilities

When carrying out their functions the administrator will have regard to the current version of the strategy.

6.1. Scheme administration

The administrator will ensure that training sessions and annual meetings are held on a regular basis and actively seek to promote the Local Government Pension Scheme via the following events.

- Employer annual meeting
- Member annual meeting where appropriate
- Pre-retirement courses
- New starters induction courses
- Employer training webcasts (replacing workshops)
- Bite size training videos

6.2. Responsibilities

The administrator will ensure the following functions are carried out.

6.2.1. Provide a helpdesk facility for enquiries, available during normal office hours, providing a single point of access for information relating to the schemes being administered.
6.2.2. Create a member record for all new starters admitted to the scheme.
6.2.3. Collect and reconcile employer and employee contributions.
6.2.4. Maintain and update members' records for any changes received by the administrator.
6.2.5. At each actuarial valuation the administrator will forward the required data in respect of each member and provide statistical information over the valuation period to the relevant fund so that their actuary can determine the assets and liabilities for each employer.
6.2.6. Each fund will communicate the results of the actuarial valuation to the relevant employers.
6.2.7. Produce a benefit statement each year for every active, deferred and pension credit member.
6.2.8. Provide estimate of retirement benefits on request by the employer.
6.2.9. Calculate and pay retirement benefits, deferred benefits and death in service benefits in accordance with LGPS rules, members' options and statutory limits.
6.2.10. Comply with HMRC legislation.

6.3. Decisions

The administrator will ensure that members are notified of any decisions made under the scheme regulations in relation to their benefits within 10 working days of the decision being made and will ensure the member is informed of their right of appeal.

6.4. Discretionary powers

The administering authorities with support from the administrator will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

6.5. Internal dispute resolution procedure (IDRP)

The administrator will deal with employer appeals at stage two of the IDRP for WYPF, HPF and LPF. The Pension Manager of London Borough of Barnet Pension Fund will undertake this role for BPF.

An adjudicator will be nominated to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision the administrator has made or is responsible for making. For LPF, the decision maker in these stage one appeals is the Head of Pensions.

6.6. Fund performance levels

The minimum performance targets are shown below.

Service	Days	Minimum target
1. New member records created	10	85%
2. Update personal records	10	85%
3. Posting monthly contributions to member records	10	95%
4. Calculate and action incoming transfer values	35	85%
5. Deferred benefit – payment of lumps sums	3	90%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions - payment	5	90%
9. Pay transfers out on receipt of acceptance	35	85%
10. Provide estimate of retirement benefits	10	75%
11. Retirement benefits – payment of lump sum	3	90%
12. Retirement benefits – calculation of pension/lump sum	10	85%
13. Calculation and payment of death benefits on receipt of all necessary information	5	90%
14. Make death grant payment to the member's nomination (provided all relevant information is received)	1 month	100%
15. Percentage of telephone calls answered within 20 seconds		90%
16. Annual benefit statements issued to deferred members		by 31 May
17. Annual benefit statements issued to active members		by 31 August
18. Make payment of pensions on the due date		100%
19. Issue P60s to pensioners within statutory deadlines		100%

20. Provide information on request in respect of pension share on divorce within legislative timescales	100%
21. Implement Pension Share Orders within legislative timescales	100%
22. Undertake annual reviews to establish continuing entitlement to pensions for children over the age of 17	100%

7. Unsatisfactory performance

7.1. Measuring performance

Both employer and administrator targets will be measured on a quarterly basis using the Civica document management system. Administrator performance levels will be published on a monthly basis to the shared service pension funds and fire authorities. Overall administrator performance will be published by the funds in their Report and Accounts.

7.2. Unsatisfactory performance

Where an employer materially fails to operate in accordance with the standards described in this strategy, and this leads to extra costs being incurred by the administering authority, the administering authority may issue a written notice to the employer requiring that these extra costs be met by the employer. A schedule of charges is detailed in Appendix B.

Appendix D: Pension Administration Strategy

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	Failure to comply by employer, causing additional work for WYPF will result in

	administrator of change in authorised officers list.	admin charge (at Pensions Officer level I).
11. Security breach on system re data protection	Recharge employers any fines imposed on us in this event	Actual amount fine imposed + admin charge (admin charge will be based on managerial input at level III).
12. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £350 + VAT for this work.
Miscellaneous items: • **Benefit recalculation** • **Member file search and record prints** • **Supplementary information requests**	Where information is requested by members that is in addition to routine information.	A notional charge of £50 + VAT will be levied. Where the member has more than one known record, the charge is for each record.

Appendix C – Charging Levels

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

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

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

Appendix E: Funding Strategy Statement

Funding Strategy Statement (FSS)

1. Introduction

1.1 The Local Government Pension Scheme Regulations 2013 provide the statutory framework under which the Administering Authority is required to prepare a Funding Strategy Statement (FSS). The key requirements for preparing the FSS can be summarised as follows:

After consultation with all such persons as it considers appropriate, including officers and elected members and other employer representatives, the Administering Authority will prepare, maintain and publish their funding strategy;

In preparing the FSS, the Administering Authority must have regard to: -

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

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

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

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

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

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

Appendix E: Funding Strategy Statement

2. Purpose of Funding Strategy Statement (FSS)

2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.

2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:

2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward.

2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates.

2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met.

2.2.4 takes a prudent longer-term view of funding the liabilities.

2.2.5 makes use of the provisions of Regulation 64(7A), 64A, and 64B.

2.3 It should be stressed at the outset that supplementary to the regulatory requirement to consider the desirability of maintaining a constant primary employer contribution rate as referred to in 2.2.2 above, a key priority for the Administering Authority is to bring stability to employers' total contributions through gradual increases (or decreases) phased in over a number of years. Views will be taken on what is reasonable and appropriate for employer contributions and, therefore, the degree of risk inherent within the funding targets and associated periods for recovery of deficits or return of surpluses.

2.4 The intention is for this strategy to be both cohesive and comprehensive for the Fund as a whole, recognising that there will be conflicting objectives which need to be balanced and reconciled. Whilst the position of all employers will be referred to in the FSS, its focus should at all times be on those actions which are in the best long-term interests of the Fund. Consequently, the FSS must remain a single strategy for the Administering Authority to implement and maintain.

3. Aims and Purpose of the Pension Fund

3.1 The aims of the Fund are to:

3.1.1 enable primary employer contribution rates to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies.

3.1.2 enable overall employer contributions to be kept as constant as possible and (subject to the Administering Authority not taking undue risks) at reasonable cost to the taxpayers, scheduled, designating, and admission bodies whilst achieving and 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 Individual employers should:

4.3.1 deduct contributions from employees' pay correctly.

4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date (including contributions due under a Deferred Debt Agreement).

4.3.3 develop a policy on certain discretions and exercise those discretions as permitted within the regulatory framework, taking into account the cost of decisions.

4.3.4 make additional contributions in accordance with agreed arrangements in respect of, for example, award of additional pension and early retirement strain.

4.3.5 provide adequate membership records to the Administering Authority promptly as required.

4.3.6 notify the Administering Authority promptly of all changes or proposed changes to membership which affect future funding.

4.3.7 notify the Administering Authority promptly of possible or intended changes that could affect the basis of participation in the Fund which affect future funding.

4.3.8 be aware that responsibility for compensatory added years, which the Administering Authority pays on behalf of the employer as a paying agent, lies with the employer which awards and is recharged for the cost of compensatory added years.

4.3.9 pay any exit payments required in the event of their ceasing participation in the Fund.

4.4 The Fund Actuary should:

4.4.1 prepare triennial valuations including the setting of employers' contribution rates at a level to ensure fund solvency and long-term cost efficiency after agreeing assumptions with the Administering Authority and having regard to the FSS and the Regulations.

4.4.2 prepare advice and calculations in connection with bulk transfers and individual benefit-related matters such as pension strain costs, ill health retirement costs, etc.

4.4.3 provide advice and valuations on the exiting of employers from the Fund.

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.

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).

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, in order to continue to target a funding level of 100%.

5.5 For all ongoing employers, other than those Admission Bodies whose liabilities are expected to be orphaned following exit and which are not considered by the Administering Authority to be sufficiently financially secure, from 1 February 2022 the Solvency Target is set:

5.5.1 at a level advised by the Fund Actuary as a prudent long-term funding objective for the Fund to achieve at the end of the Trajectory Period.

5.5.2 based on continued investment in a mix of growth and matching assets intended to deliver a return above the rate of increases to pensions and pensions accounts (Consumer Price Index (CPI)).

The long-term rate of CPI is assumed to be 2% p.a. and a prudent long-term investment return of 2% above CPI is assumed. The solvency discount rate is therefore of 4% p.a.

5.6 For liabilities are expected to be orphaned following the exit of a participating employer, a more prudent approach will be takens. The Solvency Target is set assuming a more prudent long-term investment return of 2% p.a.

5.7 For deferred employers it is expected that the Solvency Target will be set by considering the valuation basis which would be adopted once the Deferred Debt Agreement (DDA) ends.

Probability of Funding Success

5.8 The Administering Authority considers funding success to have been achieved if the Fund, at the end of the Trajectory Period, has achieved the Solvency Target. The Probability of Funding Success is the assessed chance of this happening based on asset-liability modelling carried out by the Fund Actuary.

5.9 The Probability of Funding Success and Trajectory Period will be set considering whether or not new members will be admitted to the Fund and 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 shortfall, set the level of contributions payable and dictate the chance of achieving the Solvency Target at the end of the Trajectory Period (defined above).

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 100% of the Funding Target, where the funding target is assessed based on the sum of the appropriate funding targets across all the employers/groups of employers.

5.14 At the 2022 actuarial valuation, the discount rates will be set for each funding target such that the Fund Actuary estimates that the chance of reaching or exceeding the Solvency Target over the relevant Trajectory Period, is as set out below:

Funding target	Probability of funding success	Trajectory Period	Discount rate as at 31 March 2022
Secure Scheduled and Subsumption Body	76%	20 years	4.5%
Intermediate employers	Dependent on risk rating: - lower risk employers: 80% - medium risk employer: 83% - higher risk employers: 85%	20 years	-lower risk employers 4.25% -medium risk employers 4.05% -higher risk employers 3.95%
Ongoing orphan employers	Set to target the exit (orphan) position when the last active leaves*	15 years*	In service 3.95% Left service 1.60%
Orphan (exit)	95%	15 years	1.6%

* In order to keep contributions for employers' subject to the ongoing orphan funding target affordable, the in service discount rate is set equal to that for the higher risk intermediate funding target. The left service discount rate is set equal to that for the orphan exit funding target.

Recovery Periods

5.15 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 shortfall will be expressed as a monetary amount, and will increase annually in line with the assumption for pay growth used for the valuation unless a different increase rate is agreed between the employer and Administering Authority. The recovery period for which the additional contributions are payable will normally be subject to the following limits: -

5.17.1 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 shortfall 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 is 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 the 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.

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.

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.

7.3 The expected rate of return and the target set for investment returns in the ISS are reviewed annually as a matter of course, and the relationship with the requirements of the FSS are considered at the same time.

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 paragraph 5.13 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 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 - 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 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 will be reported in the 2022 valuation report. This modelling is expected to meet the Government Actuary's requirements for the 2022 valuations as well as supporting the Fund's reporting under DLUHC's proposed new TCFD (Taskforce for Climate-Related Financial Disclosures) regime for LGPS funds.

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 E: Funding Strategy Statement

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

1. **Background**

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

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

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

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

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

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

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

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

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

2. New Employers

Types of Admission Body

2.1 The following bodies are types of potential admission body -

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

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

(c) a body representative of-

(i) any Scheme employers, or

(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 is also prepared to admit new contractors on a "pooled pass through" basis which means that for funding and contribution rate purposes the admission body will be grouped (or pooled) with the Scheme employer. It will operate as follows:

- There will be no notional allocation of assets from the Scheme employer to the admission body on commencement of the contract.
- On admission the contractor will pay the contribution rate payable by the Scheme employer (with any monetary secondary contributions converted to a % of pay as appropriate.
- Contributions will be set at each triennial valuation (and any other time as appropriate) based on the combined funding position and primary contribution rate for the group/pool (i.e. there will be no separate calculation of funding position or employer contributions for the admission body)

- There will be no payment due from or to the contractor on exit, with responsibility for funding its liabilities assumed to remain with the Scheme employer unless there is a transfer to another employer.

2.6 The contractor will be assumed to be liable for any strain costs or other payments due to the Fund where it grants additional pension under Regulation 31 and strain costs. All other experience will be shared between the members of the Scheme employer group/pool.

2.7 Should there be any need to provide a notional asset value for the contractor, e.g. for accounting under FRS102/IAS19, this will be on a pro rata basis, i.e. the group/pool's notional asset share will be allocated to the employers in the pool in proportion to their liabilities calculated on assumptions appropriate to the group's funding target.

2.8 A pooled pass through arrangement will be the default option for all new admissions under 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 shortfall would normally fall on the employers pro-rata to their liabilities in the Fund. Unless the shortfall amount were material, the allocation of the shortfall to all employers in the Fund would be carried out at the next formal actuarial valuation. Alternatively, if the guarantor for the outgoing admission body was also a participant in the Fund, the outgoing admission body's assets, liabilities and the funding deficit could be subsumed by the guarantor within the Fund.

4. Funding Target

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

4.2 Subsumed liabilities

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

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

4.3 Scheduled Bodies

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

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

- the type/group of the employer

- the business plans of the employer;
- an assessment of the financial covenant of the employer;
- whether the employer is a part 1 Schedule 2 or Part 2 Schedule 2 employer and if the latter, the likelihood of new members joining the Fund
- 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, 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 8.14 of the Funding Strategy Statement) are resolved.

