



West Yorkshire Pension Fund

# Report and Accounts

for the year ended 31 March 2020

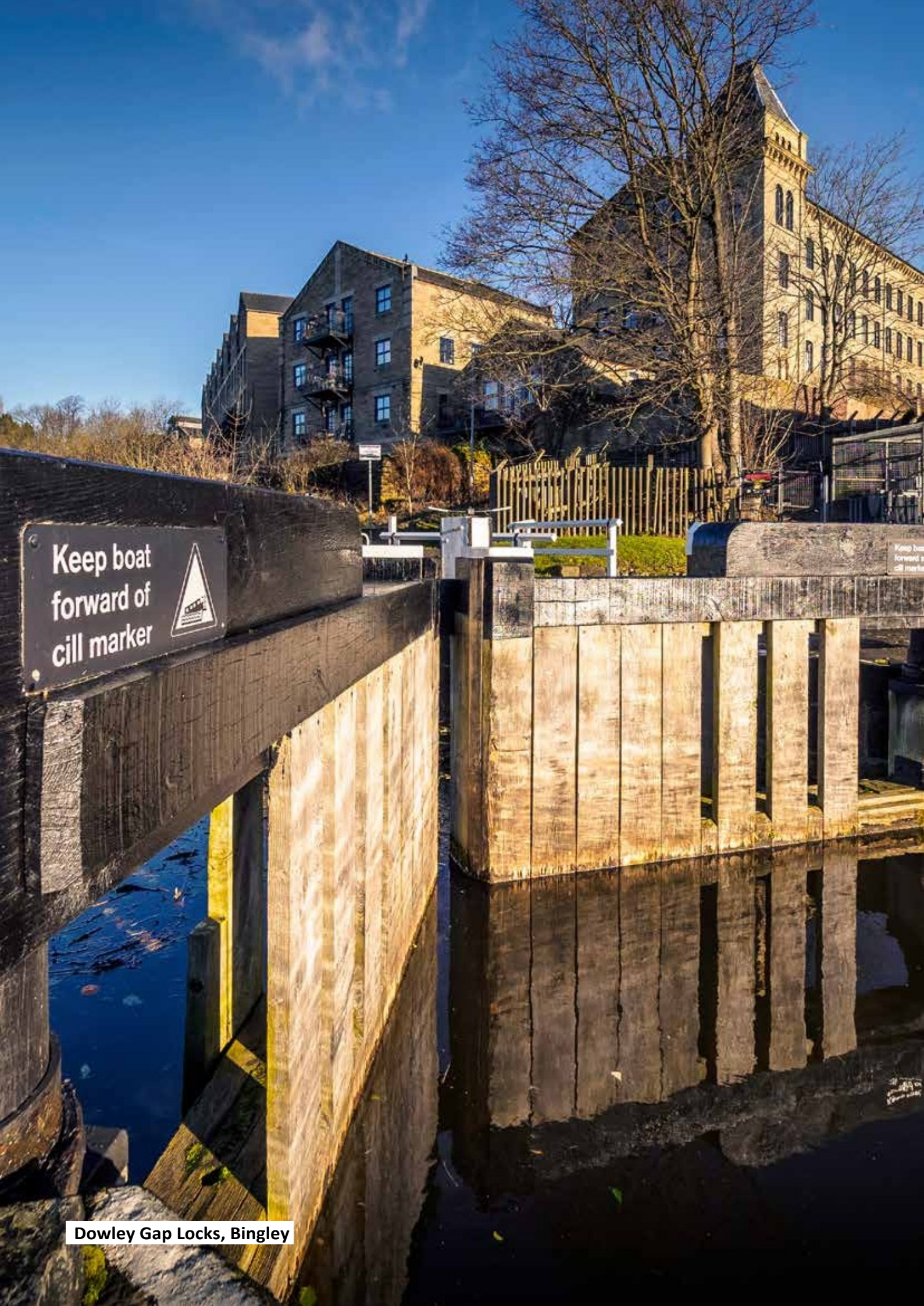


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# Section 1

## Foreword

## Foreword

West Yorkshire Pension Fund (WYPF) is a local government pension scheme, founded in 1974. At the end of March 2020 we had 294,447 members and 451 employers across the UK. Our largest employers are the five West Yorkshire councils: Bradford, Calderdale, Kirklees, Leeds and Wakefield.

The impact of COVID-19 pandemic on global financial markets caused the value of the fund's investment assets to reduce during the year by -7.4% to £13.2 billion. This short term reduction is very disappointing, but to be expected in the circumstances. The subsequent period has seen a substantial recovery in markets which has obviously improved the situation for the Fund, but there is still considerable uncertainty for investment returns in the next year.

With the continuing uncertainty in equity markets over the first six months of the 2019-20 financial year the Investment Advisory Panel decided to reduce exposure to equities, which had reached over 70% of fund assets at the beginning of year under review. The planned increases to investment in infrastructure, a much less volatile asset class, continued throughout the year. Following the falls in markets in the last quarter of 2019 the decision was made to begin reinvestment of the liquid assets, as valuations were looking attractive, but this was not fully completed as the scale of the COVID-19 impact on the market became apparent. The Investment Advisory Panel will continue to review the asset allocation quarterly, and make adjustments against the benchmark based on future expected returns.

The government requires LGPS funds to pool assets in order to achieve cost efficiencies on investments. Having the lowest cost of investments of all the LGPS funds, we concur with the objectives, although WYPF will benefit less than the average fund from the process. We continue to work with our pooling partners, two other large, efficient metropolitan funds, Greater Manchester and Merseyside, to develop the Northern LGPS (NLGPS); together we have already achieved lower costs in some areas without compromising anticipated returns. The infrastructure partnership, GLIL, now has commitments of £1.8 billion from NLGPS and one other pool, and has already invested over £1.1 billion. These assets include on and off-shore wind turbines, modern rail rolling stock, and other assets which reduce reliance on fossil fuels. The private equity partnership, NPEP, has committed £871m to 15 funds, and has established a co-investment platform which will substantially reduce the cost of private equity investment for the NLGPS partners. The NLGPS continues to meet all the deadlines set by the government. The NLGPS has appointed Northern Trust Global Services PLC (NT) to be the joint custodian, and all the assets of the NLGPS transferred to NT in 2019.

Our pensions administration teams take great pride in delivering a high-quality service at a very low cost. This has been achieved by system efficiencies, mostly developed in-house by our dedicated staff. Other schemes have recognised our quality and low cost and as a result our shared service administration provision has grown. At the beginning of the year, we provided administration for Lincolnshire Pension Fund and Hounslow Pension Fund, and fourteen fire and rescue authorities. In 2020 London Borough of Barnet Pension Fund and two more fire and rescue authorities will be joining us, demonstrating our continuing ability to deliver a low-cost high-quality service. The fund has been recognised for its achievements nationally by winning a number of prestigious awards.

I would like to thank members of the Joint Advisory Group, the Investment Advisory Panel, and our external advisers, particularly Noel Mills who retired at the end of 2019, as well as the administration and investment staff, for all their efforts and commitment, which is evident in the continuing success of the fund.

I am sure you will find the Report and Accounts interesting and informative, and can confirm that the fund remains well funded and financially sound, and will provide financial security in retirement for its members.



**Councillor Andrew Thornton**  
**Chair**

**Joint Advisory Group and  
Investment Advisory Panel**

# Section 2

## Management Structure



## Members of the WYPF Joint Advisory Group

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### Bradford Council

Councillor A Thornton <b>Chair</b>	Councillor G Winnard <b>Deputy Chair</b>	Councillor T Salam
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### Calderdale Council

Councillor B Metcalfe	Councillor S Baines MBE	Councillor J Lynn
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### Kirklees Council

Councillor G Asif	Councillor M Ahmed	Councillor R Mugartroyd
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### Leeds Council

Councillor A Scopes	Councillor P Harrand	Councillor N Dawson
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### Wakefield Council

Councillor L Shaw	Councillor J Speight	Councillor M Graham
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### Trade union representatives

T Chard – GMB	L Bailey – UNISON	A Goring – UNISON
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### Scheme member representatives

K Sutcliffe (to July 19)	W Robinson (to July 19)
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### Representative from City of Bradford Metropolitan District Council

C Chapman  
Director of Finance / s151 Officer - BMDC

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## Members of the WYPF Investment Advisory Panel

### Bradford Council

Councillor A Thornton Chair	Councillor G Winnard
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### Calderdale Council

Councillor J Lynn	Councillor S Baines MBE
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### Kirklees Council

Councillor G Asif	Councillor M Ahmed
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### Leeds Council

Councillor A Scopes	Councillor P Harrand
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### Wakefield Council

Councillor J Speight	Councillor L Shaw
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### Trade union representatives

T Chard – GMB	L Bailey – UNISON Deputy Chair	A Goring – UNISON
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### West Yorkshire Pension Fund

R Barton – Director

### External advisers

N Mills (to Nov 19)	M Stevens
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### Representative from the Finance Directors of the councils of West Yorkshire

N Broadbent  
Head of Finance – Calderdale Council

### Scheme member representatives

C Greaves	G Hey (to Dec 19)	P Cole (from Jan 20)
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## Members of the WYPF Local Pension Board

### Employer representatives

Councillor M Slater Bradford MDC <b>Chair (to May 19)</b>	Councillor G Burton Wakefield MDC	R Manning Northern School of Contemporary Dance
Councillor S Lal Bradford MDC <b>Chair (from Jun 19)</b>	Councillor Johnson (From Jun 19) Wakefield MDC	Councillor D Jenkins (From Jun 19) Leeds City Council
Councillor J Lewis Leeds City Council (to May19)	Councillor G Hyde (to May 19) Leeds City Council	