6. Employer Contribution Rate

6.1 Initial Rate

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

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

6.1.3 When a new academy converts and joins 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 closed admission bodies and will commission a valuation from the Actuary under Regulation 64(4) where it has reason to believe that the admission body may become an exiting employer before the next triennial Actuarial Valuation.

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

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

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

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

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

7.3 The assumptions adopted to value the departing employer's liabilities for the exit valuation (including on termination of any Deferred Debt Agreement) will depend upon the circumstances. In particular, the cessation valuation will distinguish between residual liabilities which will become orphan liabilities, and liabilities which will be subsumed by other employers. For orphan liabilities the Funding Target on exit will allow for a more prudent solvency target and give the Fund greater certainty that the solvency target will be met over a suitable trajectory period, based on the Fund's long-term asset strategy. This is to protect the other employers in the Fund, as upon exit, the employer's liabilities will become "orphan" liabilities within the Fund, and there is no recourse to that (former) employer if a shortfall emerges in relation to these liabilities after the exit date.

7.4 For subsumed liabilities the Administering Authority's policy is that the funding target for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body, updated for financial conditions at the exit date.

7.5 In exceptional circumstances the funding target for subsumed liabilities may be varied if deemed appropriate by the Administering Authority, on the advice of the Fund Actuary.

7.6 Where any of the liabilities are transferring to a successor body, e.g. on a contract being re-let, the funding target of that successor body will not influence the assumptions adopted for the exit valuation. Any shortfall between the value of the liabilities assessed on the appropriate exit basis and the funding target for the successor body (e.g. if this is being set up fully funding on an orphan admission body funding target) will generally be assumed to be met by the letting authority unless otherwise agreed between the parties, to the satisfaction of the Administering Authority.

7.7 For exits, the following refinements will be made to the approach at the 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.

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

7.8 Regardless of whether the residual liabilities are orphan liabilities or subsumed liabilities, the departing employer will be expected to make good the funding position disclosed by the exit valuation. In other words, the fact that liabilities may become subsumed liabilities does not remove the possibility of an exit payment being required from the outgoing employer.

7.9 However, where agreed between the parties the deficit (or any exit credit) may be transferred to the subsuming employer or guarantor, in which case it may be possible to simply transfer the former admission body's members and assets to the subsuming body, without needing to crystallise any deficit or pay an exit credit. Where the guarantee only covers the exit deficit, i.e. it does not extend to subsumption of the exiting employer's assets and liabilities, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

7.10 If there are liabilities which cannot be recovered from the exiting employer or any bond/indemnity. These will fall to be met by the Fund as a whole (i.e. all other employers) unless there is a guarantor or successor body within the Fund.

7.11 At successive triennial Actuarial Valuations the Actuary will allocate assets within the Fund equal to the value of the orphan liabilities so that these liabilities are fully funded. This may require a notional reallocation of assets from the ongoing employers in the Fund.

7.12 Employers should be aware that advisory and other costs incurred by the Administering Authority in relation to the exit of an employer from the Fund will be re-charged to the exiting employer.

8. Exit payments

8.1 Any deficit would normally be levied on the departing employer as a single capital payment although, the Administering Authority may, allow phased payments as permitted under Regulation 64B. The Administering Authority's policy in relation to the spreading of exit payments under Regulation 64B is set out below.

It is envisaged that spreading of exit payments will only be considered at the request of an employer. The Administering Authority will then engage/consult with the employer to consider its application and determine whether or not spreading the exit payment is appropriate and the terms which should apply

8.2 In determining whether or not to permit an exit payment to be spread, the Administering Authority will consider factors including, but not limited to:

- the ability of the employer to make a single capital payment;
- whether any security is in place, including a charge over assets, bond, guarantee or other indemnity;
- whether the overall recovery to the Fund is likely to be higher if spreading the exit payment is permitted.

8.3 In determining the employer's ability to make a single payment the Administering Authority will seek actuarial, covenant or legal advice as required. Where the Administering Authority considers that the employer is financially able to make a single capital payment it will not normally be appropriate for the exit payment to be spread.

8.4 The employer will be required to provide details of its financial position, business plans and financial forecasts and such other information as required by the Administering Authority in order for it to make a decision on whether or not to permit the exit payment to be spread. This information must be provided within 2 months of request.

8.5 In determining the appropriate length of time for an exit payment to be spread, the Administering Authority will consider the affordability of the instalments using different spreading periods for the employer. The default spreading period will be three years but longer periods of up to ten years will be considered where the Administering Authority is satisfied that this doesn't pose undue risk to the Fund in relation to the employer's ability to continue to make payments over the period.

8.6 Whilst the Administering Authority's preference would be for an employer to request spreading of any exit payment in advance of the exit date, it is acknowledged that a final decision by the employer (and the Administering Authority) on whether this will be financially beneficial/appropriate may not be possible until the employer has exited. Exiting employers will be advised of the exit deficit and the spreading of any payment will only be considered at the request of the employer. Where there is a guarantor, the guarantor will also be consulted and any agreement to spread the exit deficit may be conditional on the guarantee continuing in force during the spreading period.

8.7 The amount of the instalments due under an exit deficit spreading agreement will generally be calculated as level quarterly amounts allowing for interest over the spreading period in line with the discount rate used to calculate the exit liabilities. Where the exit amount is significant, monthly payments may be required or the Administering Authority may require a higher initial payment with lower annual payments thereafter to reduce the risk to the Fund. Alternative payment arrangements may be made in exceptional circumstances as long as the Administering Authority is satisfied that they don't materially increase the risk to the Fund.

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

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

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

9. Exit Credits

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

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

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

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

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

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

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

10. Multi-academy trusts

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

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

10.3 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

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

12. Deferred Debt Agreement (DDAs)

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

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

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

- the materiality of the employer and any exit deficit in terms of the Fund as a whole;

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

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

It is envisaged that DDAs will only be entered into at the request of an employer. In any case the Administering Authority will engage/consult with the employer to consider the application and determine whether or not a DDA is appropriate and the terms which should apply. As part of its application for a DDA the Administering Authority will require information from the employer to enable the Administering Authority to take a view on the employer's strength of covenant. Information will also be required on an ongoing basis to enable the employer's financial strength/covenant to be monitored. It is expected that DDAs will be monitored on an annual basis unless circumstances dictate otherwise. Monitoring may be more frequent as the end of the period of the DDA approaches.

12.4 Employers should be aware that all advisory fees incurred by the Fund associated with a request for a DDA, whether or not this results in an agreement being entered into, and its ongoing monitoring, will be recharged to the employer.

12.5 The Administering Authority has a template agreement for DDAs, which it will require employers (and any guarantors) to sign up to. The matters which the Administering Authority will reflect in the DDA, include:

- an undertaking by the employer to meet all requirements on Scheme employers, including payment of the secondary rate of contributions, but excluding the requirement to pay the primary rate of contributions;
- a provision for the DDA to remain in force for a specified period, which may be varied by agreement of the Administering Authority and the deferred employer;
- a provision that the DDA will terminate on the first date on which one of the following events occurs-

(a) the deferred employer enrols new active members;

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

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

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

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

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

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

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

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

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

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

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

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

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

13. Responsibilities of employers in the Fund

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

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

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

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

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

APPENDIX 2: Policy on reviewing Employer Contributions between Triennial Valuations

1. Background

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

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

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

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

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

2. Factors used to determine when a review is appropriate

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

- the circumstances leading to the change in liabilities arising or likely to arise, for example whether this is the result of a decision by the employer, such as the restructuring of a Multi-Academy Trust, a significant outsourcing or transfer of staff, closure to new entrants, material redundancies or significant pay awards, or other factors such as ill-health retirements, voluntary withdrawals or the loss of a significant contract.
- the materiality of any change in the employer's membership or liabilities, taking account of the Actuary's view of how this might affect its funding position, primary or secondary contribution rate.
- whether, having taken advice from the Actuary, the Administering Authority believes a change in ongoing funding target or deficit recovery period would be justified, e.g. on provision or removal of any security, subsumption commitment, bond, guarantee, or other form of indemnity in relation to the employer's liabilities in the Fund.
- the materiality of any change in the employer's financial strength or longer-term financial outlook, based on information supplied by the employer and supported by a financial risk assessment or more detailed covenant review carried out by the Fund Actuary or other covenant adviser to the Fund.
- the general level of engagement from the employer and its adherence to its legal obligations as set out in the Pensions Administration Strategy Statement and elsewhere, including the nature and frequency of any breaches such as failure to pay contributions on time and data quality issues due to failure to provide new starter or leaver forms.
- Assessment of the risk/impact on other employers.

3. Assessment of the risk/impact on other employers

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

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

4. Employer involvement and consultation

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

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

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

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

5. Process for requesting a review

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

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

6. Other considerations

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

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

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

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

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

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

Appendix F: Governance Compliance Statement

Governance Compliance Statement

1. Introduction

1.1 The Governance Compliance Statement has been prepared in accordance with the Local Government Pension Scheme Regulations 2013 (Regulation 55) and its predecessor, Regulation 31 of the Local Government Pension Scheme Regulations 2008 (as amended).

1.2 City of Bradford Metropolitan District Council, as administering authority for West Yorkshire Pension Fund (WYPF), has delegated legal and strategic responsibility for WYPF to the Governance and Audit Committee. The council has established three bodies to assist and support the Governance and Audit Committee in overseeing the fund, namely the WYPF Pension Board, WYPF Investment Advisory Panel and the WYPF Joint Advisory Group. Under the council's financial regulations, the Director – West Yorkshire Pension Fund has day-to-day responsibility for the management of the fund. The Strategic Director – Corporate Services at Bradford Council, as the council's Section 151 Officer, has responsibility for signing the fund's year-end accounts.

2. Governance and Audit Committee

2.1 The Governance and Audit Committee shall comprise five members. The Chair or Deputy Chair of the Committee shall not be a member of the Executive but at least one member shall also be a member of the West Yorkshire Pension Fund Joint Advisory Group and/or Investment Advisory Panel.

Quorum

2.2 The quorum of the committee shall be three members.

Roles and functions

2.3 The functions of the committee affecting West Yorkshire Pension Fund are to:

2.3.1 approve the statement of accounts and related documents in accordance with the Accounts and Audit Regulations 2015.

2.3.2 receive matters of a financial nature the external audit request be considered by a member body, including any that may concern the council's governance arrangements.

2.3.3 consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements.

2.3.4 seek assurance that action is being taken on risk related issues determined by auditors and inspectors.

2.3.5 review the financial statements, external auditor's opinion and reports to members and monitor management action in response to the issues raised by external audit.

2.3.6 discharge the function contained in Part H of Schedule 1 of the Local Authorities (function and responsibilities) (England) Regulations 2000 (functions relating to local government pensions) and Part 1, paragraph 48 (Maladministration Payments) including those relating to the Investment Advisory Panel and the Joint Advisory Group.

2.3.7 review summary Internal Audit reports and the main issues arising and seek assurance that action has been taken where necessary.

2.3.8 consider the reports of External Audit and inspection agencies.

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

3. WYPF Investment Advisory Panel

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

3.2 The other nine representatives on the panel comprise of three trade union representatives (two from UNISON and one from GMB), two external investment advisers, two scheme members, the Director – West Yorkshire Pension Fund and a Chief Finance Officer from the West Yorkshire district councils on a two-year rotational basis. A facility also exists for an additional councillor representative to be co-opted onto the panel each year in the event that one of the three largest political groups in West Yorkshire is not represented on the panel through the ten councillors nominated by the five district councils. The co-opted councillor will be from Bradford Council as administering authority.

3.3 All representatives on the panel have equal voting rights.

3.4 For each municipal year a chair of the panel is nominated by the two Bradford Council councillor representatives on the panel, and a deputy chair is elected from other members on the panel. A Bradford councillor on the panel will also be a member of the Governance and Audit Committee.

3.5 The Panel meets on a quarterly basis in January, April, July and October each year. The Panel may hold a 'special' meeting at any time in the year to deal with any urgent or specific areas of business.

3.6 The panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.

3.7 In this capacity, the panel will be responsible for formulating the broad future policy for investment. Not only will it be necessary to ensure that monies accruing to the fund are invested to greatest advantage, it will also have responsibility for monitoring the progress of all existing investments. As with all trustees, members of the panel should not allow their own personal interests, social, moral or political views to influence their decisions.

3.8 At the meetings of the panel the overall investment portfolio will be reviewed and any necessary adjustments to the spread of investments made as well as decisions taken about the investment of new money.

3.9 Prior to each meeting, the Director – West Yorkshire Pension Fund will arrange to supply all members of the panel with information to enable these tasks to be undertaken. This will include a current distribution of the assets of the fund, schedules of all investments purchased or sold since the previous panel meeting, views from the fund's external investment advisers, and a complete list and up-to-date valuation of the investment portfolio.

3.10 Decisions are taken on how the new money available for the investment is to be allocated to major asset classes on the portfolio. However, the panel having once determined the level of overall investment, the specific selection of the individual securities will be left to the discretion of the in-house investment managers.

3.11 The external investment advisers on the panel will be able to guide other members of the panel in their investment adjudication.

3.12 In the event of conflict of opinion arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.

3.13 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director – West Yorkshire Pension Fund or his/her nominee, and one external investment adviser.

3.14 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the panel if, in its opinion, the decision is not in the best interests of the WYPF.

4. WYPF Joint Advisory Group

4.1 The WYPF Joint Advisory Group (referred to as 'the Group') comprises 20 representatives. There are three councillor representatives from each of the five West Yorkshire District Councils, three Trade Union representatives, and two scheme members. All representatives on the group have equal voting rights.

4.2 There is no set pattern for meetings of the Group, and the group will meet on such days as they may determine.

4.3 For each municipal year a chair is nominated by the Bradford Council representatives and a Deputy Chair is elected from amongst the other members of the group.