### Member representatives

G Nesbitt – GMB	C Sykes – UNISON	M Morris – Unite
M Binks – UNISON		

## Appointed service providers and advisers

### Actuarial services

Aon Hewitt  
25 Marsh Street  
Bristol  
BS1 4AQ

### 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



<b>Section 151 officer</b>	C Chapman – Director of Finance / s151 City of Bradford Metropolitan District Council Britannia House Bradford BD1 1HX
<b>Auditors</b>	Mazars LLP 5th Floor, 3 Wellington Place, Leeds, LS1 4AP
<b>Banker</b>	HSBC 8 Canada Square Canary Wharf London E14 5HQ
<b>Financial Custodian</b>	Northern Trust 1 Canada Square Canary Wharf London E14 5AB
<b>Legal adviser</b>	M Bowness – Interim City Solicitor City of Bradford Metropolitan District Council City Hall Bradford BD1 1HY
<b>Pensions computer services</b>	Civica UK Limited Vanguard House Dewsbury Road Leeds LS11 5DD

## Internal dispute resolution advisers

<b>Appointed persons for stage 1 internal dispute resolution procedure (IDRP)</b>	<p>R Barton – Director, WYPF</p> <p>City of Bradford Metropolitan District Council</p> <p>WYPF</p> <p>Ground Floor</p> <p>Aldermanbury House</p> <p>4 Godwin Street</p> <p>Bradford</p> <p>BD1 2ST</p>
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<b>Appointed persons for stage 2 internal dispute resolution procedure (IDRP)</b>	<p>K England – Chief Executive</p> <p>City of Bradford Metropolitan District Council</p> <p>City Hall</p> <p>Bradford</p> <p>BD1 1HY</p>
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<b>IDRP medical adviser</b>	<p>Santia Occupational Health</p> <p>Santia House</p> <p>Parc Nantgarw</p> <p>Cardiff</p> <p>CF15 7QX</p>
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# Section 3

## Local Pension Board Annual Report



# Annual Report of the West Yorkshire Pension Fund Pension Board 2019/2020

## Introduction

I am pleased to present the report of the local pension board of West Yorkshire Pension Fund (WYPF) for the year 2019/2020.

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, Local Pension Board, Joint Advisory Group and Investment Advisory Panel are detailed in the Funds Governance Compliance Statement which can be found on the Funds website at:

<https://www.wypf.org.uk/publications/policy-home/wypf-index/t:>

## 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.

The membership of the Board has seen a few new members joining during 2020. My role of Chair has seen Councillor Slater, the Chair of the Pension Board since its inception, completed his period of membership. I have now replaced Cllr Slater as Chair with effect from May 2019. During the year Councillor Lewis and Councillor Burton from Leeds City Council and Wakefield Councils

respectively left the board and have been replaced by Councillor replaced by Councillor Jenkins and Councillor Johnson. The membership of the of the board at the end of 2020 are listed below:

## Employer representatives

- Councillor Shakeela Lal (Chair) – City of Bradford MDC
- Councillor D Jenkins – Leeds CC
- Councillor M Johnson – Wakefield MDC
- Ruth Manning – Northern School of Contemporary Dance

## Member representatives

- Mark Morris – Unite
- Mick Binks – Unison
- Colin Sykes – Unison
- Gary Nesbitt – GMB

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

[www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx)

## Meetings

During the year the Board agreed to increase the number of meetings per year from two to four. The meetings scheduled in 19/20 were:

- 13 August 2019
- 8 October 2019
- 17 December 2019
- 24 March 2020 – meeting cancelled

Three meetings were held; the last meeting was cancelled due to the Covid-19 pandemic. Information about the board, including minutes of board meetings, is available on the WYPF website via the following link:

[www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard\\_WYPF\\_Index.aspx](http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx)

## 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 there is a vast amount of experience available for member in the Fund. Members are encouraged to contact the Fund if they feel they would benefit from 1 to 1 training on a 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.

The training undertaken by pension board members during the past year includes the following events.

### External training events

- LGA – Fundamentals (3 day training course)
- LGA Conference
- Schroders Trustee training
- CIPFA Pension Board spring conference

### WYPF held events

- Alternative Investments working group training
- Understanding the role of PIRC
- Valuation 2019 training – Provided by Aon

In addition all pension board members are encouraged to undertake the Pensions Regulator Toolkit training which is an online learning programme 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.

## The work programme

Services to members and employers continues to be high on the board's agenda.

At the meeting in October 2018, the board considered a range of items including:

At the meeting on 13 August 2019, the board considered a range of items including:

- WYPF Data Improvement Plan
- LGPS Update
- Register of Breaches of Law

- Training Conferences and Seminars
- Minutes of the Investment Advisory Panel of 25 April 2019

At the meeting on 8 October 2019, the board considered a range of items including:

- the minutes of the Joint Advisory Group and Investment Advisory Panel meetings
- Report and Accounts
- Internal Audit plan for the next 5 years
- Register of Breaches of Law
- LGPS updates
- Risk Management
- WYPF Pensions Admin Report
- Feedback from the 2019 Annual Benefits Statement exercise
- 2019 Actuarial Valuation
- GMP Reconciliation exercise
- WYPF Data Improvement plan
- Training Conferences and Seminars

At the 17 December 2019 meeting the board considered a range of items including:

- Register of Breaches of Law
- The Pensions Regulator Annual Scheme return
- Good Governance in the LGPS
- The Pensions regulator engagement
- Training Conferences and Seminars

## Conclusion

This is the fifth report of the WYPF Pension Board. I consider the governance and administration of the scheme to be sound.

I would like to thank all members of the board, our officers and advisers for their continued support and assistance.



**Councillor Shakeela Lal Chair  
of WYPF Pension Board**

# Section 4

## 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 Ministry of Housing, Communities and Local Government, 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

#### Members' annual meeting

WYPF held its 2019 annual meeting for scheme members at City Hall, Bradford on 6 November 2019. 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 external investment advisers Noel Mills and Mark Stevens. In addition there was a big turnout from the Fossil Free West Yorkshire Pension Fund a local group protesting that WYPF should stop investing in fossil fuel. The protest was organised by local trade unions and political parties.

#### Employers' annual meeting

Our employer annual meeting was held at the same venue on 7 November. Topics covered were pension fund valuation, updates on the fund including its investments, administration, and the general economic and financial market climate. Employers were treated to guest slots by the Pension Regulator, Affinity Connect and AON.

### Employer workshops

The free one-day and half-day workshop sessions for employers are a regular part of the training and support we offer to our employers. Five different types of workshops were provided for employers:

- Complete guide to administration (half day)
- Secure administration (half day)
- Employer responsibilities (half day)
- Ill-health retirement
- Pensionable pay

The workshops were delivered by WYPF staff and were designed to give employers a good understanding of the pension scheme. Feedback from participants on these events has been very positive again.

## Planning for a positive retirement workshop

Workshops run by Affinity Connect, to support and guide members who are considering what retirement might mean to them continue to be well attended by members.

The workshops raise awareness of the key issues to consider and the decisions that members need to make as they approach this new stage in their life. It is especially useful for members thinking of retiring in the next couple of years, but valuable even if they're not yet sure when they want to retire. The courses cover far more than 'just' pensions.

## Pensions increase

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). Deferred members benefits are also increased by CPI. For the 2019/20 year an increase of 2.4% was applied on 8 April 2019.

## Pension administration and cost

As in previous years, the workload of the pension administration section continued to increase, member numbers continue to rise, particularly with the addition of new clients.

WYPF's service delivery continues to be underpinned by our accreditation to the International Organisation for Standardisation - ISO 9001:2000. Our quality management systems ensures that we are committed to providing the best possible service to customers, 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 pensions administration cost per member is £15.23, this is the 6th lowest cost amongst 87 LGPS funds and well below national average of £22.28.

WYPF achieved accreditation for ISO27001 Information Security Management System Certification (ISMS). This accreditation is particularly important to us and highlights our continued commitment to information security and provides assurance to our members and employers 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 Durham and Darlington Fire and Rescue Service. This brings the total number of Local Government Pension Schemes and Fire Authorities we provide administration for to seventeen partners. WYPF provides a shared service to two Local Government pension schemes, Lincolnshire Pension Fund and Hounslow Pension Fund.

## Data quality

This year, pension funds were required to report on their data quality to The Pensions Regulator as part of the annual scheme returns. The Pensions Regulator has set a target of 100% accuracy for new common data received after June 2010.

Type	%
Forename	100
Surname	100
Membership status	99.99
Date of birth	99.99
NI number	100
Postcode	99.95
Address	96.54

Work continues to be undertaken to improve address data and this work will continue over the next twelve months and beyond as members continue to change address without informing the Fund.

## Communications

Our contact centre continues to be a popular way for members to communicate with us about their pensions. We produced 100% of annual pension benefit statements for active and deferred members on time giving members information on their benefits accrued to date and what their potential benefits will be at retirement age, as well as other useful information, regular newsletters are issued to our members to keep them informed of important pensions news.

## MyPension

With WYPF's MyPension service members can view their pension record and statements, update personal details, tell us they've 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.

## Awards

It has proved to be another successful year for WYPF, gaining national recognition from:

### Local Authority Pensions Forum (LAPF) Investment Awards

Ian Greenwood OBE, former Chair, was awarded a special award by the judges in recognition of the work he had done for the LGPS.

WYPF were shortlisted for:

- LGPS Fund of the Year
- Scheme Governance Award
- Scheme Administration Award
- hosted by the LAPF on 19th September in London.

### Pension Age Awards

WYPF won the 'DB Pension Scheme of the Year Award' hosted by Pensions Age held on 27th February in London. We were also shortlisted for

- Pension Scheme Communications Award
- Pensions Administration Award
- Pension Scheme Innovation Award

### European Age Awards

WYPF were winners of the Pension Scheme Administrator of the Year award hosted by European Pensions which were held in June

The European Pensions Awards honour the investment firms, consultancies and pension providers across Europe that have set the professional standards in order to best serve European pension funds in these increasingly challenging times.