4.4 The Group has overall responsibility for overseeing and monitoring WYPF's Pensions Administration function, and for reviewing and responding to proposed changes to the Local Government Pension Scheme. In addition, the group will approve the budget estimates for the Pension Administration and Investment Management functions of WYPF, and also receive WYPF's annual Report and Accounts.

4.5 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent Councils.

4.6 The Governance and Audit Committee shall have the right, in accordance with financial regulations, to overrule any decision taken by the Group if, in its opinion, the decision is not in the best interests of WYPF.

5. WYPF Pension Board

5.1 The WYPF Pension Board was established in 2015 in accordance with the requirements of Public Service Pensions Act 2013 and in accordance with regulation 106 of the Local Government Pension Scheme Regulations 2013.

5.2 The Board's role is to assist the Council as Scheme Manager in ensuring the effective and efficient governance and administration of the LGPS including securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS; securing compliance with the requirements imposed in relation to the LGPS by The Pensions Regulator; and any other such matters as the LGPS regulations may specify.

5.3 The WYPF Pension Board comprises eight representatives. There are four member representatives from the trade unions (two from UNISON, and one each from Unite and GMB) and four employer representatives (one councillor from Bradford Council who will act as chair, two other councillors from the other district councils, and one employer representative nominated from all the other employers in the fund).

5.4 The Board will meet quarterly on such dates as they determine.

5.5 The quorum of the board shall be three (chair plus one employer representative and one member representative).

6. Annual meetings

6.1 Each year, usually in October, WYPF holds an employer annual meeting and a separate Scheme Members' Annual Meeting.

6.2 At each Annual Meeting a keynote address is given by a guest speaker on a related pensions topic. The Director – West Yorkshire Pension Fund will provide an update on the activities of the fund during the past year, and the fund's two external investment advisers will provide economic and stock market data together with details of WYPF's own investment strategy and performance.

7. Training/expenses/facility time

7.1 A bespoke training seminar is held each year for members of the Investment Advisory Panel, Joint Advisory Group and Pension Board. In addition, all members are given the opportunity to attend the annual Local Government Pensions Committee's "Trustees Training Fundamentals" event, which is a three-day training course for pension fund trustees.

7.2 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work on the Panel, and members can opt to attend any that they feel will be of benefit to them.

7.3 No member or representative on the Investment Advisory Panel, Joint Advisory Group or Pension Board shall be remunerated for undertaking this role. However, expenses incurred in the attending meetings, training events will be re-imbursed. The cost is met by the fund.

7.4 The Trade Unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and Pension Board should liaise with their employers as to whether facility time is granted for attending meetings and training events relating to the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board.

8. Register of interests

8.1 All voting members of the Investment Advisory Panel, Joint Advisory Group and WYPF Pension Board must complete a 'Declaration of Acceptance of Office' Form and annually compete a 'Conflicts of Interest' form.

Appendix G: Communications Policy

Communications Policy 2023

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

Introduction

West Yorkshire Pension Fund (WYPF), Lincolnshire Pension Fund (LPF), Hounslow Pension Fund (HPF) and Barnet Pension Fund entered into collaboration agreements for shared service in April 2015 (LPF), August 2018 (HPF) and October 2020 (BPF). The funds are administered jointly by WYPF, referred to in this policy as 'the administrator'.

This policy has been prepared to meet our objectives about how we communicate with key stakeholders. The administrator currently administers the Local Government Pension Scheme (LGPS) for over 700 employers and have over 100,000 active members in the LGPS. We also administer the Councillor Pension Scheme and the Firefighters' Pension Schemes both old and new for a number of fire authorities. This policy is effective from January 2023 and will be reviewed annually.

Our stakeholders

For all of the schemes that we administer, our stakeholders include:

- members
- representatives of members
- prospective members
- employing authorities
- third-party employer service providers

Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style and help scheme members understand their pension, the benefits and options it provides.
- Use plain English for all our communications with stakeholders.
- Identify and use the most appropriate communication method to take account of stakeholders' different needs.
- Use technologies to provide convenient, up to date and timely information to stakeholders.
- Provide timely and sufficient information to scheme members, allowing access through the channel of their choice, so members can make informed decisions about their benefits.
- Engage with our stakeholders face-to-face when appropriate.

Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- feedback questionnaires.
- monitoring compliments and complaints.
- customer surveys.
- web feedback using hosted services.

To ensure continuous development we plan to:

- further develop member self-service with a secure My Pension platform.
- broaden our use of digital platforms to engage stakeholders including adoption of online chat using Live Agent.
- improve the web provision for all members by launching a new persona driven website.
- increase the information we give to employing authorities when they join the scheme or change main contacts.

Appendix G: Communications Policy

Communications events 2023 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
LGPS active members (including representatives of active members and prospective members)			
	Newsletter	2/3 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Annual Pension Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print and web
	Member fact sheets	Constant	Web
	Introduction to WYPF	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person
	Pension surgeries/drop ins	On employer request	Virtual
	Engaging with your LGPS pension	Monthly	Virtual events held online
	Pension Awareness Week	Once per year (Sept)	Virtual events held online
	Planning for a successful retirement	At least monthly	Held by Affinity Connect
	WYPF Contact centre and LPF satellite office	8.45am to 4.30pm 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	8.45am to 4.30pm 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	8.45am to 4.30pm Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications
	Social media	Constant	Web
	YouTube channel	Constant	Web

Communications events 2023 – Firefighters

Communication	Format	Frequency	Method of distribution
Firefighter active members (including representatives of active members and prospective members)			
	Newsletter	At least 1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	New recruit presentation	On employer request	Virtual or in person
	Presentation – Your pension explained	On employer request	Virtual or in person
	Presentation – Pre retirement	On employer request	Virtual or in person

	Pension surgeries/drop in's	On employer request	Virtual or in person
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Scheme booklet	Constant	Web
Firefighter deferred members (including representatives of deferred members)			
	Annual Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
Firefighter – pensioner members (including representatives of pensioner members)			
	www.wypf.org.uk	Constant	Web
	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Pension advice	As and when net pension changes by £5.00 or more	Mail if not registered with My Pension
	P60	1 per year	Web unless opted out of electronic communications

Communications events 2023 – Councillors

Communication	Format	Frequency	Method of distribution
Councillor members (including representatives of members)			
	Newsletter	1 per year becoming more frequent and modular as electronic communications increase	Bulk email and mail if members opted out of electronic communications
	Annual meeting	1 per year	Meeting (WYPF/HPF)
	Deferred Benefit Statement	1 per year	E-mail and mail if members opted out of electronic communications
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Virtual/meeting/face-to-face

	WYPF Contact centre and LPF satellite office	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/email
	Social media	Constant	Web

Communications events 2023 – Employing Authorities

Communication	Format	Frequency	Method of distribution
Employing authorities			
	Employer Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Virtual / face-to-face / email / phone
	Website	Constant	Web
	Fact card	1 per year	Web
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face/virtual
	Update sessions	Up to 2 per year	Meeting
	Annual meeting	1 per year	Meeting
	Manuals/toolkits	Constant	Web/electronic document
	Pension Matters and round-up	12 per year and when required	Wordpress blog and gov. delivery bulk email
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face

Member contacts
Phone (01274) 434999
Email pensions@wypf.org.uk
Our offices have now re-opened to members of the public following the Covid-19 pandemic on an appointment basis.

Postal address
WYPF
PO Box 67
Bradford BD1 1UP

WYPF contact centre
Aldermanbury House
4 Godwin Street
Bradford
BD1 2ST

Appendix G: Communications Policy

LPF satellite office
Lincolnshire County Council
County Offices
Newland
Lincoln LN1 1YL

Employer contacts
Ammie McHugh (Employer Relations Manager) 01274 432763

Employer Pension Fund Representatives

David Parrington	(Fire)	01274 433840
Sheryl Clapham	(LGPS)	01274 432541
Kaele Pilcher	(LGPS)	01274 432739
Ahmed Surtee	(LGPS)	01274 433517
Richard Quinn	(LGPS)	01274 433646
Finola Middleton	(LGPS)	01274 432726

WYPF Management

Euan Miller	Managing Director – WYPF
Yunus Gajra	Assistant Director (Finance, Administration and Governance)
Grace Kitchen	Head of Member Services
Ola Ajala	Head of Finance
Caroline Blackburn	Head of Employer Services and Compliance
Elizabeth Boardall	Head of Projects, Communications & IT

Lincolnshire Pension Fund Management

Jo Ray	Head of Pensions
Claire Machej	Accounting, Investment and Governance Manager

Hounslow Pension Fund Management

Hitesh Sharma	Strategic Pensions Manager

Barnet Pension Fund Management

Mark Fox	Pensions Manager

Fire and Rescue Service Pension Scheme Clients
Buckinghamshire & Milton Keynes Fire Authority
Cambridgeshire Fire & Rescue Service
County Durham and Darlington Fire and Rescue Service
Derbyshire Fire & Rescue Service
Devon & Somerset Fire & Rescue Service
Dorset & Wiltshire Fire & Rescue Service
East Sussex Fire and Rescue Service
Hereford & Worcester Fire & Rescue Service
Humberside Fire & Rescue Service
Leicestershire Fire & Rescue Service
Lincolnshire Fire & Rescue Service
Norfolk Fire and Rescue Service
Northamptonshire Fire & Rescue Service
Northumberland Fire & Rescue Service
North Yorkshire Fire & Rescue Service
Nottinghamshire Fire & Rescue Service
Royal Berkshire Fire and Rescue Service
Shropshire & Wrekin 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

Appendix H: Investment Strategy Statement

Investment Strategy Statement

1. Introduction

1.1. The Investment Strategy Statement has been prepared in accordance with the Local Government Pension Scheme (Management and Investment of Funds) Regulations 2016.

1.2. City of Bradford Metropolitan District Council became the administering authority of West Yorkshire Pension Fund in 1986. The fund covers the five district councils of West Yorkshire together with numerous other employers.

2. Investment decision making process

2.1. The Council has delegated all its functions as administering authority of the Pension Fund to the Governance and Audit Committee. The Director - West Yorkshire Pension Fund, who reports to the Chief Executive, has day to day control of the management of all aspects of the Fund's activities. The Governance and Audit Committee utilises the Investment Advisory Panel as the vehicle for overseeing the Fund's investment functions.

2.2. The Panel determines the investment policy of the Fund and has ultimate responsibility for investment strategy. The Panel undertakes its responsibilities through taking appropriate advice from external advisers, supported by the in-house investment management team.

2.3. Once the investment strategy has been set at the quarterly meetings of the Panel, the in-house investment management team undertakes sector and stock selection on a discretionary basis to implement the strategy.

3. Variety of investments to be held

3.1. The West Yorkshire Pension Fund will hold a diversified portfolio of investments in Fixed Interest Securities, Equities, Index Linked Securities, Managed and Unitised Funds (including Property Unit Trusts), Alternative Investments, and Cash Deposits, covering all the world markets.

3.2. A proportion of the Fund's investments will be held in Emerging Markets, both through direct investments and pooled vehicles.

3.3. The Fund will invest in Private Equity, Infrastructure, Hedge Funds and Listed Alternatives which, together with Property, will be classed as Alternative Investments.

3.4. The Fund will not invest directly in unquoted companies, except where such investment is part of a pooled arrangement or joint venture with one or more pension funds.

3.5. Stock lending will be actively pursued up to the 35% limit as originally permitted under the Regulations. The Investment Advisory Panel initially agreed this on 20 October 2005, and considers this decision annually.

4. Suitability of particular types of investment

4.1. The biggest proportion of the Fund's investment will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term.

4.2. Fixed Interest Securities, Index Linked Securities, Alternative Investments and Cash Deposits will make up the balance of investment. The distribution of investments between the asset classes will vary based on perceived economic and market conditions.

4.3. The Fund's planned asset allocation strategy will be linked to a fund-specific benchmark, and for 2017/18 the Fund will invest within the following control ranges for each asset class. Depending on market conditions, the Fund may stray outside the control ranges on occasions before adjustments are made to rectify the situation. This table will be updated whenever the Investment Advisory Panel decides on changes to the control ranges.

	Benchmark %	Control Range %
Equities	**65**	**+7.5 to -7.5**
UK	**35**	**+5 to -5**
Overseas	**30**	**+10 to -5**
North America	8	+5 to -5
Europe (Ex UK)	10	+5 to -5
Japan	4	+3 to -3
Asia Pacific (ex Japan)	3	+3 to -3
Emerging Markets	5	+3 to -3
Bonds	**17**	**+3 to -3**
UK Fixed Interest Gilts	5	+3 to -3
UK linked Gilts	5	+3 to -3
Corporate Bonds	4	+3 to -3
Global Bonds	3	+2 to -2
Property	**5**	**+2 to -2**
Private Equity	**5**	**+2 to -2**
Private Infrastructure	**4**	**+2 to -2**
Hedge Funds	**0**	**+2 to -2**
Listed Alternatives	**2**	**+2 to -2**
Cash	**2**	**+3 to -3**

5. Risk

5.1. To minimise risk, the investment portfolio of the Fund will be continually monitored and reviewed, and the portfolio will be well diversified as evidenced by the fact that the Fund's equity holdings are spread across more than 300 UK companies, 700 foreign companies, and a range of unit trusts and managed funds.

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

5.3. The fund recognises the risks and opportunities associated with climate change, and will seek to measure carbon exposure within the equity portfolio and reduce that exposure over time. The fund will continue to increase investment in low carbon technology and renewable energy in order to encourage and facilitate further progression toward a cleaner economy.

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

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

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

6. Expected return on investments

6.1 The Fund's investment portfolio will be actively managed by internal managers, supported by the external investment advisers, and the Fund's annual investment return will be measured against the fund-specific benchmark. The expected return on investments will be to achieve +0.5% per annum above the fund-specific benchmark annualised over 3-year rolling periods, and linked to an under-performance limit of 1.5% against the benchmark in any one year, as measured independently by an approved third party.