## 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 Microsoft Hyper-V. The servers and data are replicated between the Hyper-V hosts 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 between sites. In the event of serious system failures, WYPF would re-provision testing hardware and the infrastructure environment for live running.

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.

**[www.twitter.com/wypf\\_lgps](https://www.twitter.com/wypf_lgps)**

**[www.facebook.com/westyorkshirepensionfund](https://www.facebook.com/westyorkshirepensionfund)**

See **[www.wypf.org.uk/privacy](https://www.wypf.org.uk/privacy)** for more details.





Stoodley Pike, Calderdale

# Section 5

## Financial Management and Performance



## Financial Performance – analytical review

The following table identifies movements in the Fund Account based on expenditure between 31 March 2019 and 31 March 2020 and provides reasons for variances. The full financial statements are within section 11 – Statement of accounts of this document.

### Statutory accounts financial performance variance 2020 versus 2019

**Table A – dealing with members and employers**

Dealings with members, employers and others directly involved in the fund	31 March 2020 £000	31 March 2019 £000	Variance £000	Notes on significant variances
Contributions receivable	441,973	416,949	25,024	Due to increase in number of active members and their pay values
Transfers In	50,705	26,491	24,214	Increase in the number of members transferring their pension savings to WYPF.
Non-statutory pensions and pensions increases recharged	21,671	21,938	-267	No significant change.
Benefits payable	-553,082	-506,461	-46,621	Increased number of pensioners.
Non-statutory pensions and pensions increase	-21,671	-21,938	267	No significant change.
Payments to and on account of leavers	-37,250	-40,445	3,195	Reduction in number of members transferring their pension savings from WYPF
Management expenses	-12,306	-10,006	-2,300	2019 was lower due to one off projects such as recharges for asset transferred to other funds.

**Table B – fund assets performance**

Returns on investments	31 March 2020 £000	31 March 2019 £000	Variance £000	Notes on significant variances
Investment income	464,284	438,585	25,699	Increased income is mainly attributable to dividends from equities.
Taxes on income	-8,719	-8,236	-483	Increase in taxes on income is reflective of withholding tax suffered in the country of origin.
Profit and losses on disposal and changes in value of investments	-1,497,058	476,252	-1,973,310	Negative market impact of Covid-19 on asset values.
Stock lending	2,710	3,279	-569	Stock lending was temporarily suspended.
<b>Net return on investments</b>	<b>-1,038,783</b>	<b>909,880</b>	<b>-1,948,663</b>	Negative market impact of Covid-19 on asset values.
<b>Net increase/(decrease) in the net assets</b>	<b>-1,148,743</b>	<b>796,408</b>	<b>-1,945,151</b>	Negative market impact on investment due to Covid-19.
<b>Opening net assets of the fund</b>	<b>14,363,041</b>	<b>13,566,633</b>	<b>796,408</b>	Moderate increase, however the large variance was due to financial market impact between 2017/18 and 2018/19.
<b>Closing net assets of the fund</b>	<b>13,214,298</b>	<b>14,363,041</b>	<b>-1,148,743</b>	8% reduction in market value mainly due to Covid-19.

## Fund account three year forecast and two year outturn

The table below shows a three-year budget estimate 2019/20 to 2022/23 and outturn figures for 2018/19 and 2019/20.

Fund account – estimates and actuals	2022/23 Estimate	2021/22 Estimate	2020/21 Estimate	2019/20 Estimate	2019/20 Outturn	2018/19 Outturn
	£000	£000	£000	£000	£000	£000
<b>Dealings with members, employers and others directly involved in the fund</b>						
Contributions receivable	440,600	435,700	430,900	426,200	441,973	416,949
Transfers in	28,000	27,700	27,400	27,100	50,705	26,491
Non-statutory pensions and pensions increases recharged	20,900	20,700	20,500	21,000	21,671	21,938
<b>Total income from members and employers</b>	<b>489,500</b>	<b>484,100</b>	<b>478,800</b>	<b>474,300</b>	<b>514,349</b>	<b>465,378</b>
Benefits payable	-534,800	-529,000	-523,300	-517,700	-553,082	-506,461
Non-statutory pensions and pensions increase	-20,900	-20,700	-20,500	-21,000	-21,671	-21,938
Payments to and on account of leavers	-42,500	-42,100	-41,700	-41,300	-37,250	-40,445
<b>Total payments to members</b>	<b>-598,200</b>	<b>-591,800</b>	<b>-585,500</b>	<b>-580,000</b>	<b>-612,003</b>	<b>-568,844</b>
<b>Management expenses</b>	<b>-13,200</b>	<b>-12,970</b>	<b>-12,765</b>	<b>-12,564</b>	<b>-12,306</b>	<b>-10,006</b>
Returns on investments						
Investment income	414,200	409,800	405,400	401,000	464,284	438,585
Taxes on income	-8,600	-8,500	-8,400	-8,300	-8,719	-8,236
Profit and losses on disposal of and changes in value of investments	365,700	361,800	357,900	354,000	-1,497,058	476,252
Stock lending	3,500	3,500	3,500	3,500	2,710	3,279
Underwriting commission	0	0	0	0	0	0
<b>Net return on investments</b>	<b>774,800</b>	<b>766,600</b>	<b>758,400</b>	<b>750,200</b>	<b>-1,038,783</b>	<b>909,880</b>
Net increase in the net assets available for benefits during the year	<b>652,900</b>	<b>645,930</b>	<b>638,935</b>	<b>631,936</b>	<b>-1,148,743</b>	<b>796,408</b>
Opening net assets of the	<b>15,131,099</b>	<b>14,485,169</b>	<b>13,846,234</b>	<b>13,214,298</b>	<b>14,363,041</b>	<b>13,566,633</b>
<b>Closing net assets of the fund</b>	<b>15,783,999</b>	<b>15,131,099</b>	<b>14,485,169</b>	<b>13,846,234</b>	<b>13,214,298</b>	<b>14,363,041</b>
<b>% Increase in net assets</b>	<b>4.31%</b>	<b>4.46%</b>	<b>4.61%</b>	<b>4.78%</b>	<b>-8.00%</b>	<b>5.87%</b>

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 2019/20 to 2022/23 and outturn figures for 2019/20 and 2018/19.

	2022/23	2021/22	2020/21	2019/20	2019/20	2019/20	2018/19
	Estimate	Estimate	Estimate	Estimate	Full year outturn	Variance outturn	Full year outturn
	£000	£000	£000	£000	£000	£000	£000
<b>Expenditure</b>							
Accommodation	309	303	297	302	422	-120	337
Actuarial costs	212	208	204	200	533	-333	249
Computer costs	810	794	778	770	991	-221	755
Employee costs	10,076	9,878	9,684	8,651	7,712	938	7,062
Internal recharges from Bradford Council	436	428	420	412	454	-42	452
Printing and postage	638	625	612	600	518	82	552
Other running costs	394	387	380	1,198	1,174	24	1,863
Investment transaction costs	2,500	2,500	2,500	2,500	2,770	-270	724
<b>Total expenditure</b>	<b>15,375</b>	<b>15,123</b>	<b>14,875</b>	<b>14,633</b>	<b>14,574</b>	<b>58</b>	<b>11,994</b>
<b>Expenditure</b>							
Shared service income	-2,061	-2,021	-1,982	-1,943	-1,958	15	-1,825
Other income	-133	-131	-129	-126	-310	184	-163
<b>Total income</b>	<b>-2,194</b>	<b>-2,152</b>	<b>-2,111</b>	<b>-2,069</b>	<b>-2,268</b>	<b>199</b>	<b>-1,988</b>
<b>Total</b>	<b>13,181</b>	<b>12,971</b>	<b>12,764</b>	<b>12,564</b>	<b>12,306</b>	<b>257</b>	<b>10,006</b>

Estimates shown above are based on current costs of operational activities and our current and future business plans.

Variances between the revised estimate 2018/19 and outturn for 2019/20 are mainly due to:

- **Accommodation costs:** £120k overspend on accommodation is mainly due to a number of building improvements, mechanical and security improvements.
- **Actuarial costs:** £300k overspend on actuarial services is due to increased regulatory, covenant and general technical work to improve actuarial services for WYPF and fund employers.
- **Employee costs:** £72k underspend against budget. Backdated estimated cost of new staffing structure was charged to 2019/20, this reduced underspend due to vacancies being carried for the year.
- **Internal recharges:** Payment to Bradford Council for services provided to West Yorkshire Pension Fund for ICT, payroll, legal services and other corporate services, overspend by £42k, due to service change requests.
- **Other running costs:** General running costs, £24k small underspend.
- **Investment transaction costs:** Increased volume of investment transactions resulted in £270k overspend on investment transaction cost.
- **Total income:** Income net variance as a result of increase shared partners. All charges to our shared service partners are based on actual number of members at the year end for each service partner.



Civic Hall, Leeds

## Participating employers

### Analysis of employers summarised by type

There were 451 active employers at the end of the financial year. A total of 20 employers ceased their membership of the fund during the year, converted to academy status or joined multi academy trusts.

Employers	2019/20	2019/20	2019/20	2018/19
	Active	Ceased	Total	Total
Admitted body	163	7	170	170
Scheduled body	288	13	301	301
<b>Total</b>	<b>451</b>	<b>20</b>	<b>471</b>	<b>471</b>

## 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 over 470 employers every month with a total monthly value of almost £34M. Contribution payment from employer is due by the 19th of the month following the payroll month. Contributions received late were late by less than one month; therefore, no statutory late payment interest was charged.

Contribution payment	2019/20	2019/20	2019/20	2019/20	2019/20	2018/19
performance	Total	Received on time	Received on time	Received late	Received late	Received late
	£000	£000	%	£000	%	%
Employer contributions	319,830	319,297	99.83	533	0.17	0.02
Employee contributions	122,143	121,936	99.83	207	0.17	0.02
<b>Total</b>	<b>441,973</b>	<b>441,233</b>	<b>99.83%</b>	<b>740</b>	<b>0.17</b>	<b>0.02</b>

## 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' record 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	2019/20	%	2018/19	%	2017/18	%	2016/17
Number of returns expected in the year from all employers	5,640		6,015		5,468		5,549
Number of returns received by 19 April	5,497	97.46	6,015	100.00	5,468	100.00	5,549
Number of returns not received by 31 May	8	0.14	0	0.00	0	0.00	0
Returns processed within 10 working days	5,375	95.30	5,465	90.86	4,490	82.11	4,773
Number of records on return	1,211,489		1,205,499		1,275,273		1,194,762
Number of new member records set up using monthly return	20,493	1.69	20,493	1.70	23,172	1.82	17,852
Number of leaver notifications processed using monthly returns	11,492	0.95	11,492	0.95	12,091	0.95	11,036

## Employers who made contributions to the fund during 2019/20

PARTICIPATING EMPLOYERS		
<b>BRADFORD M.D.C</b>	BOLTON BROW PRIMARY ACADEMY	CLAPGATE PRIMARY SCHOOL
<b>LEEDS CITY COUNCIL</b>	BOOTHROYD PRIMARY ACADEMY	CLAYTON PARISH COUNCIL
<b>CALDERDALE M.B.C</b>	BRADFORD ACADEMY	COALFIELDS REGENERATION TRUST
<b>KIRKLEES M.C</b>	BRADFORD COLLEGE	COCKBURN MULTI ACADEMY TRUST
<b>WAKEFIELD M.D.C</b>	BRADFORD DIOCESAN ACADEMIES TRUST	COLLABORATIVE LEARNING TRUST
ABBEY MULTI ACADEMY TRUST	BRADFORD DISTRICT CREDIT UNION	COLLINGHAM LADY ELIZABETH HASTINGS
ABSOLUTELY CATERING LIMITED (BATLEY MAT)	BRADSHAW PRIMARY SCHOOL	COMMUNITY ACCORD
ABSOLUTELY CATERING LTD (BGS)	BRAMLEY PARK ACADEMY (left 31/03/20)	COMPASS (LEEDS PFI SCHOOLS)
ACCORD MULTI ACADEMY TRUST	BRAMLEY ST PETERS C OF E SCHOOL	COMPASS CONTRACT SERVICES (GREEN LANE)
ACKWORTH PARISH COUNCIL	BRIGHOUSE ACADEMY	COMPASS CONTRACT SERVICES (LAISTERDYKE)
ACTIVE CLEANING LTD (CROFTON ACADEMY)	BRIGHTER FUTURES ACADEMY TRUST	COMPASS CONTRACT SERVICES (NORTHERN EDUCATION TRUST)
ADDINGHAM PARISH COUNCIL	BRIGSHAW LEARNING PARTNERSHIP	COMPASS CONTRACT SERVICES (PARK VIEW & EAST GARFORTH)
ADEL ST JOHN THE BAPTIST C E (V A) PRIMARY SCHOOL	BRITISH GAS SOCIAL HOUSING LTD	COMPASS CONTRACT SERVICES (ST JOHN FISHERS)
AFFINITY TRUST (left 31/03/20)	BRODETSKY JEWISH (V A) PRIMARY SCHOOL	COMPASS CONTRACT SERVICES (UK) (PONTEFRAC ACADEMIES TRUST)
AIREBOROUGH LEARNING PARTNERSHIP TRUST	BRONTE ACADEMY TRUST	COMPASS CONTRACT SERVICES (UK) LTD
ALL SAINTS C E J & I SCHOOL	BROOKSBANK SCHOOL SPORTS COLLEGE	COMPASS CONTRACT SERVICES (UK) LTD (CHARTWELL)
ALL SAINTS RICHMOND HILL CHURCH OF ENGLAND PRIMARY SCHOOL	BULLOUGH CONTRACT SERVICES (LEEDS CITY COLLEGE)	COMPASS CONTRACT SERVICES (UK) LTD (SHARE MAT)
AMEY COMMUNITY LTD BRADFORD BSF PHASE 2 FM SERVICES	BURLEY PARISH COUNCIL	COMPASS CONTRACT SERVICES (WESTBOROUGH HIGH SCHOOL)
AMEY COMMUNITY LTD FM SERVICES	BURNLEY ROAD ACADEMY	COMPASS CONTRACT SERVICES (WHETLEY ACADEMY)
AMEY INFRASTRUCTURE SERVICES LTD (WAKEFIELD)	C AND K CAREERS LTD	COMPASS CONTRACT SERVICES LTD (MANOR CROFT)
APCOA PARKING (UK) LIMITED	CAFCASS	CONSULTANT CLEANERS LIMITED (W Y FIRE)
ARAMARK LIMITED	CALDER HIGH SCHOOL	CONSULTANT CLEANERS LIMITED (WESTBOROUGH HIGH SCHOOL)
ARCADIS (UK) LTD	CALDERDALE COLLEGE	COOKRIDGE HOLY TRINITY C E PRIMARY SCHOOL
ARTS COUNCIL ENGLAND	CALVERLEY C OF E PRIMARY SCHOOL	CORPUS CHRISTI CATHOLIC COLLEGE
ASPENS SERVICES LTD	CARDINAL HEENAN CATHOLIC HIGH SCHOOL	CORPUS CHRISTI CATHOLIC PRIMARY SCHOOL
ASPENS SERVICES LTD (APPLETON ACADEMY)	CARE QUALITY COMMISSION	COTTINGLEY PRIMARY ACADEMY
ASPENS SERVICES LTD (OASIS ACADEMY)	CARR MANOR COMMUNITY SCHOOL	CRAFT CENTRE & DESIGN GAL. LTD
ASPIRE COMMUNITY BENEFIT SOCIETY LTD	CARROLL CLEANING CO LTD (LAPAGE PRIMARY SCHOOL)	CREATIVE SUPPORT LIMITED
ASPIRE-I	CARROLL CLEANING CO LTD (LEE MOUNT PRIMARY SCHOOL)	CRESCENT PURCHASING LTD
ASPIRE-IGEN LTD	CARROLL CLEANING COMPANY (NESSFIELD PRIMARY SCHOOL)	CRIGGLESTONE ST JAMES CE PRIMARY ACADEMY
B B G ACADEMY	CARROLL CLEANING COMPANY LIMITED (FRIZINGHALL)	CROFTON ACADEMY
BAILDON TOWN COUNCIL	CARROLL CLEANING COMPANY LIMITED (THORNBURY)	CROSSLEY HALL PRIMARY SCHOOL
BANKSIDE PRIMARY SCHOOL	CARROLL CLEANING COMPANY LTD (BIRKENSHAW PRIMARY SCHOOL)	CROW LANE PRIMARY AND FOUNDATION STAGE SCHOOL
BANKSIDE PRIMARY SCHOOL	CARROLL CLEANING COMPANY LTD (HOLY TRINITY PRIMARY)	DARRINGTON C OF E PRIMARY SCHOOL
BARDSEY PRIMARY FOUNDATION SCHOOL	CARROLL CLEANING COMPANY LTD (PEEL PARK PRIMARY SCHOOL)	DEIGHTON GATES PRIMARY FOUNDATION SCHOOL
BARNARDOS ASKHAM GRANGE PRISON	CARROLL CLEANING COMPANY LTD (SOUTHMERE PRIMARY ACADEMY)	DELTA ACADEMIES TRUST