7. Collaborative investment and pooling

7.1. WYPF has signed a memorandum of understanding with the Greater Manchester and Merseyside Pension Funds to create the Northern LGPS (‘the Pool’) in order to meet the criteria for pooling investments released by government on 25 November 2015.

7.2. The three funds submitted their pooling proposal to government in July 2016 and the Department for Communities and Local Government provided confirmation in January 2017 that it is content for the funds to proceed with the formation of the Pool as set out in the July 2016 proposal. The proposal is available on the website

7.3. Based on 31 March 2015 asset values, the total value of assets, across the three participating funds, to be invested in the Pool is £35.416bn, which is in excess of the £25bn criteria set by Government. All assets other than day-to-day cash used for scheme administration purposes will be invested via the Pool once transition is complete. Day-to- day cash is assumed to be 1% of total assets for each fund.

7.4. For the immediate future after inception of the Pool, the Fund’s public-market assets will continue to be held in segregated mandates owned directly by the administering authority, but managed by the Pool. A single custodian will be appointed by the Pool, which will simplify the future consolidation of mandates.

7.5. All non-listed assets will be managed by the Pool from its formation. Subject to value for money requirements being fulfilled, new investments (i.e. those entered into after the formation of the Pool) in private market assets will be made on a shared ownership basis, via either collective investment vehicles or limited partnerships.

7.6. Legacy private market assets (i.e. those entered into prior to the formation of the Pool) will be run-off on a segregated basis.

7.7. This approach will be reviewed periodically going forwards to ensure this continues to demonstrate value for money, particularly following any changes to funds’ strategic asset allocations, pool management arrangements or taxation policy in the UK or internationally.

7.8. The reviews will take place no less than every 3 years.

7.9. Once established it is intended that the Pool will provide the following services to the participating authorities on an in-house basis:

- Implement the strategic asset allocations of the participating authorities
- Management of UK and Overseas equities and bonds
- Selection of private equity, infrastructure & property funds.
- Direct UK infrastructure investment via a collective investment vehicle
- Legal and accounting support

7.10. It is intended that the Northern LGPS will externally procure the following services:

- External fund management for certain mandates
- Common custodian for Pool (plus depositaries & fund administrators where required for any pooled funds that are established for non-listed assets)
- Investment management systems
- Audit services
- Performance analytics
- Responsible Investment advisory services
- Value for money reviews of structure

7.11 A Pool Oversight Board will be established to:

- provide oversight of the Pool; and

- act as a forum for the participating authorities to express the views of their pension committees.

7.12 The Oversight Board's primary roles are to ensure that the Pool is effectively implementing the participating authorities' strategic asset allocations and to oversee reporting to the participating authorities' pension committees.

7.13 The legal structure of the Oversight Board is expected to be a joint committee. There will be clear separation of duties between the Oversight Board and the Pool. The Oversight Board will not be undertaking any regulated activities.

7.14 The Pool's governing documentation will grant the Oversight Body and each administering authority certain powers regarding the operation of the Pool, which can be used to ensure the effective performance of the Pool.

7.15 Reporting processes of the Pool will include regular written reports on the performance of Pool investments to the Oversight Body, which will be discussed at formal meetings.

7.16 Officers of the Pool will also report and present directly the administering authorities' pension committees and local pension boards as appropriate.

7.17 A report on the progress of asset transfers will be made to the Scheme Advisory Board annually.

8. Transaction costs

8.1. The in-house team of investment managers utilise a list of brokers to provide a dealing service for share transactions undertaken. Commission paid to all brokers on UK and overseas share transactions are at competitive rates negotiated by the in-house investment managers.

8.2. Transaction fees and custody fees are paid to Northern Trust for transactions on terms agreed with Northern Trust under the contract for banking and custody services.

9. Environmental, Social and Corporate Governance Policy ESG Statement

9.1 Investment decisions are taken based on financial and commercial considerations so as to yield the best return by way of income and capital appreciation. If it is shown that particular types of social, environmental and ethical investment can produce at least comparable returns, then the Fund will invest in such companies as part of the normal investment process.

9.2 The fund will actively invest in low carbon and renewable energy technology where suitable opportunities arise, in order to encourage a move toward a lower carbon economy. The Fund will increase exposure via infrastructure funds, equity investments and alternative investments. The Fund will continue to encourage companies to consider climate change and environmental risk in their business strategies, and will co-sign shareholder resolutions at company annual general meetings where appropriate.

9.3 The voting policy of the West Yorkshire Pension Fund is viewed as a fundamental contribution towards socially responsible investment. The Fund is committed to ensuring that the companies in which it has a shareholding adopt sound principles of corporate responsibility, particularly in relation to environmental and employment standards. The Fund will utilise its shareholding wherever possible, through the voting policy and engagement, to exert influence on those companies falling short of acceptable standards.

9.4 The WYPF is a member of the Local Authority Pension Fund Forum (LAPFF), a special interest group of the Local Government Association, which comprises over 70 local authority pension funds with combined assets of over £175 billion. The Forum exists to promote the investment interests of local authority pension funds, and in particular to maximise their influence as shareholders to promote corporate social responsibility and high standards of corporate governance amongst the companies in which they invest. The Forum issues research and guidance relating to climate change and employment standards and promotes best investment practice for the Local Government Pension Scheme nationally. The Forum regularly engages directly with large companies in this regard and has been effective in improving companies understanding of the requirements of investors. Representatives of the LAPFF have attended the Annual General Meetings of companies where shareholder resolutions have been brought, and these have been well received by the companies involved.

9.5 The WYPF is also a member of the Institutional Investors Group on Climate Change (IIGCC). The IIGCC seeks to promote a better understanding of the implications of climate change amongst its members and other institutional investors, and to encourage companies and markets in which its members invest to address any material risks and opportunities to their businesses associated with climate change and a shift to a lower carbon economy.

9.6 The WYPF first became a signatory to the Carbon Disclosure Project (CDP) in 2007. The CDP seeks information from over 2,750 companies world-wide on their Greenhouse Gas Emissions.

10. Exercise of Rights Attached to Investments

10.1 The West Yorkshire Pension Fund will exercise its voting rights at the Annual and Extraordinary General Meetings of all UK companies, European companies within the Eurotop 300, US companies in the S&P 500, and Japanese companies in the TOPIX index, and companies in all other countries, in which the Fund has a shareholding. The voting policy to be adopted by the Fund at these meetings will be based on the latest 'Shareholder Guidelines' issued by the Pensions and Investment Research Consultants Limited (PIRC), an independent adviser to the pensions industry who provide policy research and analysis on shareholder issues. These 'Shareholder Guidelines' encompass principles of the UK Corporate Governance Code published by the Financial Reporting Council. Details of the Fund's voting policy, and its voting activity, are published on the Fund's website.

10.2 Special resolutions at UK companies are voted on based upon guidance from the LAPFF and PIRC.

10.3 The Fund will normally take up its entitlement to rights issues when offered at a discount to the current market price.

11. Myners' Report

11.1 In 2000, the Government commissioned a 'Review of Institutional Investment in the United Kingdom' by Paul Myners of Gartmore Fund Management Group. Paul Myners published the outcome of his review in a report in March 2001. In response to the proposals contained in the review, the Government issued a set of investment principles. Since then HM Treasury has undertaken a review of the principles following a consultation, which was based on a study commissioned by the Government and carried out by the National Association of Pension Fund. The outcome of the consultation has been to produce a smaller number of high-level principles, and they cover the six areas of effective decision making; clear objectives; risk and liabilities; performance assessment; responsible ownership; and transparency and reporting.

11.2 The extent to which WYPF has adopted these investment principles is described in the following paragraphs in accordance with the guidance issued by the Secretary of State for Communities and Local Government.

12. Effective Decision Making

12.1 The Investment Panel encompasses a range of expertise, supported by external investment advisers and the in-house team of investment managers. In fact, the external investment advisers and senior investment managers attend all meetings of the Panel so as to provide the necessary expert advice to support the Panel members in coming to their decisions. Great emphasis is placed on training for Panel members, and a number of initiatives on this front have been, and continue to be, developed. Attempts are being made to ensure that Panel members have a minimum tenure of appointment of at least three years on the Panel so as to ensure continuity and a build up of experience. An annual business plan for the Panel is produced.

13. Clear Objectives

13.1 Members of the Panel take a long-term view in setting investment objectives. Investment objectives are set for the Fund itself, which have due regard to the Fund's Investment Strategy Statement and Funding Strategy Statement. Investment return targets are also set for the managers and external investment advisers in order to encourage added value commensurate with a measured and controlled level of volatility.

14. Risk and Liabilities

14.1 Panel members focus entirely on asset allocation, with day-to-day stock selection left to the discretion of the in-house investment managers. Active management is adopted with appropriate risk controls as reflected in a well-diversified portfolio of investments.

15. Performance Assessment

15.1 The Panel formally monitors the investment performance of the Fund annually at one of its meetings, and an assessment is made of the in-house managers' and external investment advisers' performance against the investment target return. Since 2005 the Fund has used a fund-specific benchmark to compare actual asset allocation and investment returns. Arrangements have been put in place for several years now for the external investment advisers to assess the effectiveness of the Panel itself on an annual basis.

16. Responsible Ownership

16.1 The WYPF actively votes its shares in all UK companies, the top 300 European companies, the US S&P 500 companies, the Japanese TOPIX companies and in companies in all other countries, in which it has a shareholding. WYPF also jointly engages with companies through its membership of the Local Authority Pension Fund Forum, the Institutional Investors Group on Climate Change, and the Carbon Disclosure Project.

17. Transaction and Reporting

17.1 The Investment Strategy Statement is regularly updated and is available on the Fund's website. Details of the Fund's voting policy and voting activity are also published on the website.

18. Transparency and reporting

The Investment Strategy Statement is regularly updated and is available on the Fund's website. https://www.wypf.org.uk/publications/policy-home/wypf-index/investment-strategy-statement/

Details of the Fund's voting policy and voting activity are also published on the website https://www.wypf.org.uk/investments/wypf-investments/voting-policy/.

Appendix I: Conflict of Interest Policy

1. Introduction

1.1 Conflicts of interest have always existed for those with Local Government Pension Scheme (LGPS) administering authority responsibilities as well as for advisers to LGPS funds. This simply reflects the fact that many of those managing or advising LGPS funds will have a variety of other roles and responsibilities, for example as a member of the scheme, as an elected member of an employer participating in the LGPS or as an adviser to more than one LGPS administering authority. In addition, they may have an individual personal, business or other interest which might conflict, or be perceived to conflict, with their role managing or advising LGPS funds.

1.2 It is generally accepted that LGPS administering authorities have both fiduciary and public law duties to act in the best interests of both the scheme beneficiaries and participating employers. This, however, does not preclude those involved in the management of the fund from having other roles or responsibilities which may result in an actual or potential conflict of interest. Accordingly, it is good practice to document within a policy, such as this, how any such conflicts or potential conflicts are to be managed.

1.3 This is the conflict of interest policy of West Yorkshire Pension Fund (WYPF), which is managed by City of Bradford MDC (CBMDC). The policy details how actual and potential conflicts of interest are identified and managed by those involved in the management and governance of WYPF whether directly or in an advisory capacity.

1.4 This conflict of interest policy is established to guide Joint Advisory Group, Investment Advisory Panel, Pension Board members, officers and advisers. Along with other constitutional documents, including the various codes of conduct, it aims to ensure that they do not act improperly or create a perception that they may have acted improperly. It is an aid to good governance, encouraging transparency and minimising the risk of any matter prejudicing decision making or management of the fund otherwise.

2. Aims and objectives

2.1 In relation to the governance of the Fund, the administering authority’s objectives are to ensure that:

2.1.1 all staff and Joint Advisory Group, Investment Advisory Panel and Pension Board members charged with the financial administration and decision-making with regard to the fund are fully equipped with the knowledge and skills to discharge the duties and responsibilities allocated to them

2.1.2 the Fund is open in all its dealings and readily provides information to interested parties

2.1.3 all relevant legislation is understood and complied with

2.1.4 the fund is at the forefront of best practice for LGPS funds, and

2.1.5 all conflicts of interest are managed appropriately

The identification and management of potential and actual conflicts of interest is therefore integral to the administering authority achieving its governance objectives.

3. Application of this policy

3.1 This Conflicts of Interest Policy applies to all Joint Advisory Group, Investment Advisory Panel and Pension Board members, including scheme member and employer representatives, whether voting members or not. It applies to all members of WYPF Management Team.

3.2 This policy and the issue of conflicts of interest in general must be considered in light of each individual’s role, whether this is a management, advisory or assisting role.

3.3 The Director – WYPF will monitor potential conflicts for less senior officers involved in the daily management of the Pension Fund and highlight this policy to them as appropriate.

3.4 This policy also applies to all advisers and suppliers to the Fund, whether advising the Joint Advisory Group, Investment Advisory Panel, Pension Board or Fund officers, in relation to their role in advising or supplying the Fund.

In this policy, reference to advisers includes all advisers, suppliers and other parties providing advice and services to the administering authority in relation to pension fund matters. This includes but is not limited to actuaries, investment consultants, independent advisers, benefits consultants, third-party administrators, fund managers, lawyers, custodians and AVC providers. Where an advisory appointment is with a firm rather than an individual, reference to 'advisers' is to the lead adviser(s) responsible for the delivery of advice and services to the administering authority rather than the firm as a whole.

3.5 In accepting any role covered by this policy, those individuals agree that they must:

3.5.1 acknowledge any potential conflict of interest they may have

3.5.2 be open with the Administering Authority on any conflicts of interest they may have

3.5.3 adopt practical solutions to managing those conflicts, and

3.5.4 plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

3.6 The procedures outlined later in this policy provide a framework for each individual to meet these requirements.

4. Legislative and related context

4.1 There are a number of requirements relating to the management of potential or actual conflicts of interest for those involved in LGPS funds which are included in legislation or guidance. These are summarised in Appendix 1.