**PARTICIPATING EMPLOYERS**

BASKETBALL ENGLAND	CARROLL CLEANING COMPANY LTD (ST JOHNS WAKEFIELD)	DENBY DALE PARISH COUNCIL
BATLEY GRAMMAR FREE SCHOOL	CARROLL CLEANING COMPANY LTD (WAKEFIELD)	DIXONS ACADEMIES CHARITABLE TRUST LTD
BATLEY GRAMMAR SCHOOL (BATLEY M.A.T.)	CARROLL CLEANING COMPANY LTD (WHETLEY)	Dolce (Bishop Konstant C.A.T)
BATLEY MULTI ACADEMY TRUST	CASTLE HALL ACADEMY	EAST NORTH EAST HOMES LEEDS
BECKFOOT TRUST	CASTLEFORD ACADEMY	EBOR GARDENS PRIMARY ACADEMY (left 31/03/20)
BEESTON HILL ST LUKES C E PRIMARY SCHOOL	CATERLINK LIMITED (BROADGATE PRIMARY SCHOOL)	ELEMENTS PRIMARY SCHOOL
BEESTON PRIMARY TRUST	CATERLINK LIMITED (IRELAND WOOD PRIMARY SCHOOL)	ELEVATE MULTI ACADEMY TRUST
BELLE ISLE TENANT MANAGEMENT ORG	CBRE MANAGED SERVICES LIMITED	ELITE CLEANING AND ENVIRONMENTAL SERVICES LTD
BID SERVICES	CHIEF CONSTABLE FOR WEST YORKSHIRE	ENGIE SERVICES LTD
BINGLEY GRAMMAR SCHOOL	CHURCHILL CONTRACT SERVICES (B B G ACADEMY)	ENHANCE ACADEMY TRUST
BIRSTALL PRIMARY ACADEMY	CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE SECURITY)	ENTERPRISE MANAGED SERVICES LTD
BLESSED CHRISTOPHER WHARTON ACADEMY TRUST	CHURCHILL CONTRACT SERVICES (BRADFORD COLLEGE)	ENVIROSERVE (CALDER HIGH SCHOOL)
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (CALDERDALE)	CHURCHILL CONTRACT SERVICES (OUTWOOD GRANGE ACADEMIES TRUST)	ENVIROSERVE (EBOR GARDENS PRIMARY ACADEMY)
BLESSED PETER SNOW CATHOLIC ACADEMY TRUST (KIRKLEES)	CHURCHILL CONTRACT SERVICES (SHARE MAT)	ENVIROSERVE (JOSEPH NORTON ACADEMY)
ENVIROSERVE (VICTORIA PRIMARY ACADEMY)	INTERSERVE (FACILITIES MANAGEMENT) LTD (P.C.C FOR WEST YORKSHIRE) (left 31/03/20)	LOCALA (CALDERDALE)
ETHOS ACADEMY TRUST	INTERSERVE (FACILITIES MANAGEMENT) LTD (W Y POLICE CLEANING CONTRACT)	LONGROYDE JUNIOR SCHOOL
EXCEED ACADEMIES TRUST	INTERSERVE CATERING SERVICES LIMITED	MAKING SPACE
FALCON EDUCATION ACADEMIES TRUST	INTERSERVE INTEGRATED SERVICES LTD	MAST ACADEMY TRUST
FEATHERSTONE ACADEMY (left 31/03/20)	IQRA ACADEMY	MEANWOOD C E (VA) PRIMARY SCHOOL
FEVERSHAM EDUCATION TRUST	IQRA ACADEMY (FEVERSHAM EDUCATION TRUST)	MEARS LTD (SOUTH)
FEVERSHAM PRIMARY ACADEMY	JERRY CLAY ACADEMY	MEARS LTD (WEST)
FIELDHEAD JUNIOR INFANT AND NURSERY ACADEMY	JOHN SMEATON ACADEMY	MELLORS CATERING SERVICES (SOUTHFIELD GRANGE)
FIRST WEST YORKSHIRE LTD	JOSEPH NORTON ACADEMY (left 31/03/20)	MELLORS CATERING SERVICES LTD (CAVENDISH PRIMARY)
FLEET FACTORS LTD	KEELHAM PRIMARY SCHOOL	MELTHAM TOWN COUNCIL
FOXHILL PRIMARY SCHOOL	KEEPMOAT PROPERTY SERVICES LIMITED	MENSTON PARISH COUNCIL
FUTURE CLEANING SERVICES LIMITED (CALDER HIGH)	KEIGHLEY TOWN COUNCIL	MICKLEFIELD PARISH COUNCIL
GOLCAR JUNIOR INFANTS AND NURSERY SCHOOL	KHALSA SCIENCE ACADEMY	MINSTHORPE ACADEMY TRUST
GREENHEAD SIXTH FORM COLLEGE	KILLINGHALL PRIMARY SCHOOL	MITIE LIMITED (LEEDS SCHOOLS PFI)
GROUNDWORK LEEDS	KING JAMES'S SCHOOL	MITIE PFI LIMITED
GROUNDWORK WAKEFIELD	KIRKBURTON PARISH COUNCIL	MOORLANDS LEARNING TRUST
HALIFAX OPPORTUNITIES TRUST (CALDERDALE)	KIRKLEES ACTIVE LEISURE	MORLEY TOWN COUNCIL
HANSON SCHOOL	KIRKLEES CITIZENS ADVICE AND LAW CENTRE	MOUNT ST MARYS CATHOLIC HIGH SCHOOL
HAWKSWORTH C E (VA) PRIMARY SCHOOL	KIRKLEES COLLEGE	MOUNTAIN HEALTHCARE LTD (W Y POLICE)
HEBDEN ROYD TOWN COUNCIL	KIRKLEES NEIGHBOURHOOD HSE LTD	MYRTLE PARK PRIMARY SCHOOL
HECKMONDWIKE GS ACADEMY TRUST	KIRKSTALL ST STEPHENS C E (VA) PRIMARY SCHOOL	N.I.C. SERVICES GROUP LIMITED (MIDDLETON ST MARYS LEEDS)
HEMSWORTH TOWN COUNCIL	LADY ELIZABETH HASTINGS SCHOOL	NATIONAL COAL MINING MUSEUM FOR ENGLAND
HEPWORTH GALLERY TRUST	LAISTERDYKE LEADERSHIP ACADEMY	NEW COLLABORATIVE LEARNING TRUST
HF TRUST LIMITED (left 31/03/20)	LANE END PRIMARY TRUST	NINELANDS PRIMARY SCHOOL
HILL TOP FIRST SCHOOL	LEARNING ACCORD MULTI ACADEMY TRUST	NORMANTON TOWN COUNCIL
HOLLY BANK TRUST	LEEDS AND BRADFORD INTERNATIONAL AIRPORT	NORTH HALIFAX GRAMMAR ACADEMY

**PARTICIPATING EMPLOYERS**

HOLME VALLEY PARISH COUNCIL	LEEDS APPROPRIATE ADULT SERVICE	NORTH HALIFAX PARTNERSHIP LTD
HOLY FAMILY CATHOLIC (VA) PRIMARY SCHOOL	LEEDS ARTS UNIVERSITY	NORTHERN AMBITION ACADEMIES TRUST
HOLY ROSARY AND ST ANNES CATHOLIC PRIMARY SCHOOL	LEEDS BECKETT UNIVERSITY	NORTHERN EDUCATION TRUST
HOLY TRINITY PRIMARY C OF E ACADEMY	LEEDS C.A.B.	NORTHERN SCH.OF CONTEMP DANCE
HORBURY BRIDGE CE J AND I SCHOOL	LEEDS CENTRE FOR INTEGRATED LIVING	NORTHERN STAR ACADEMIES TRUST
HORSFORTH SCHOOL ACADEMY	LEEDS CITY ACADEMY	NORTHORPE HALL CHILD AND FAMILY TRUST
HORSFORTH TOWN COUNCIL	LEEDS CITY COLLEGE	NOTRE DAME SIXTH FORM COLLEGE
HORTON HOUSING ASSOCIATION (BRADFORD)	LEEDS COLLEGE OF BUILDING	NPS LEEDS LIMITED
HUDDERSFIELD NEW COLLEGE	LEEDS COLLEGE OF MUSIC	NURTURE ACADEMIES TRUST
HUGH GAITSKELL PRIMARY SCHOOL TRUST	LEEDS EAST PRIMARY PARTNERSHIP TRUST	OASIS ACADEMY LISTER PARK
HUMANKIND CHARITY (LEEDS)	LEEDS GRAND THEATRE & OPERA HSE	OFSTED
HUNSLET ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL	LEEDS JEWISH FREE SCHOOL	OLD EARTH ACADEMY
HUNSLET ST MARYS C E (VA) PRIMARY SCHOOL	LEEDS M.I.N.D	ONE IN A MILLION FREE SCHOOL
HUTCHISON CATERING LTD (GUISELEY SCHOOL)	LEEDS NORTH WEST EDUCATION PARTNERSHIP	OPEN COLLEGE NETWORK YORKS & HUMBER (TRADING AS CERTA)
I S S MEDICLEAN LTD	LEEDS SOCIETY FOR THE DEAF & BLIND	OSSETT TRUST
ILKLEY PARISH COUNCIL	LEEDS TRINITY UNIVERSITY	OTLEY TOWN COUNCIL
IMMACULATE HEART OF MARY CATHOLIC PRIMARY SCHOOL	LEODIS ACADEMIES TRUST	OUR LADY OF GOOD COUNSEL CATHOLIC PRIMARY SCHOOL
IMPACT EDUCATION MULTI ACADEMY TRUST	LIBERTY GAS OUTER WEST	OUTWOOD ACADEMY FREESTON
INCOMMUNITIES	LIBERTY GAS WEST	OUTWOOD ACADEMY HEMSWORTH
INNOVATE SERVICES LTD (CROSSFLATTS)	LIDGET GREEN COMMUNITY CO-OPERATIVE LEARNING TRUST	OUTWOOD ACADEMY WAKEFIELD CITY
INSPIRE PARTNERSHIP MULTI ACADEMY TRUST	LIGHTHOUSE SCHOOL	OUTWOOD GRANGE ACADEMY
INTERACTION AND COMMUNICATION ACADEMY TRUST	LINDLEY C E INFANT ACADEMY	OUTWOOD PRIMARY ACADEMY BELL LANE
INTERACTION AND COMMUNICATION ACADEMY TRUST (HIGH PARK)	LINDLEY JUNIOR SCHOOL ACADEMY TRUST	OUTWOOD PRIMARY ACADEMY KIRKHAMGATE
INTERSERVE (FACILITIES MANAGEMENT) LTD	LOCALA	OUTWOOD PRIMARY ACADEMY LEDGER LANE
OUTWOOD PRIMARY ACADEMY LOFTHOUSE GATE	SITLINGTON PARISH COUNCIL	THE BISHOP WHEELER CATHOLIC ACADEMY TRUST
OUTWOOD PRIMARY ACADEMY NEWSTEAD GREEN	SKILLS FOR CARE LIMITED	THE CO-OPERATIVE ACADEMIES TRUST
OUTWOOD PRIMARY ACADEMY PARK HILL	SODEXO LTD	THE CROSSLEY HEATH ACADEMY TRUST
OWLCOTES MULTI ACADEMY TRUST	SOUTH ELMSALL TOWN COUNCIL	THE FAMILY OF LEARNING TRUST
PADDOCK JUNIOR INFANT AND NURSERY SCHOOL	SOUTH HIENDLEY PARISH COUNCIL	THE GORSE ACADEMIES TRUST
PENNINE ACADEMIES YORKSHIRE	SOUTH KIRKBY AND MOORTHORPE TOWN COUNCIL	THE GREETLAND ACADEMY TRUST
PINNACLE (W Y POLICE)	SOUTH OSSETT INFANTS ACADEMY	THE JOHN CURWEN CO-OPERATIVE PRIMARY ACADEMY
PINNACLE FM LIMITED (KIRKLEES)	SOUTH PENNINE ACADEMIES	THE LANTERN LEARNING TRUST
PINNACLE FM LTD	SOUTHFIELD GRANGE TRUST	THE MFG ACADEMIES TRUST
PONTEFRAC ACADEMIES TRUST	SOUTHWAY AT THE RODILLIAN ACADEMY LTD	THE POLICE AND CRIME COMMISSIONER FOR WEST YORKSHIRE
POOL PARISH COUNCIL	SPEN VALLEY FOUNDATION TRUST	THORNHILL JUNIOR AND INFANT SCHOOL
POSSABILITIES CIC	SPIE LTD	THORNTON PRIMARY SCHOOL
PRIESTHORPE SCHOOL TRUST	SPRINGWELL ACADEMY LEEDS (left 31/03/20)	THORP ARCH LADY ELIZABETH HASTINGS C E (VA) PRIMARY SCHOOL
PRIESTLEY ACADEMY TRUST	SSE CONTRACTING LTD	TNS CATERING (SPTA)
PRIMROSE LANE PRIMARY FOUNDATION SCHOOL	ST ANNE'S (BRADFORD) COMMUNITY SERVICES	TNS CATERING MAN LTD (ST BOTOLPHS)
PROGRESS TO CHANGE (CARDIGAN HOUSE)	ST ANNE'S COMMUNITY SERVICES	TODMORDEN TOWN COUNCIL
PROGRESS TO CHANGE (RIPON HOUSE)	ST ANTHONYS CATHOLIC (VA) PRIMARY SCHOOL	TOGETHER HOUSING ASSOCIATION LTD (GREENVALE)