5. Other administering authority requirements

5.1 Individuals to whom this policy applies may also be required to adhere to other requirements in relation to conflicts of interest. This includes:

5.1.1 Joint Advisory Group, Investment Advisory Panel and Pension Board members who are required to adhere to the CBMDC Members' Code of Conduct

5.1.2 employees who are required to adhere to the CBMDC Employees' Code of Conduct

5.1.3 advisers who are expected to have their own policies or protocols.

5.2 Further information is provided in Appendix 2.

6. What is a conflict or potential conflict and how will it be managed?

6.1 The Public Service Pensions Act 2013 defines a conflict of interest as a financial or other interest which is likely to prejudice a person's exercise of functions. Therefore, a conflict of interest may arise when an individual:

6.1.1 has a responsibility or duty in relation to the management of, or provision of advice to, the LGPS fund administered by CBMDC, and

6.1.2 at the same time, has:

6.1.2.1 a separate personal interest (financial or otherwise) or

6.1.2.2 another responsibility in relation to that matter, giving rise to a possible conflict with their first responsibility. An interest could also arise due to a family member or close colleague having a specific responsibility or interest in a matter.

6.2 Some examples of potential conflicts are included in Appendix 3.

6.3 CBMDC encourages a culture of openness and transparency and encourages individuals to be vigilant; have a clear understanding of their role and the circumstances in which they may have a conflict of interest, and of how potential conflicts should be managed.

6.4 CBMDC will evaluate the nature of any dual interests or responsibilities that are highlighted and assess the impact on pension fund operations and good governance were an actual conflict of interest to materialise. Ways in which conflicts of interest may be managed include:

6.4.1 the individual concerned abstaining from discussion, decision-making or providing advice relating to the relevant issue

6.4.2 the individual being excluded from the meeting(s) and any related correspondence or material in connection with the relevant issue

6.4.3 a working group or sub-committee being established, excluding the individual concerned, to consider the matter outside of the formal meeting (where the terms of reference permit this to happen)

6.5 Provided that the administering authority (having taken any professional advice deemed to be required) is satisfied that the method of management is satisfactory, CBMDC shall endeavour to avoid the need for an individual to resign due to a conflict of interest. However, where the conflict is considered to be so fundamental it cannot be effectively managed, or where a Pension Board member has an actual conflict of interest as defined in the Public Service Pensions Act 2013, the individual will be required to resign from their role.

7. Responsibility

7.1 The administering authority for the WYPF fund must be satisfied that conflicts of interest are appropriately managed. For this purpose, the Director – WYPF is the designated individual for ensuring the procedure outlined below is adhered to.

7.2 However, it is the responsibility of each individual covered by this policy to identify any potential instances where their personal, financial, business or other interests might come into conflict with their pension fund duties.

8. Operational procedures

8.1 Declaration at appointment

8.1.1 On appointment to their role or on the commencement of this policy if later, all individuals will be provided with a copy of this policy and be required to complete a Declaration of Interest form. The information contained in this declaration will be collated into the Pension Fund's register of conflicts of interest.

8.2 Declaration at meetings

8.2.1 At the commencement of any Joint Advisory Group, Investment Advisory Panel, pension board or other formal meeting where Pension Fund matters are to be discussed, the chair will ask all those present who are covered by this policy to declare any new potential conflicts.

8.2.2 These will be recorded in the fund's Register of Conflicts of Interest. In addition, the latest version of the register will be made available by the Director – WYPF to the chair of every meeting prior to that meeting.

8.2.3 Any individual who considers that they or another individual has a potential or actual conflict of interest which relates to an item of business at a meeting must advise the chair and the Director – WYPF prior to the meeting, where possible, or state this clearly at the meeting at the earliest possible opportunity. The chair, in consultation with the Director – WYPF, should then decide whether the conflicted or potentially conflicted individual needs to leave the meeting during the discussion on the relevant matter or to withdraw from voting on the matter.

8.2.4 If such a conflict is identified outside of a meeting the notification must be made to the Director – WYPF and where it relates to the business of any meeting, also to the chair of that meeting. The Director – WYPF, in consultation with the chair where relevant, will consider any necessary action to manage the potential or actual conflict.

8.2.5 Where information relating to any potential or actual conflict has been provided, the Director – WYPF may seek such professional advice as he or she thinks fit (such as legal advice from the Monitoring Officer) on how to address any identified conflicts.

8.2.6 Any such potential or actual conflicts of interest and the action taken must be recorded in the fund's Register of Conflicts of Interest.

8.3 Annual declaration

8.3.1 Every 12 months all individuals will complete a new Declaration of Interest confirming that their information contained in the register is correct or highlighting any changes that need to be made to the declaration.

8.4 Conduct at meetings:
There may be circumstances when a representative of employers or members wishes to provide a specific point of view on behalf of an employer (or group of employers) or member (or group of members). The administering authority requires that

any individual wishing to speak from an employer's or member's viewpoint must state this clearly, e.g. at a pension board or Joint Advisory Group or Investment Advisory Panel meeting, and that this will be recorded in the minutes.

9. Operational procedures for advisers

9.1 Although this policy applies to all of the key advisers, the operational procedures outlined in 8.1 and 8.3 above relating to completing declarations do not apply to advisers. Instead all advisers must:

9.1.1 be provided with a copy of this policy on appointment and whenever it is updated

9.1.2 adhere to the principles of this policy

9.1.3 provide, on request, information to Director – WYPF as to how they will manage and monitor actual or potential conflicts of interests relating to the provision of advice or services to CBMDC as administering authority, and

9.1.4 notify the Director – WYPF immediately should a potential or actual conflict of interest arise.

All potential or actual conflicts notified by advisers will be recorded in the fund's Register of Conflicts of Interest.

10. Monitoring and reporting

10.1 The Fund's Register of Conflicts of Interest may be viewed by any interested party by appointment during normal business hours. In addition, information relating to conflicts of interest will be published in the fund's annual Report and Accounts.

10.2 In order to identify whether the objectives of this policy are being met, the administering authority will review the Register of Conflicts of Interest on an annual basis and consider whether there has been any potential or actual conflicts of interest that were not declared at the earliest opportunity.

11. Key risks

11.1 The key risks to the delivery of this policy are outlined below, all of which could result in an actual conflict of interest arising and not being properly managed. The Director – WYPF will monitor these and other key risks and consider how to respond to them, taking advice from the City Solicitor where required. The key risks are:

11.1.1 insufficient training or poor understanding in relation to individuals' roles on pension fund matters.

11.1.2 Insufficient training or failure to communicate the requirements of this policy.

11.1.3 Absence of the individual nominated to manage the operational aspects of this policy and no one deputising or failure of that individual to carry out the operational aspects in accordance with this policy, and

11.1.4 Failure by a chair to take appropriate action when a conflict is highlighted at a meeting.

12. Costs

12.1 All costs related to the operation and implementation of this policy will be met directly by WYPF. However, no payments will be made to any individuals in relation to any time spent or expenses incurred in the disclosure or management of any potential or actual conflicts of interest under this policy.

Appendix J: Risk Management Report

WYPF Risk Management Report

Introduction

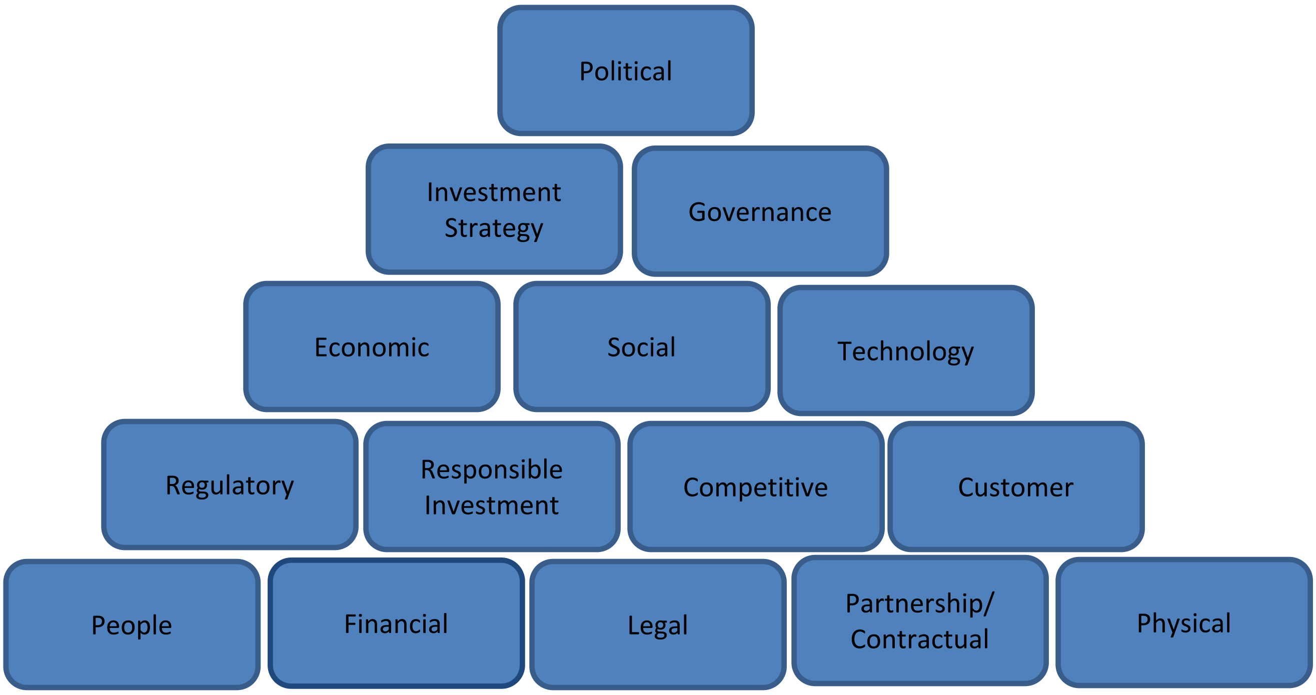
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed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

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

The process

Risk identification

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



Appendix J:Risk Management Report

Identified risks

Economic

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

Political

Scenario	Short name
3	Bradford initiatives
4	Central Government regionalisation agenda

Technological

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

Legislative/Regulatory

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

People

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

Financial

Scenario	Short name
10	Finance aren’t always involved in other sections’ decision making processes
12	External Fraud

13	Admin costs increase above budgeted costs
15	Prompt payment of pensions on the due date.
17	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers

Physical

Scenario	Short name

Competitive

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

Customer

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

Social

Scenario	Short name

Partnership / Contractual

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

Governance

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

Appendix J:Risk Management Report

Investment Strategy

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

Responsible Investment

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

Risk analysis, profile and tolerance

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

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

The top risks facing WYPF are identified as:

Scenario	Short name
1	Valuation registers a deficit in the pension fund
2	Reduction in proportion of active members
5	Improved Pensions and Investments systems are not developed and adopted
6	Lack of information sharing with employers
9	Greater level of support expected by district councils than other employers
14	Customer Satisfaction below acceptable levels
15	Prompt payment of pensions on the due date.
18	Provision of shared services to Fire Authorities and other LGPS Funds
19	The IAP's role within the council is not clearly defined.
20	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.
21	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.
22	The IAP's membership is not chosen with reference to members' investment skills/knowledge.
23	Members take decisions without due regard to advice, along party political lines or with a personal agenda.
24	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.
25	Failure to adhere to relevant statutory regulations and guidance.

Scenario	Short name
26	Strategic benchmark not set to meet the return required by the actuarial valuation.
27	Lack of asset class diversification in the strategic benchmark.
28	Investment returns achieved fall below that required by the actuarial valuation.
29	Cash resources insufficient to meet short term liabilities.
30	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels
31	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.
32	Climate Risks identified
33	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
34	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.
35	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.
36	Stock lending counterparty failure.
37	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.
38	Pension Fund investments may not be accurately valued.
39	Disaster recovery
41	Recruitment and retention of experienced staff
43	Key staff on long term absence
45	Cyber Crime
46	Compliance with GDPR requirements

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

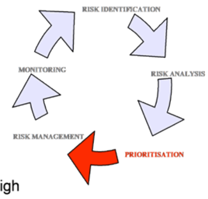
Appendix J:Risk Management Report

As part of a regular review, 50 risks have been identified and framed into scenarios. The risks identified have been rated, 32 of these above their acceptable tolerance level, 18 below the tolerance line. The results are shown on the following risk profile.

WYPF Risk profile – July 2023

Likelihood	IV	III	II	I
A				
B		8		
C		10	1, 2, 5, 6,9, 28, 33,39,	41,49
D		3, 4,13, 16,44	14, 15, 18, 19, 20,21,22,23,24,25, 26,27,29,30,31,32, 34,43,45,46,48	
E	11	7	12, 17, 35,36,37,40,42,47, 50	
F			38	

Impact



Likelihood:

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

Impact:

I	Catastrophic
II	Critical
III	Marginal
IV	Negligible

Risk management and monitoring

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

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

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

Appendix J:Risk Management Report

Management Action Plans

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

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
1	C II	Valuation registers a deficit in the Fund. Triennial Valuation undertaken using assumptions agreed with the Fund Actuary. If the financial assumptions are not borne out in practice, because of a range of reasons not least : • Falls in expected investment returns • Fall in markets values of assets • Rising inflation • members living longer the funding position of the fund could deteriorate Deteriorating funding positions could result in an increased employers deficit contributions to eliminate deficit	Training for Joint Advisory, Panel and Board members provided by the Actuary at the beginning of the Triennial Valuation exercise to aid assumption decision making Due to potentially decreasing payroll deficit amounts are set as monetary amounts at the valuation Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years	Monitoring of closed employers Quarterly funding updates provided by Funds Actuary	Managing Director WYPF	Funding position to remain within 90% to 110% range	triennial	Every three years - 31 March 2025	
2	C II	Reduction in proportion of active members Fund becomes more mature due to ageing membership and reduction in active members by outsourcing.	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings as detailed in the Funds Communication Policy. Introduction of Auto Enrolment has increased membership. Employer base nationwide – employers 400+ including 5 district councils.	ISS is reviewed to ensure it is consistent with maturity profile of the Fund Trends in employer outsourcing and leavers and new starters monitored	Chief Investment Officer Assistant Director (Finance, Administration and Governance)	Fund continues to show as positive cashflow after taking into account investment incom	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings.
5	D II	Pensions Admin System will not lead to improvements, efficiency and cost savings, or developments do not meet WYPF requirements.	Regular account meetings with Civica Senior Management. Representation on various user groups: • Civica user group • LGPS group • Payroll user group	Ensure regular attendance and report back from the User Groups/Meetings as necessary.	Assistant Director (Finance, Administration and Governance)	Improved systems, costs savings, better reporting, employer internet, member internet facilities available, increase the number of UPM auto calculations Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market, Effective and efficient system, with scalable capacity to support shared services.