**PARTICIPATING EMPLOYERS**

PROSPECTS SERVICES (BRADFORD 3)	ST AUGUSTINES CATHOLIC PRIMARY SCHOOL	TOGETHER HOUSING ASSOCIATION LTD (PENNINE)
PROV CARLTON BOLLING COLLEGE	ST EDWARDS CATHOLIC (VA) PRIMARY SCHOOL	TONG LEADERSHIP ACADEMY
PROV NORSE COMMERCIAL SERVICES LTD (WELLSPRING ACADEMY TRUST)	ST FRANCIS CATHOLIC PRIMARY SCHOOL	TRINITY ACADEMY HALIFAX
PROV WRAT CLEANING CONTRACT	ST FRANCIS OF ASSISI CATHOLIC (VA) PRIMARY SCHOOL	TURNING LIVES AROUND
PUDSEY GRANGFIELD SCHOOL	ST GREGORY THE GREAT CATHOLIC ACADEMY TRUST	TURNING POINT (left 31/03/20)
PUDSEY SOUTHROYD PRIMARY SCHOOL TRUST	ST JOHN'S (CE) PRIMARY ACADEMY TRUST	TURNING POINT (WAKEFIELD)
RAINBOW PRIMARY FREE SCHOOL	ST JOHN'S APPROVED PREMISES LIMITED	UNITED RESPONSE
RASTRICK HIGH SCHOOL ACADEMY TRUST	ST JOHN'S PRIMARY ACADEMY RISHWORTH	UNIVERSITY ACADEMY KEIGHLEY
RAWDON PARISH COUNCIL	ST JOSEPHS CATHOLIC (VA) PRIMARY SCHOOL WETHERBY	UNIVERSITY OF BRADFORD
RED KITE LEARNING TRUST (HARROGATE HR HUB)	ST JOSEPHS RC PRIMARY SCHOOL (TODMORDEN) RCAT	UNIVERSITY OF HUDDERSFIELD
RED KITE LEARNING TRUST (LEEDS EAST HR HUB)	ST MATTHEWS C E PRIMARY SCHOOL	UNIVERSITY TECHNICAL COLLEGE LEEDS
REEVY HILL PRIMARY SCHOOL	ST MICHAEL & ALL ANGELS J & I	VICTORIA PRIMARY ACADEMY (left 31/03/20)
RENEW! UK SERVICES LIMITED	ST NICHOLAS CATHOLIC PRIMARY SCHOOL	W.Y. FIRE & RESCUE AUTHORITY
RODILLIAN ACADEMY	ST OSWALDS CHURCH OF ENGLAND PRIMARY SCHOOL	WAKEFIELD & DISTRICT HOUSING LTD
ROOK'S NEST ACADEMY	ST PATRICKS CATHOLIC (VA) PRIMARY SCHOOL	WAKEFIELD CITY ACADEMIES TRUST
ROTHWELL ST MARYS CATHOLIC (VA) PRIMARY SCHOOL	ST PAULS CATHOLIC (VA) PRIMARY SCHOOL (left 31/03/20)	WAKEFIELD COLLEGE
ROUNDHAY ST JOHNS C E (VA) PRIMARY SCHOOL	ST PETERS C E PRIMARY SCHOOL	WAKEFIELD M.D.C. COUNCILLORS
ROYDS COMMUNITY ASSOCIATION	ST PHILIPS CATHOLIC PRIMARY SCHOOL	WATERTON ACADEMY TRUST
ROYDS LEARNING TRUST	ST THERESAS CATHOLIC PRIMARY SCHOOL	WEST YORKSHIRE COMBINED AUTHORITY
RUSSELL HALL FIRST SCHOOL	ST URBANS CATHOLIC (VA) PRIMARY SCHOOL	WEST. YORKS. POLICE CIVILIAN
RYBURN VALLEY ACADEMY	ST VINCENT DE PAUL SOCIETY (ENGLAND & WALES)	WESTWOOD PRIMARY SCHOOL TRUST
RYHILL PARISH COUNCIL	STAR ACADEMIES TRUST	WETHERBY HIGH SCHOOL
SACRED HEART CATHOLIC (VA) PRIMARY SCHOOL	STRAWBERRY FIELDS PRIMARY SCHOOL	WETHERBY TOWN COUNCIL
SALENDINE NOOK ACADEMY TRUST	SUEZ RECYCLING AND RECOVERY UK LIMITED	WHINMOOR ST PAULS C E PRIMARY SCHOOL
SALTERLEE ACADEMY TRUST	TAYLOR SHAW LIMITED (GORSE ACADEMIES TRUST)	WHITEHILL COMMUNITY ACADEMY
SALTERLEE J & I SCHOOL	TAYLOR SHAW LIMITED (GORSE AT ELLIOTT HUDSON COLLEGE)	WILLIAM HENRY SMITH SCHOOL
SCOUT ROAD ACADEMY	TAYLORSHAW LTD (COOKRIDGE HOLY TRINITY SCHOOL)	WILSDEN PRIMARY SCHOOL
SEA FISH INDUSTRY AUTHORITY	TAYLORSHAW LTD (CROSSGATES BEECHWOOD WHITE LAITH)	WOLSELEY UK LTD
SERVEST (B B G ACADEMY)	TAYLORSHAW LTD (FIELDHEAD GRIMES MANSTON)	WOODKIRK ACADEMY
SHARE MULTI ACADEMY TRUST	TAYLORSHAW LTD (PARKLANDS PRIMARY)	WOODSIDE ACADEMY
SHIBDEN HEAD PRIMARY ACADEMY	TAYLORSHAW LTD (SWARCLIFFE PRIMARY SCHOOL)	WORTH VALLEY PRIMARY SCHOOL
SHIPLEY COLLEGE	THE ANAH PROJECT	WRAT - LEEDS EAST ACADEMY
SHIRLEY MANOR PRIMARY ACADEMY	THE BISHOP KONSTANT CATHOLIC TRUST	WRAT - LEEDS WEST ACADEMY
YORKSHIRE PURCHASING ORGANISATION		

## Benefits paid

West Yorkshire Pension fund pays almost 141,000 pensioner and beneficiaries with a gross pension payroll in excess of £56m each month for West Yorkshire members and shared services members. Only West Yorkshire Pension Fund members are charged to the account in the financial statements.

## 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 organisations.

	Service type	Shared service partners
1	LGPS	Lincolnshire LGPS
2	LGPS	LB Hounslow LGPS
3	FIRE	West Yorkshire Fire
4	FIRE	South Yorkshire Fire
5	FIRE	North Yorkshire Fire
6	FIRE	Humberside Fire Authority
7	FIRE	Lincolnshire Fire
8	FIRE	Royal Berkshire Fire
9	FIRE	Buckinghamshire and Milton Keynes Fire
10	FIRE	Devon and Somerset Fire
11	FIRE	Dorset and Wiltshire Fire
12	FIRE	Tyne and Wear Fire
13	FIRE	Northumberland Fire
14	FIRE	Norfolk Fire
15	FIRE	Staffordshire Fire
16	FIRE	Hereford and Worcester Fire
17	FIRE	Durham and Darlington Fire

The combined shared service membership for the 2019/20 financial year is shown in the following table.

Service type	Shared service partners	2019/20 Active	2019/20 Pensioners	2019/20 B'ficiaries	2019/20 Deferred	2019/20 Undecided	2019/20 Frozen	2019/20 Total	2018/19 Total
LGPS	W Yorkshire PF	100,281	85,323	11,394	86,821	1,256	9,372	294,447	291,514
LGPS	Lincolnshire LGPS	23,055	20,900	2,442	27,171	569	2,597	76,734	77,042
LGPS	LB Hounslow LGPS	6,639	6,368	927	7,649	1,013	1,279	23,875	22,703
FIRE	West Yorkshire Fire	1,014	2,079	330	278	-	2	3,703	3,684
FIRE	South Yorkshire Fire	578	1,123	182	126	1	10	2,020	1,989
FIRE	North Yorkshire Fire	627	512	89	359	2	-	1,589	1,552
FIRE	Humberside Fire Authority	722	904	147	257	4	2	2,036	1,977
FIRE	Lincolnshire Fire	604	302	59	595	27	26	1,613	1,566
FIRE	Royal Berkshire Fire	437	448	53	191	2	1	1,132	1,107
FIRE	Buckinghamshire and Milton Keynes Fire	325	393	76	336	9	5	1,144	1,164
FIRE	Devon and Somerset Fire	1,633	1,199	178	939	18	15	3,982	3,786
FIRE	Dorset and Wiltshire Fire	984	809	102	586	71	6	2,558	2,508
FIRE	Tyne and Wear Fire	545	1,213	192	102	1	-	2,053	2,029
FIRE	Northumberland Fire	263	309	58	200	5	1	836	785
FIRE	Norfolk Fire	631	467	85	292	2	1	1,478	1,364
FIRE	Staffordshire Fire	597	665	111	623	10	-	2,006	1,974
FIRE	Hereford and Worcester Fire	610	457	67	321	11	-	1,466	1,399
FIRE	Durham and Darlington Fire	429	525	93	210	-	-	1,257	1,466
	<b>Total</b>	<b>139,974</b>	<b>123,996</b>	<b>16,585</b>	<b>127,056</b>	<b>3,001</b>	<b>13,317</b>	<b>423,929</b>	<b>419,609</b>

## 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.

Overpayments	2019/20	2018/19	2017/18	2016/17	2015/16
	£000	£000	£000	£000	£000
Annual payroll	553,082	394,445	380,862	370,147	357,890
Overpayments	331	626	76	315	320
Overpayments written off	27	7	7	17	4
Overpayments recovered	62	359	161	217	102

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

Analysis of overpayments	2019/20	2018/19	2017/18	2016/17	2015/16
	No. of payments	No. of payments	No. of payments	No. of payments	No. of payments
Number of pensions paid	1,160,604	1,096,524	1,042,404	1,036,008	995,592
Number of cases overpaid	295	365	54	479	355
Number of cases written off	36	6	29	18	7
Number of cases recovered	225	270	262	332	177

## 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 five year results of these exercises is shown below.

	Number of records sent	Number of mismatches	Number of mismatches %	Overpayments	Overpayments %	Possible Frauds	mismatches carried forward at 31 March
2019/20	277,293	3,845	1.399	17	0.0001	2	10
2018/19	260,387	3,339	1.280	3	0.0000	2	2
2017/18	229,994	518	0.230	35	0.0200	2	10
2016/17	224,122	1,425	0.640	5	0.0000	4	5
2015/16	219,313	868	0.400	61	0.0300	3	10

## Internal Audits completed during 2019/20

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 2019/20.

## UK and Overseas Private Equities

Control of this asset class was found to be of a good standard, however, recommendations were made to further enhance control in this area of activity.

## **Transfer of Data**

A pensions administration service is provided for a significant number of Fire and Rescue Authorities, Lincolnshire Pension Fund and London Borough of Hounslow Pension Fund. This audit was a high level review of the management processes which support the transfer of external data into the UPM system, when a new outside client is established under a shared service agreement. The standard of control in this area was deemed to be partially effective and resulted in a number of recommendations to improve the level of control in the process.

## **Admission of New Bodies**

This audit covered the admission of new employer bodies to the West Yorkshire Pension Fund and the standard of control was found to be excellent.

## **New Pensions and Lump Sums Normal and Early Retirements**

This audit examined the calculation of the annual pension and the lump sum following a member's decision to retire. The standard of control in this process was found to be good, with one recommendation for improvement being made.

## **Review of the West Yorkshire Pension Fund 2018/19 Accounts**

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

## **Annual Benefit Statements**

All active and deferred members of West Yorkshire Pension Fund receive an Annual Benefit Statement. This 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.

## **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.

## **Treasury Management**

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

## **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 4.3% 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.

## **Accuracy of Contributions Recorded on Member Records**

WYPF changed to a monthly contributions postings process several years ago with the aim of simplification, systems integration, increased data accuracy and complete up to date member's records. This audit, aimed to provide assurance on the accuracy of the contributions and other data recorded on member records, which had been received from contributing bodies. A number of issues were identified during the course of this audit which have resulted in recommendations being made to ensure that records are as accurate as possible going forward.

## Information Governance and General Data Protection Regulation

This audit reviewed the arrangements in place to ensure compliance with the General Data Protection Regulation (GDPR) introduced in May 2018. Controls to ensure compliance with the GDPR were found to be of a good standard, however, a number of recommendations were made to further enhance this process and maintain compliance.

### Transfers In

This work looked at individuals who had built up previous pension benefits in their former employments and now wished to amalgamate them with their new West Yorkshire Pension Fund contributions. The standard of control in this area was found to be of a good standard with two minor recommendations for improvement.

## 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.

Our key performance indicators during the year measured against our targets are shown in the table below. The table highlights critical business areas impacting on pensioners and their families takes priority.

Work type	Total cases	Target days	Target cases met	KPI target	Actual KPI	Actual KPI	Actual KPI
	2019/20	2019/20	2019/20	2019/20	2019/20	2018/19	2017/18
				%	%	%	%
Payment of pensioners (WYPF LG pensioners and beneficiaries)	2,595,736		2,595,736	100	100	100	100
Change of address	4,197	5	3,976	85	94.7	95.35	96.73
Change to bank details	2,220	5	1,937	85	87.3	87.63	88
Death grant nomination	11,553	20	11,479	85	99.4	87.71	99.63
Death grant payments	551	5	534	85	96.9	92.42	90.47
Death in retirement	2,807	5	2,636	85	93.9	92.68	91.32
Deferred benefits	5,998	35	5,827	85	97.2	93.60	96.68
Deferred Benefits Into Payment Actual	4,773	5	4,661	90	80.8	97.65	88.89
Divorce quote	545	20	524	85	96.2	94.94	96.71
Life certificate received	5,891	10	5,697	85	96.7	96.91	96.63
Monthly posting	5,826	10	5,642	95	96.8	90.86	82.1
Payroll changes	2,220	5	1,937	85	87.3	95.83	96.14
Pension estimate	3,497	10	2,916	75	83.4	92.61	76.24
Refund payment	3,368	10	3,319	95	98.6	98.49	98.19
Refund quote	4,786	35	4,640	85	97.0	96.92	98.53
Retirement actual	2,993	3	2,779	90	92.9	95.07	91.69
Transfer out payment	320	35	295	85	92.2	88.29	94.69
Transfer-in payment	835	35	806	85	96.5	86.18	93.77
Transfer-in quote	1,030	35	1,027	85	99.7	99.42	99.29
Transfer-out quote	1,704	20	1,583	85	92.9	89.30	94.03





Jowett vehicles at Bradford Industrial Museum

## Cost per member

Cost per member	West Yorkshire Pension Fund	Position	West Yorkshire Pension Fund	LGPS lowest	LGPS highest	Average LGPS
	2019/20 Financial Statement	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3	2018/19 Gov't data SF3
Admin cost per member	£15.87	6th	£15.23	£1.61	£81.51	£22.28
Investment cost per member	£22.75	1st	£16.53	£16.53	£553.02	£189.59
Oversight and governance	£2.87	8th	£2.69	£0.00	£43.50	£10.39
<b>Total cost per member</b>	<b>£41.49</b>	<b>1st</b>	<b>£34.45</b>	<b>£18.14</b>	<b>£678.03</b>	<b>£222.26</b>

### 2019/20 Cost per member

The 2019/20 annual cost of administering the West Yorkshire Pension Fund per member is £15.87, investment management £22.75, oversight and governance £2.87 giving a total management cost per member of £41.49. These figures compare favourably with the average cost for authorities in the MHCLG – SF3 results for the previous year shown in the table above.

### 2018/19 Administration cost per member

From the latest data provided by government WYPF pension administration cost is the 6th lowest amongst LGPS fund in England & Wales for 2018/19, cost of £15.23 per member, the lowest cost is £ 1.61 and the highest is £81.51.

### 2018/19 Investment management cost per member

WYPF investment management cost is the lowest cost per member for 2018/19 at £16.53, the highest cost is £553.02. The reason for this low cost is because WYPF use directly employed staff to manage investments and a centralised office support for both investment management and pension administration.

### 2018/19 Oversight and governance cost per member

On oversight and governance, WYPF cost is the 8th lowest cost at £2.69. The lowest is £0 and the highest is £43.50.

### 2018/19 Total cost per member

WYPF has the lowest total cost per member (administration, investment and oversight & governance) at £34.45, the national average for LGPS in 2018/19 is £222.26 and the highest is £678.03.

## Staff numbers

	2019/20	2018/19	2017/18	2016/17	2015/16
	FTE	FTE	FTE	FTE	FTE
Investments	22.7	22.1	21.6	19.6	19.6
Service centre staff	54.8	59.5	58.1	54.7	53.2
Payroll	16.1	17.6	19	16.6	17.6
ICT/UPM staff	15.4	14.4	13.7	12.6	12.6
Finance staff	12	14.5	16	14	14
Business support staff	28.4	28.8	27.4	26	24.1
Technical	4.9	4.9	3.9	4.5	4.6
<b>Total</b>	<b>154.3</b>	<b>161.8</b>	<b>159.7</b>	<b>148</b>	<b>145.7</b>

## Membership trends over a five-year period

Fund membership continues to grow, with a total membership, including undecided leavers and frozen refunds, of 294,447 as at 31 March 2020. Active members are employed by 451 separate organisations.

### Membership category (at 31 March each year)

	2019/20	% change	2018/19	% change	2017/18	% change	2016/17	% change	2015/16
Active members	100,281	0.2%	100,060	-1.9%	102,017	0.1%	101,881	0.9%	100,927
Pensioners	85,323	7.2%	79,583	5.6%	75,363	1.0%	74,630	4.1%	71,675
Beneficiaries	11,394	-3.4%	11,794	2.5%	11,504	-1.7%	11,704	3.7%	11,291
Deferred members	86,821	-2.7%	89,241	2.1%	87,414	4.4%	83,763	2.0%	82,154
Undecided leavers	1,256	-29.0%	1,770	-32.5%	2,623	-54.5%	5,768	-15.4%	6,817
Frozen refunds	9,372	3.4%	9,066	20.1%	7,550	6.7%	7,074	16.2%	6,087
<b>Total</b>	<b>294,447</b>	<b>1.0%</b>	<b>291,514</b>	<b>1.8%</b>	<b>286,471</b>	<b>0.6%</b>	<b>284,820</b>	<b>2.1%</b>	<b>278,951</b>

## Admissions to the fund

Employees joining the fund were as follows.