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
6	C II	Lack of information sharing with employers	Enhancements to UPM2 are continuing. Monthly Returns expanded to increase the information supplied electronically	Develop employers web site	Assistant Director (Finance, Administration and Governance)/ Head of Finance	Increase in electronic medium of info sharing Improvements in KPI's 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication. Build scalable system capacity, improved vfm for shared services.
8	B II	Failure to administer the scheme in line with regulations and policies	Technical Services Manager reviews impending legislation changes and MSM's assess impact on their areas of responsibility. Project teams set up to assess major legislation changes.	Management Review Meetings will monitor workloads and progress of any changes to be implemented.	Managing Director, Assistant Director (Finance, Administration and Governance)/ Head of Finance	Any changes implemented in line with legislation timescales.	At each MR meeting	McCloud Remedy Autumn 2023, Pensions Dashboard Sept 2024	Increase in member satisfaction levels.
9	C II	Greater level of support required / expected by some employers	Employer Training courses available or charge for the additional work	Monitor number and type of requests for support	Assistant Director (Finance, Administration and Governance)	Reduce the number of non standard requests	Monthly	Ongoing	Provide more online training. Could be offered to other LGPS funds.
14	D II	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members, Monthly info. update to employers ABS's to current and deferred members Member Annual meeting Employer Annual meeting Large employer group meeting Seminars for employers Leaver questionnaires Employer satisfaction questionnaires Complaints procedures Web site Published ISS Published FSS Contact Centre Member of Plain English Campaign 'Pensions Administration Strategy' document issued to each employing authority participating in the Fund. Governance compliance statement and Communications policy published.	Revise ISS each year Review annually: • Pensions Administration Strategy, • Communication Strategy	Assistant Director (Finance, Administration and Governance) JAG	Reduction in complaints Reduction in IDRP cases. Attract new administration partners to the Fund More timely info from employers, Improved employer satisfaction KPI	Annual	Annually	Attract new business to the Fund

Appendix J:Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
15	D II	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	Regular review of payroll timetable	Assistant Director (Finance, Administration and Governance)	• Pensioners not getting paid on time causes financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors	Annual	Annually	
18	D II	Provision of shared services to Fire Authorities and other LGPS Funds	Governance arrangements in place (regular client meetings, Collaboration Board, attendance at Pensions Committee).	Regular shared service meetings and Collaboration Board meetings with LPF, Barnet and LB of Hounslow	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on WYPF membership and service	Annually	Annually	Provide service for other LGPS funds and fire authorities
19	D II	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments. **Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.**	Control is adequate	Regular review of constitution and Statement of General Approach to the Management of Pension Fund Investments	City Solicitor Managing Director	Documents up to date.	Annual and when regulation change.	May	-
20	D II	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose. Detrimental decisions made in relation to investments. **Annual Review of delegations.**	Control is adequate, annual review when Governance Advisor reports on IAP Governance Arrangements.	Director to consider changes required following receipt of Governance review being undertaken.	City Solicitor Managing Director	Documents up to date.	Annual and when regulation change.	May	

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
21	D II	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively. Members fail to act in the best interests of the fund. **A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course.** **The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Managing Director to maintain continuity of knowledge and experience over time.** **The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences** **The IAP is very experienced and knowledgeable and monitors the performance of the Fund**	Control is adequate	Managing Director to facilitate training arrangements and to report to IAP as required.	Managing Director IAP Members	Training and other records kept up to date.	Ongoing		
22	D II	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions. **As per risk 3 above.**	Control is adequate	Managing Director to facilitate training arrangements and to report to IAP as required.	Managing Director IAP Members	Training and other records kept up to date.	Ongoing		
23	D II	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions. **All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.**	Control is adequate.	Managing Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	Managing Director	Decisions to be in the best interest of the Fund.	Quarterly		

Appendix J:Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
24	D II	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF. Detrimental decisions made in relation to investments. **Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.**	Control is adequate.	Advisor selection process followed. Advisors to confirm appropriate Continuing Professional Development during appointment.	Managing Director	CPD confirmation obtained.	Annual.		
25	D II	Failure to adhere to relevant statutory regulations and guidance. Fund not invested in accordance with requirements. Reputational damage to fund within sector and investment markets. **An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these.** **Sufficient resources are in place to implement any changes.** **Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates**	Control is adequate.	Technical team to flag investment regulatory changes proposed at consultation stage. Investment team to maintain contacts within the sector to identify non LGPS specific regulatory changes.	Assistant Directors	Full compliance with all regulatory requirements.	Ongoing		
26	D II	Strategic benchmark not set to meet the return required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. **Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.**	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Managing Director Chief Investment Officer	Fund maintains a consistent high level of funding	Triennial	Receipt of 2022 valuation	

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No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
27	D II	Lack of asset class diversification in the strategic benchmark. Increased risk of a funding shortfall due to excessive portfolio volatility. **As per risk 12 above.**	Control is adequate.	Benchmark reviewed after each actuarial valuation.	IAP Managing Director Chief Investment Officer	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
28	C II	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases. **Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.**	Control is adequate.	Actuarial return agreed with actuary at each valuation date to achieve full funding on the 22 year horizon.	IAP Managing Director	Fund maintains a consistent high level of funding.	Triennial	Receipt of 2022 valuation	
29	D II	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value. **Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.**	Control is adequate.	Cash resources and commitments managed to ensure liabilities are met on due date.	IAP Managing Director Head of Finance Chief Investment Officer	Cash resources maintained at an appropriate level.	Ongoing		
30	D II	Policies not linked to sustainability goals and actions focussed on a small number of issues e.g. fossil fuels. **The fund fails to recognise and manage other risks and is exposed to undue loss of value or volatility.**	Control is adequate.	ESG policies are based on a set of overarching environmental, social and governance principles which guide our processes and goals.	IAP	Fund assets safeguarded and returns achieved.	Ongoing		
31	D II	Measurement and reporting of Engagement is not performed, unfocussed or insufficient. Actions not agreed where engagement has failed. **Engagement is unsuccessful and does not promote change.**	Control is adequate.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly.	Managing Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance .

Appendix J:Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
32	D II	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water. **The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.**	Control is adequate.	We receive some external assurance: • Trucost's Carbon annual footprinting exercise attempts to identify potential stranded assets in the fossil fuel portfolio. • Our Property portfolio managers report the EPC ratings for assets in their portfolios. We believe that inefficient buildings, which will not legally be permitted to be rented, currently presents the greatest risk of stranded assets. We continue to monitor this risk.	Managing Director, Assistant Directors and Investment Managers.	Fund assets safeguarded and returns achieved.	Ongoing		Improved corporate governance following engagement results in better company performance .
33	C II	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks. **Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.**	Control depends on quality of external data.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	Managing Director, Assistant Directors and ESG Manager.	Fund assets safeguarded and returns achieved.	Ongoing		
34	DII	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken. **The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.**	Control is adequate.	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	Managing Director, Assistant Directors and Investment Managers	Fund assets safeguarded and returns achieved.	Ongoing		Investment in developing sectors diversifies the portfolio and improves returns.
39	C II	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems (refer to Business Continuity Plan).	Staff enabled to work from home with access to all systems.	Assistant Managing Director (Finance, Administration and Governance)	Full disaster recovery plan in place which enables business to operate as usual during any disaster	Annual	Ongoing	System resilience, essential in providing 3rd party services – shared services.

Appendix J:Risk Management Report

No	Rating	Risk description and Action / Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPI's	Review frequency	Key dates	Opportunity
41	C I	Recruitment and retention of experienced staff	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure. Restructure of WYPF completed September 2020	Monitor salaries in both public and private sector. Increase flexible working to retain staff, home working available to all staff. Looking at 2 to 3 days in the office.	Managing Director Assistant Director (Finance, Administration and Governance) Director of HR	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodical review of salaries and grades. Attractive flexible working, home working and mobile working
43	D II	Key staff on long term absence	Document all procedures to ensure cover is available from other staff.	Monitor absences and take action at key dates. Delegation and succession planning.	Senior Managers	No effect on service provision	As required	As required Annually	A register of casual staff is maintained to provide cover at short notice.
45	D II	Threat of cyber crime	Adequate	Regular review by Bradford ICT of Firewalls, anti-virus programs to identify latest threats. WYPF also carry out penetration testing on the Fund's website and secure portal. Staff training / awareness, increased IT equipment / asset control. Routine blog to employers and members to raise cyber crime awareness	Assistant Director (Finance, Administration and Governance)	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems.
46	D II	Compliance with GDPR requirements	Review letters/internal processes and procedures, Privacy statements, data share agreements, contracts with 3rd parties, Security breach process, website. Use of Galaxkey for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff. Accreditation to ISO 27001	Security policies in place, Mandatory Training for Staff	Assistant Director (Finance, Administration and Governance)	A reduction in security breaches	Ongoing		
48	D II	Failure to include all required information issued to members under disclosure regulations	Letters updated and checked regularly	Working instructions updated, workflow processes updated	Head of Employer Relations and Compliance	Meet disclosure time limits	Ongoing		
49	C1	Provision of IT services and equipment from CBMDC	Reduce connectivity issues, provide IT equipment in a timely manner.	Regular meetings with CBMDC Client Manger, escalation process in place, request equipment ASAP to give CBMDC as much notice as possible.	Managing Director Assistant Director (Finance, Administration and Governance)	No connectivity issues, timely receipt of IT equipment	Ongoing		

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

Future review and revision of risks

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

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

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Risks register

PENSIONS ADMINISTRATION RISKS

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C II	Economic	Valuation registers a deficit in the pension fund	Rise in contribution rates to eliminate deficit. Growth is built into the medium term financial plan, stepped increases for low to medium risk employers as per FSS	Investment returns < actuarial and FSS assumptions Rise in longevity (Funding level remains the main comparator)	• Contribution rate rises • Budget cuts and/or council tax increases • Bad publicity for employers • Bad publicity for WYPF • Bad publicity for LGPS • Increased Central Government pressure for changes to LGPS • Admitted bodies review provision of LGPS to employees • Admitted bodies to WYPF seek reduced rates with other LGPS providers • Political impact • Customer complaints about 'pension pay-offs'
2	C II	Social/Economic	Reduction in proportion of active members	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 190 including 5 district councils.	Reducing take up of admitted body status Continuing outsourcing	• Fund stop showing net inflows of cash • Investment strategy no longer consistent with maturity profile • FSS and ISS become out of date • Less time to make up any deficits so more unstable contribution rates
3	D III	Political	Bradford initiatives	The fund is not autonomous and decision taken at a high level in Bradford and for Bradford could risk the efficiency of our business. the imposition of what we perceive to be unsuitable regimes upon WYPF by CBMDC can undermine the performance of the section and forcibly distract WYPF management from their prime responsibilities for long periods. Partnerships entered into on WYPF's behalf by CBMDC may not be suitable for WYPF's needs. Initiatives divert management time from core activities	WYPF as a financial service provider and not a LG service provider not recognised or considered	• Loss of control over budget spend • Imposition of "Bradford" systems inappropriate to WYPF • Politicises JAG and Investment Panel • Service delivery reduced • Diversion from core activity

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

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
8	B II	Legislative/ Regulatory	Failure to administer the scheme in line with regulations and policies	Lots of legislative/regulatory change resulting in additional work. Changes to Regs must be made aware to members, employers and staff. The service endeavours to respond but is balancing resources. The unit has given a high commitment to professional training to its staff which may not be maintainable	Insufficient resources to respond to legislative/ regulatory changes adequately	• Benchmarking costs rise • Increased pressure on staff • Don't adopt legislation • Service criticised • Duties and responsibilities not fully adopted • Ombudsman cases • Incorrect payment of benefits • Growing complexity of administration • Risk of non compliance • Key objective not met • general pensions knowledge declines • pressure on staff • staff don't have up to date, consistent knowledge and understanding • recalculations of pensions to do
9	C II	People	Greater level of support expected by district councils than other employers	Bradford council and to a lesser extent the other 4 councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	• Staff frustrated • Reduced level of service to other employers
10	C III	Finance	Finance aren't always involved in other sections' decision making processes	Sections powers v financial responsibility. Sections act independently and don't always ask for advice, increase in delegated powers. Finance section isn't always involved in the decision making process.	Finance is unaware of structures/ approaches	• Act 'ultra vires' • Promises made that can't be met
11	E IV	Competitive	National and local KPI's are not being met		Poor performance leading to complaints and reduction in service to stakeholders	• Can't manage performance effectively • Fail to meet explicit objective
12	E II	Finance	External Fraud	Pensions paid where here is no entitlement	Returned payments/payslips, non return of life certificates, flagged by NFI	• overpaid pensions • court cases • time commitment • key objective not met
13	D III	Finance	Admin costs increase above budgeted costs	He cost per member increase and the Fund is expensive to run.	• Inefficiencies in operations • Lack of automation • Poor benchmarking returns	• Review in-house provision • Budget cuts • Service cuts • Partnership arrangements • Bad publicity

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
14	D II	Customer	Customer Satisfaction below acceptable levels	Level of complaints received Consultation with all stakeholders: What WYPF provides How good is the provision	Unacceptable level of complaints Not seen to act on consultation	• Fines • Bad publicity • Shrinking user base
15	D II	Finance	Prompt payment of pensions on the due date.	An annual timetable is prepared showing key dates when stages of payroll have to be done by to ensure payment is made on pay date	BACS Failure Problems encountered at key stages delaying follow on stages	• Pensioners not getting paid on time • Cause financial hardship • Damage to WYPF reputation • Increase in number of complaints. Callers/Visitors
16	D III	Economic	Lack of Admissions and Guarantors	In the past WYPF has had a fairly relaxed policy on admissions which has resulted in bodies being admitted without guarantees if the body was believed to be financially sound	Admitted body with no guarantor or bond – admission agreement comes to its end or is prematurely terminated then the costs of unfunded liabilities met by the Fund itself (i.e. all employers)	• Increase in employer contribution rate across the Fund • Increase in liabilities across the Fund Possible bad publicity
17	E II	Financial	Failure to obtain ISAE 3402 reports from Hedge Fund and Currency Fund Managers	Wouldn't know what risks are being taken and what controls they have in place	Failure to obtain reports	• Funds might go bust resulting in losses for the Fund
18	D II	Partnership/Contractual	Provision of shared services to Fire Authorities and other LGPS Funds	Staff cannot keep up with additional workloads	WYPF not being able to meet contractual obligations	• Will not be able to provide a pensions administration service • Will not be able to pay pensions or process work • Staff leave • Damage to WYPF Reputation • Bad publicity • Loss of income •
47	E II	Customer	Failure to communicate adequately with scheme members	• Website regularly updated. • Newsletters are published at least annually, • Annual Benefit Statements and Deferred benefit Statements issued annually	Complaints or cases going to IDRP	• Fines from TPR • Bad publicity • Members not able to make timely decisions • Reduction in value of pension benefits

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
48	D II	Legislation	Failure to include all required information issued to members under disclosure regulations	Officers keep up to date with disclosure regulations and distribute knowledge to teams accordingly via working instructions, changes to workflow processes, Team Brief or emails.		• Fines from TPR • Bad publicity • Members not able to make timely decisions
				INVESTMENT RISKS		
19	D II	Governance	The IAP's role within the council is not clearly defined. Detrimental decisions made in relation to investments.	Council constitution sets out the delegations, and the approved Statement of General Approach to the Management of Pension Fund Investments sets out the IAP role and is provided to Members, who agree to abide by them.	Review of roles or constitution	• Detrimental decisions made in relation to investments.
20	D II	Governance	The IAP's terms of reference are not reviewed regularly, do not meet best practice and/or are not fit for purpose.		Annual Review of delegations	• Detrimental decisions made in relation to investments.
21	D II	Governance	Those charged with governance of the Fund and Scheme are unable to fulfil their responsibilities effectively.	A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Managing Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences. The IAP is very experienced and knowledgeable and monitors the performance of the Fund		• Members fail to act in the best interests of the fund.
22	D II	Governance	The IAP's membership is not chosen with reference to members' investment skills/knowledge. Members unable to fully participate in the IAP decisions	A training policy is in place which requires Members to receive continuing training and all new Members to attend the SAB training course. The IAP membership includes Trade Union representatives, active and retired representatives, Independent Advisors and the Managing Director to maintain continuity of knowledge and experience over time. The Fund subscribes to relevant professional bodies e.g. LAPFF, NAPF and representatives attend major conferences.		• Members fail to act in the best interests of the fund.

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				The IAP is very experienced and knowledgeable and monitors the performance of the Fund		
23	D II	Governance	Members take decisions without due regard to advice, along party political lines or with a personal agenda. Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.	Managing Director to raise any concerns with Independent Advisors and report to Governance and Audit Committee as required.	All decisions of the IAP are subject to the Governance and Audit Committee's approval, where decisions not made in the best interests of the Fund may be overruled.	• Sub-optimal or inappropriate decisions impact investment returns and in due course funding levels, increasing contributions.
24	D II	Governance	Independent Advisors not suitably qualified or diverse. Advice of poor quality or not tailored to WYPF.	Detrimental decisions made in relation to investments.	Advisors appointed after a competitive process for a maximum period of 9 years with triennial reviews and a 12 month probationary period.	• Advice of poor quality or not tailored to WYPF. • Detrimental decisions made in relation to investments.
25	D II	Legislative /Regulatory	Failure to adhere to relevant statutory regulations and guidance.	An established process exists to inform the IAP and the Investment team of regulatory requirements and any changes to these. Sufficient resources are in place to implement any changes. Membership of relevant professional groups ensures any potential changes in statutory requirements are known before the implementation dates	Changes in regulations	• Fund not invested in accordance with requirements. • Reputational damage to fund within sector and investment markets.
26	D II	Investment Strategy	Strategic benchmark not set to meet the return required by the actuarial valuation.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	• Funding shortfall has to be made good by employer contribution increases.
27	D II	Investment Strategy	Lack of asset class diversification in the strategic benchmark.	Benchmark is reviewed by IAP after each valuation, taking appropriate advice, including expected volatility for each asset class, to ensure the target return is achieved with an acceptable level of portfolio volatility.	Benchmark reviewed after each actuarial valuation.	• Increased risk of a funding shortfall due to excessive portfolio volatility.
28	C II	Investment Strategy	Investment returns achieved fall below that required by the actuarial valuation. Funding shortfall has to be made good by employer contribution increases.	Actuarial return is based on a multi-decade expectation of return, and the benchmark is reviewed every three years and adjusted appropriately to achieve the required return.	Valuation	• Funding shortfall has to be made good by employer contribution increases. •
29	D II	Investment Strategy	Cash resources insufficient to meet short term liabilities. Fund has to sell investment at an inopportune time, risking a loss of value.	Strategic benchmark has a cash allocation sufficient for day to day running of the fund, and the cash returns of the portfolio are managed to ensure all commitments can be met on due date.	Negative cashflow	• Fund has to sell investment at an inopportune time, risking a loss of value.
30	D II	Responsible Investment	Policies not linked to sustainability goals and	The fund fails to recognise and manage other risks	ESG policies are based on a set of	• Expected returns not achieved • Asset values decrease

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			actions focussed on a small number of issues e.g. fossil fuels.	and is exposed to undue loss of value or volatility.	overarching environmental, social and governance principles which guide our processes and goals.	
31	D II	Responsible Investment	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	WYPF will engage with its investments, and will work with other like-minded shareholders to increase the impact where necessary. It will exercise its voting rights and publicly report its voting record quarterly	Measurement and reporting of Engagement is not performed, unfocussed or insufficient.	• Actions not agreed where engagement has failed.
32	D II	Responsible Investment	Climate Risks identified - Green House Gas Emissions - Transition risk - physical risks use of scarce resources e.g. minerals, water.	Managers will consider the range of ESG risks as they relate to each investment before investing and while continuing to hold that investment.	Loss of value of assets or volatility in the value	• The fund fails to recognise and manage physical and transition risks due to focus on emissions and is exposed to undue loss of value or volatility.
33	C II	Responsible Investment	Lack of consistent data (e.g. on Green House Gas emissions) for all asset classes hinders understanding of climate risks.	An ESG manager has been appointed to research the available data sets to ensure WYPF can access appropriate data to assess ESG risks.	To safeguard Fund assets and achieve target returns.	• Managers unable to assess carbon intensity of current portfolio, set metrics and targets and measure progress towards goals in accordance with IAP policy.
34	D II	Responsible Investment	Lack of focus or information means the investment opportunities of Climate change are overlooked or not taken	Managers will continue to seek opportunities to invest in companies which will benefit from the transition to a low carbon economy, and report these to the IAP regularly.	To safeguard Fund assets and achieve target returns.	• The fund fails to recognise opportunities to add value presented by the transition to a low carbon economy.
35	E II	Governance	Custody arrangements may not be sufficient to safeguard Pension Fund's assets.	Complete and authorised agreements are in place with external custodian as part of NLGPS. External custodian is in compliance with ICAEW's Audit and Assurance Faculty's guidance on internal controls of service organisations, and report presented to IAP annually. Regular reconciliations carried out to check external custodian records to nominal ledger.	Regular reconciliations carried out to check external custodian records to nominal ledger.	• Fund assets not safeguarded
36	E II	Governance	Stock lending counterparty failure. Fund assets at risk.	Credit rating of counterparties verified before adding to approved list. Guarantee from external custodian for all stock on loan.	Verify credit ratings of approved counterparties. Ensure custodian agreement fully documented.	• Losses on stock lending
37	E II	Governance	Internal Investment Management may not have appropriate control frameworks in place to protect Pension Fund assets.	A robust framework of controls, including separation of investment managers from settlement arrangements, is in place, which is regularly tested by internal audit. Daily reconciliation of transactions against external custodian records.	Settlement and reconciliation processes maintained and verified.	• Fund assets at risk, fraud.
38	F II	Governance	Pension Fund investments may not be accurately valued. Strategic asset allocation not delivered as a result, poor investment	Investments are valued using current prices obtained from independent pricing sources wherever possible. Unlisted valuations	Internal valuation reconciled to custodian data. Unlisted valuations from external managers reviewed	• poor investment decisions on future investment, • fund assets at risk

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
			decisions on future investment, fund assets at risk.	provided by managers monitored to ensure any sales are above manager valuation. Quarterly valuations reconciled to custodian valuation. Internal and external audit verification work completed for year-end valuation. Portfolio valuations are completed and reported to the IAP	for reasonableness and consistency over time or on sale.	
50	E II	Governance	Focus on investments means consequential non-investment risks are overlooked	Implementation of investment strategy creates unavoidable non-investment credit and counterparty risks	• Cash and liquidity selection against appropriate limits • Clarity over where 'daylight' risks might be present when cash is transferred to other vehicles ahead of investments • Understanding of any margin or other requirements as part of any hedging programmes in place.	• Default of banks that the fund has cash with, and/or loss of par in any liquidity funds investments • Counterparty default in any hedging and/or cash transitions. • **One-off reset of this risk to be done in H2 23/H1 24.**
JOINT ADMINISTRATION AND INVESTMENT RISKS						
39	C II	Technological	Disaster recovery	Pension and Investments systems are supported by a disaster recovery plan but some systems aren't including the e-mail system and the main council systems and communication links ICT – risk of loss of service because of physical disaster, system failure or deliberate attack. An offsite backup regime is in place for Pensions. Onsite backups are kept in a fire proof safe. System failure – protected by service and maintenance contracts WYPF is dependent on CBMDC for virus protection and firewalls etc.	Minor incident occurs Major incident occurs	• Can't back up the data • Loss of service • Permanent data loss • Loss of income • Inability to pay pensioners
40	E II	Technological	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks	Fraud	• Loss of data • Corrupt data • Incorrect payments • Breach of DP Act

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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
				on its servers from outside the council.		
41	C I	People	Recruitment and retention of experienced staff	Problems with recruitment and retention – the need to train people up, the need for continual process re-engineering. Managers of similar age Difficulties in attracting staff to Bradford	Recruitment and retention of staff does not improve	• Pressures on existing staff • Activities are ineffectively carried out • Difficulties in succession planning • Pressure to offer more lucrative packages • Reliance on agency/temporary staff • Escalating staff costs • Gaps appear in structures • Adverse impact on service delivery • Loss of experienced staff • Stagnation • Carrying vacancies
42	E II	Technological	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is not encrypted	Loss of data	• Data falls in the wrong hands and used for criminal purposes • Bad publicity • Loss of trust and confidence in WYPF
43	D II	People	Key staff on long term absence	The absence of key staff who specialise in a particular role and there is no immediate deputy to cover in their absence	Absence Management	• Impact on service provision (Staff, Employers, Scheme Members etc) • Crucial tasks are not performed
44	D III	People	Access to sensitive/personal data by staff	All new staff undergo a DBS check, Access to certain records is restricted	Where DBS checks reveal a relevant conviction	• Information could be passed on • Records updated inappropriately • Contravene DP Act
45	D II	Technological	Cyber Crime	A cyber attack will put data at risk and data may fall in the wrong hands.	A successful cyber attack	• Vulnerable to extortion • Damage to WYPF reputation • Impact on service delivery • Bad publicity • Fines by TPR
46	D II	Legislative /Regulatory	Compliance with GDPR requirements	Documents and processes are not updated with requirements.	A breach of GDPR	• Massive fines by the ICO • Damage to WYPF reputation • Bad publicity • Loss of contracts
49	C1	Technological	Provision of IT services and equipment from CBMDC	Staff are not able to connect to the Council network because systems are down. Staff do not have IT equipment to undertake their duties.	No access to systems or no IT equipment	• Staff cannot carry out their duties • May miss out on investment opportunities

Appendix K: WYPF Pension Board – Knowledge and Understanding Framework

1. Legislative requirements

1.1 In accordance with the Pensions Act 2004, every individual who is a member of a pension board must be conversant with:

- the rules of the Local Government Pension Scheme (LGPS), in other words the regulations and other regulations governing the LGPS (including the Transitional Regulations, earlier regulations and the Investment Regulations), and
- any document recording policy about the administration of the fund which is for the time being adopted in relation to the fund.

1.2 Board members should also have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

1.3 Board members' legal responsibilities begin from the day they take up their role and therefore they should immediately start to familiarise themselves with the documents as referred to in Appendix A and the law relating to pensions.

1.4 Board members must ensure they have the appropriate degree of knowledge and understanding to enable them to properly exercise their functions as a member of the board.

1.5 Board members are required to be able to demonstrate their knowledge and understanding and to refresh and keep their knowledge up to date. Board members should maintain a written record of relevant training and development.

1.6 The Scheme Manager is required to maintain and develop the framework.

2. Degree of knowledge and understanding

2.1 Being conversant with the rules of the LGPS and any documents recording policy about the administration of the Fund means having a working knowledge so they can be used effectively when carrying out their role of assisting the administering authority.

2.2 Board members should understand the rules and documents in enough detail to know where they are relevant to an issue and where a particular provision or policy may apply. Details of West Yorkshire Pension Fund's (WYPF) policies etc. can be found at Appendix A.

2.3 The rules of the LPGS include the LGPS Regulations, Investment Regulations, Transitional Regulations (including earlier regulations as defined in the transitional regulations) to the extent they remain applicable, and any statutory guidance referred to in the regulations.

2.4 To ensure knowledge and understanding of the pension board is maintained, 50% of the board will be appointed on a two-year rolling basis. Any member replaced before the expiry of their normal term will serve for the remainder of that term only, when they will be eligible to service for further full terms in accordance with the Terms of Reference.

3. Induction training

3.1 As part of the induction training, board members are required to undertake the Pensions Regulator's online toolkit training. This training will enable board members to learn about meet the minimum level of knowledge and understanding introduced in the Pensions Act 2004.

3.2 The toolkit included nine Essential Learning for Trustee compulsory modules and seven Public Sector Toolkit compulsory learning modules.

3.3 The nine Essential Learning for Trustees compulsory modules test pension board members' knowledge in the following areas.

- Introducing pension schemes
-
- The trustee's role
- Running a scheme
- An introduction to investment
- How a defined benefit scheme works
- Funding your defined benefit scheme
- Defined benefit recovery plans. Contributions and funding principles
- Investment in a defined benefit scheme

3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.

- Conflicts of Interest
- Managing risk and internal controls
- Maintaining accurate member data
- Maintaining member contributions
- Providing information to members and others
- Resolving internal disputes
- Reporting breaches of the law

3.5 The Pensions Regulator website is **www.thepensionsregulator.gov.uk/public-service-schemes.aspx**

4. Training

4.1 Board members are expected to attend regular training events.

4.2 In addition to the Pensions Regulator Toolkit, Pension Board members will be invited to undertake training and development as detailed in the CIPFA Knowledge and Skills framework.

4.3 Training will be delivered through a variety of methods including:

- in-house training days provided by officers and/or external providers
- training as part of meetings provided by officers and/or external advisers
- external training events
- circulation of reading material
- attendance at seminars and conferences offered by industry-wide bodies, and

- links to online training.

5. CIPFA Knowledge and Skills Framework

5.1 In an attempt to determine the right skill set involved in decision making CIPFA has developed a technical knowledge and skills framework

5.2 In total there are six areas of knowledge and skills identified as the core technical requirements for those working in public sector pensions:

- Pensions legislative and governance context
- Pensions accounting and auditing standards
- Financial services procurement and relationship management
- Investment performance and risk management
- Financial markets and products knowledge, and
- Actuarial methods, standards and practices.

5.3 Training Needs Analysis can be used to help assist Board members and Scheme Managers to identify areas of the CPIFA Knowledge and Understanding Framework where training is required.

Appendix A

Documented policies you must have a working knowledge of.

Member and employer information	Location
Member booklets, announcements and other key member and employer communications, which describe the fund's policies and procedures, including AVC guides).	www.wypf.org.uk
Relevant policies	
Relevant policies	https://www.wypf.org.uk/pension-boards/wypf-index/
Conflicts of Interest Policy	https://www.wypf.org.uk/pension-boards/wypf-index/conflict-of-interest/
Internal Dispute Resolution Procedure	https://www.wypf.org.uk/media/2956/idrp-booklet-nov-2020-1.pdf
Reporting of Breaches Procedure	https://www.wypf.org.uk/pension-boards/wypf-index/reporting-breaches/
WYPF policy statements	
WYPF policy statements	https://www.wypf.org.uk/publications/policy-home/wypf-index/
Statement of Investment Principles	
Funding Strategy Statement	https://www.wypf.org.uk/publications/policy-home/wypf-index/funding-strategy-statement/
Pensions Administration Strategy	https://www.wypf.org.uk/media/3482/pension-administration-strategy-2023.pdf
Communication Policy	https://www.wypf.org.uk/media/3481/communications-policy-2023.pdf
Governance Compliance Statement	https://www.wypf.org.uk/publications/policy-home/wypf-index/governance-compliance-statement/
WYPF Discretionary Policy Statement	Supplied on request

Others	
Actuarial Valuation Report and Rates and Adjustment Certificate	https://www.wypf.org.uk/publications/valuations/wypf-valuation/
WYPF Risk Register	Supplied on request
Annual Report and Accounts	https://www.wypf.org.uk/publications/report-accounts/wypf-report-and-accounts/
Investment management and activity	https://www.wypf.org.uk/investments/wypf-investments/

Appendix L: WYPF Pension Board – Terms of Reference

1. Introduction

1.1 City of Bradford Metropolitan District Council (referred to as 'the Council'), as Scheme Manager, as defined under section 4 of the Public Service Pensions Act 2013, has delegated legal and strategic responsibility for West Yorkshire Pension Fund (WYPF) to the Governance and Audit Committee. The Council has established two bodies to assist and support the Governance and Audit Committee in overseeing the Fund, namely the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.2 In accordance with section 5 of the Public Service Pensions Act 2013 (the Act) and under 106 of the Local Government Pension Scheme Regulations 2013 (as amended) (the Regulations), the Council is required to establish a Pension Board. The Pension Board is separate from the WYPF Investment Advisory Panel and the WYPF Joint Advisory Group.

1.3 This document sets out the terms of reference for the WYPF Pension Board.

2. Objectives

2.1 The role of the Pension Board, as defined by sections 5(1) and (2) of the Public Service Pensions Act 2013 is to assist the council as scheme manager in ensuring the effective and efficient governance and administration of the LGPS including:

(a) securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS

(b) securing compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and

(c) any other such matters as the LGPS regulations may specify.

3. Establishment

The Board is established on 1 April 2015 subsequent to approval by the Governance and Audit Committee on 20 March 2015.

4. Membership and appointment for Pension Board members

4.1 Membership of the Pension Board shall be eight (8) in number. The Pension Board will consist of equal numbers of member and employer representatives.

4.2 Pension Board representatives must not participate in or act as members of the Joint Advisory Group or Investment Advisory Panel.

Employer representatives

4.3 Employers who participate in the fund will nominate four (4) representatives to sit on the Pension Board as Employer Representatives from the following sources.

(a) Three (3) representatives will be from West Yorkshire councils, one (1) of these three (3) will be appointed in accordance with 4.6 below.

(b) One (1) representative will be from the other employing bodies. This representative shall be selected by City of Bradford MDC following a process where all employers will be asked to submit their interest in undertaking this role.

Member representatives

4.4 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF

4.5 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four (4) representatives to sit on the Pension Board as member representatives.

The Chair

4.6 The Council as Scheme Manager will appoint one councillor from the City of Bradford Metropolitan District Council, independent of Joint Advisory Group, Investment Advisory Panel or Governance and Audit Committee, to sit as the chair on the Pension Board

4.7 The chair of the board shall:

(a) ensure that the board delivers its purpose as set out in these Terms of Reference

(b) ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and

(c) seek to reach consensus and ensure that decisions are properly put to a vote when it cannot be reached. Instances of a failure to reach a consensus position will be recorded and published.

Attendance at meetings

4.8 Each Pension Board member should endeavour to attend all Pension Board meetings during the year. In the event of consistent non-attendance by any Pension Board member then the tenure of the membership should be reviewed at the next Pension Board meeting.

5. Term of office/appointment

5.1 Subject to paragraph 5.2, Pension Board representatives will normally serve for a period of four (4) years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).

5.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two (2) employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.

5.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.

5.4 Pension Board members may be reappointed without limitation on terms subject to the Pension Board being satisfied as to the transparency and proper application of the appointment process in use.

6. Termination

6.1 Other than by ceasing to be eligible a Pension Board member may normally only be removed from office during a term of appointment by the agreement of the Board.

6.2 Board membership may be terminated prior to the end of the term of office due to:

(a) a member representative no longer being a representative of the body on which their appointment relied

(b) an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.

(c) a Board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.

(d) the representative being withdrawn by the nominating body and a replacement identified.

(e) a Board member has a conflict of interest which cannot be managed in accordance with the Board’s conflict policy.

(f) a Board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.

(g) a Board member who is an officer of City of Bradford MDC becomes responsible for the discharge of any function of the administering authority under the LGPS regulations.

7. Number of meetings

7.1 The Pension Board will normally meet four times a year. The Chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.

7.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.

8. Creation of working groups/sub boards

8.1 The Pension Board may establish sub-committees and working groups as and when required. The Pension Board will be responsible for developing and agreeing the terms of reference and membership of any sub-committees. The Pension Board will also be responsible for outlining the purpose of any working group, its membership and detailing when and how that working group should report back.

9. Code of conduct and conflicts of interest policy

9.1 The principles included in the council's code of conduct for members applies to all members of the Pension Board. The code of conduct is set out in part 4 of the council's constitution: https://www.bradford.gov.uk/your-council/about-bradford-council/councils-constitution/

9.2 No person may be appointed to the Pension Board that has a significant conflict of interest. A conflict of interest is defined as a financial or other interest which is likely to prejudice a person's exercise of functions as a member of the Pension Board. It does not include a financial or other interest arising merely by virtue of that person being a member of the scheme or any connected scheme for which the board is established.

9.3 All voting members of the Pension Board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.

9.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

10. Voting rights

All representatives on the Pension Board have equal voting rights. Decisions made by the Pension Board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

11. Other attendees

The Pension Board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

12. Secretariat services to the board

Pension Board meetings will be administered by City of Bradford MDC Committee secretariat in accordance with the rules and procedures of City of Bradford MDC 'Constitution of the council and Executive Arrangements'. All reasonable costs will be met by the Fund.

13. Agenda

Prior to each meeting the Director of West Yorkshire Pension Fund will arrange to supply all members of the Board with an agenda and relevant information. The agenda and any relevant documents will be issued at least five working days in advance of the meeting, except in exceptional circumstances with the agreement of the chair.

14. Quorum

The quorum of the Pension Board shall be three (chair plus one employer representative and one member representative).

15. Publication

In accordance with the act, the council shall publish information about the board to include:

(a) the names of Board members and their contact details

(b) the representation of employers and member on the board

(c) the role of the Board

(d) these terms of reference

16. Allowances/Expenses

No member or representative of the Pension Board shall be remunerated for undertaking this role. However, expenses incurred in attending meetings of the Board and attending training events, shall be reimbursed to all members and the cost will be met by the Fund.

17. Knowledge and Understanding and Capacity of Representative Members

17.1 Every individual who is a member of the Pension Board must be conversant with:

(a) the rules of the LGPS, in other words the Regulations and other regulations governing the LGPS (such as the Transitional Regulations and the Investment Regulations)

(b) the requirements of the Pensions Regulator

(c) any document recording policy about the administration of the Fund which is for the time being adopted in relation to the fund, and have knowledge and understanding of:

- the law relating to pensions, and
- such other matters as may be prescribed.

17.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

17.3 Pension Board members shall attend and participate in training arranged in order to meet and maintain the requirements set out in the Knowledge and Understanding Policy and Framework.

17.4 Employer and member representatives should be able to demonstrate their capacity to attend and complete the necessary preparation for meeting and participate in training as required.

18. Accountability

18.1 The Board should in the first instance report its requests, recommendations or concerns to the committee. In support of this any member of the Board may attend a committee meeting as an observer.

18.2 The Board should report any concerns over a decision made by the committee subject to the agreement of at least 50% of voting Board members provided that all voting members are present. If all voting members are not present then the agreement should be of all voting members who are present, where the meeting remains quorate.

18.3 On receipt of a report the Committee shall within a reasonable period, consider and respond to the Board.

18.4 Where the Board is not satisfied with the response received it may request that a notice of its concern be placed on the website and in the Fund’s annual report.

18.5 Where the Board is satisfied that there has been a breach of regulation which has been reported to the committee and has not been rectified within a reasonable period of time it is under an obligation to escalate the breach.

18.6 The appropriate internal route for escalation is to the Administering Authority Monitoring Officer.

19. Budget

The Pension Board is to be provided with adequate resources to fulfil its role. The council will allocate an annual budget to cover the expenses of the Board.

20. Core functions

20.1 The first core function of the Board is to assist the council in securing compliance with the Regulations, any other legislation relating to the governance and administration of the scheme, and requirements imposed by The Pensions Regulator in relation to the Scheme.

20.2 The second core function of the Board is to assist the Council to ensure the effective and efficient governance and administration of the Scheme.

20.3 In support of its core functions the Board may make a request for information to the Committee with regard to any aspect of the Council's function. Any such request should be reasonably complied with in both scope and timing.

20.4 In support of its core functions the Board may make recommendations to the Committee which should be considered and a response made to the board on the outcome within a reasonable period of time.

21. Data protection

21.1 The Pension Board is considered a committee of and part of the Council's legal entity. The Council is and remains the data controller responsible for DPA compliance, including for processing carried out by the Pension Board, where processing is carried out as a data controller, or where personal data use by the Pension Board is not carried out for and on behalf of any other separate legal entity.

21.2 The Pension Board will therefore adhere to the data protection policies of the Council.

22. Review of Terms of Reference

22.1 These Terms of Reference shall be reviewed on each material change to those parts of the Regulations covering local Pension Boards and at least every two (2) years.

22.2 These Terms of Reference were adopted on:

- 20 March 2015 on behalf of the Council (Governance and Audit Committee).
- On behalf of the Board.