	2019/20	2018/19	2017/18
Employees joining with no previous service	21,153	21,283	21,692
Employees with transfers from other local government funds	42	31	25
other pension schemes	415	245	329
<b>Total</b>	<b>21,610</b>	<b>21,559</b>	<b>22,046</b>

## Withdrawals from the fund

Benefits awarded to members leaving employment were as follows.

	2019/20	2018/19	2017/18
Members awarded immediate retirement benefits	2,801	2,754	2,865
Benefits awarded on death in service	94	106	88
Members leaving with entitlement to deferred benefits, transfer of pension rights or a refund	7,560	9,875	9,192
<b>Total</b>	<b>10,455</b>	<b>12,735</b>	<b>12,145</b>





Leeds waterfront

# Section 6

## Investment Report

## Investment Advisory Panel – operational review

This is a review of the activities of the WYPF Investment Advisory Panel (IAP) for the financial year 2019-2020. This report will provide a summary of the investment market conditions that were the backdrop to IAP meetings and highlight some of the investment decisions made. The report will cover other aspects of the panel's work, including the co-operation with other investors on areas such as corporate engagement and the on-going governance of the LGPS Northern Pool. The report will also cover the work of the Alternative Investment Working Group's meetings with external investment managers running assets on behalf of the scheme and other governance related activities carried out during the period.

### Panel meeting April 2019 market review

The first meeting of the new financial year occurred after global equity markets had enjoyed a surprisingly strong recovery from the sharp selling of assets seen at the end of 2018. The major catalyst for this rapid change in sentiment was a dramatic softening in the Federal Reserve guidance on future interest rate moves. As the calendar year began the expectation was for another three rate rises during 2019, building on the four seen during the previous calendar year (2018). Concerns over a slowing global economy particularly in Europe and China combined with on-going trade disputes between the US and China had resulted in the Federal Reserve adopting a "data driven" approach during January. This resulted in a rapid softening of the previously hawkish tone and by the April panel meeting no additional rises were expected over the medium term. Bond markets had simultaneously rallied alongside equities as investors began to countenance the possibility of rate cuts before the year end.

### April 2019 brexit meaningful votes

Against this backdrop the period running up to the April meeting had been a turbulent time in UK politics. Parliament was mired by a series of "meaningful votes" after the defeat of the Theresa May's original Brexit deal in January. After surviving a confidence vote the Prime Minister presented a "plan b" deal in March, which was also defeated, and an extension to the leaving date to June was requested and granted by the EU. The UK economy was suffering as the result of the on-going uncertainty and a large amount of stock piling was evident as companies attempted to mitigate the expected supply chain shocks that were anticipated under a "no deal" exit, which was still possible, if remote outcome at this time.

### April 2019 equity markets

The UK equity market had enjoyed a good first quarter with the profits from overseas earners still benefiting from the weakness in sterling, which although above the recent lows

was still significantly below the pre referendum levels. This weakness and the general uncertainty had left the UK equity weighting close to the maximum permissible underweight position against the fund specific benchmark. Some new investment into the UK equity market was agreed partially funded from sales of short term bonds. Additionally, given the very significant amount of uncertainty and expected market volatility around the Brexit process the panel decided to authorise further conditional allocations into both UK and European equity markets. These conditional allocations would be triggered under specific market conditions surrounding Brexit day, as it was still possible that the UK would leave the EU before June which would be prior to the next scheduled panel meeting. At the time of the panel meeting the EU had recently agreed to a flexible extension up to the end of October 2019.

### April 2019 other markets

In addition to the presentation of the UK and overseas equity markets from the internal managers, reports were considered and discussed from the other major asset classes including bonds, property and alternative investments with performance updates and future commitments into private equity and infrastructure assets examined.

### April 2019 Northern LGPS update

In other business the panel also considered the LGPS Northern Pool response to the Minister for Housing, Communities and Local Government with regards to the January issuance of "informal consultation on statutory guidance on asset pooling". The IAP discussed the LGPS Northern Pool response and noted a number of significant issues of concern that had been raised with the Minister. Also considered was the legal opinion that helped inform the Pool's response, which was included in the Panel's working papers.

### April 2019 investment back office services

A review of the approved brokers list was presented and agreed. This is a list of the broking houses utilised by the internal management team for both research and trading purposes. The list was noted and an additional specialist broker on the retail charity bond sector was approved and added.

Every financial year, during the April meeting, the panel receive a report on the operational controls of HSBC Securities Services, who act as custodian to the schemes assets. The assurance report on controls provided by HSBC



Securities Services had been reviewed by PWC with the full report being made available to IAP members. It was noted that controls in operation within HSBC are satisfactory. A separate governance report on the operations of the Investment Panel during the previous financial year, prepared by one of the scheme's independent investment advisors was also reviewed and noted.

On an annual basis the IAP review the operation of the WYPF's stock lending programme and approve both lending limits and counterparties for the following financial year. All stock lending is conducted on behalf of WYPF by HSBC on an agency basis. The panel agreed to continue a policy permitting a maximum level of 35% of the total portfolio to be lent at any one time. Details of the income generated for the fund including the source of this income by asset type were provided in the report. The scheme's end of year position was also reviewed including details of the amount and type of collateral held against the current loaned stock. Attached to the report was a detailed explanation of the principles and mechanics of stock lending which helped panel members less familiar with the practice.

## Panel meeting July 2019

The first item on the July agenda was to elect a Chair and Deputy Chair Cllr Andrew Thornton and Liz Bailey were duly elected. The second panel meeting of the financial year was held against a background of continuing good progress in equity markets following the strength seen in the previous quarter. US China trade tensions had worried markets earlier in the quarter but after some tentative signs of thawing relations ahead of the G20 meeting, markets renewed their upward progress. The failure of the UK to exit the EU in March and the on-going political uncertainty had once again undermined Sterling. This in turn boosted the value of the overseas earnings of many of the large companies in the UK index, which enjoyed a positive quarter despite all the political uncertainty.

## July 2018 political backdrop

In terms of the politics of the UK the panel meeting occurred just two days after the new Prime Minister Boris Johnson had taken office following victory in the Conservative Party leadership election. Theresa May had announced her resignation during May after it became clear her latest attempt to build a census in parliament was doomed to failure. The poor performance in the local elections and the subsequent European elections sealed her fate. With the new Prime Minister declaring that the UK would be leaving on the 31st of October came what may be the panel's once again faced with the prospect of significant market volatility ahead of the next scheduled meeting. Given this prospect it was decided to delegate some decisions to the Director and in consultation with the Chair in the event that markets exhibited significant Brexit related dislocations during October. This was in addition to a formal allocation to UK equities and overseas bonds which were significantly underweight the benchmark at this time. The panel also repeated the decision of the last

meeting and authorised conditional allocations in both European and UK equities attached to specific market movements

## July 2019 investment pooling

Throughout the financial year the panel receives updates on the developments within the Northern pool. The July meeting discussed the latest minutes from the Northern LGPS shadow joint committee. Of particular interest was the meeting of members of the joint committee with the Minister for Housing, Communities and Local Government to discuss the consultation relating to the draft guidance on asset pooling and the many concerns that had been expressed in writing about the contents. It was reported the minister had received over ninety responses to the draft guidance and that civil servants were in the process of meeting all the LGPS pools. No firm indication was given about when the consultation responses and final guidance would be published.

The IAP also received updates on other pool initiatives including the Northern Private Equity Pool (NPEP) and GLIL the joint venture for infrastructure investment. Other important work streams that were being progressed included the approval of the inter authority agreement to establish the LGPS Northern Pool joint committee and the updating of the fund's Investment Strategy Statement (ISS) to reflect the new pooling environment. Additionally, new enhanced pool reporting on investment performance and benchmarking was noted as was progress in the establishment of a Northern LGPS responsible investment policy.

## July 2018 investment performance review

Portfolio Evaluation Service (PEL) independently measures the investment performance of the fund. At the July meeting the panel were presented with performance figures for the previous financial year and over the longer term against both the fund specific benchmark and the local authority average. As has been noted in previous governance reports the investment approach adopted by the panel is genuinely long-term and consistent with the long-term nature of the liabilities of the fund. That said, it is still relevant and good governance to monitor investment performance over the short term as well. In performance over the previous financial year to March 2019 the fund returned 7.0% this compares with 6.2% for the scheme's specific benchmark and 6.6% for the local authority benchmark. This return results in the fund being ahead of the specific benchmark over one, three, five and ten-year periods. Data is available from 1986 and the fund is ahead of its benchmark over that thirty-three-year period. The panel also received a presentation from PIRC who collate the data for the LGPS universe. This presentation covered recent trends in asset allocation and some more detailed performance data. PIRC highlighted that the fund had benefited from good asset allocation over the financial year and highlighted excellent bond and property performance within the asset classes. The scheme as a whole was ranked in the second quartile of returns over the previous year but was ranked in the top quartile of LGPS fund

over both the three year and twenty year periods.

## July 2019 Panel members training days

The Director of the fund confirmed to the panel that there would be an additional training day for the IAP and Joint Advisory Group (JAG) to be held during September where members of the investment team and one of the external advisors would provide bespoke training on a range of topics including investment valuation, asset class characteristics and benchmarking.

Maintaining a good level of understanding amongst members of the IAP is important in maintaining strong levels of governance. Members are encouraged to make use of opportunities for training and attendance at industry events. These investment and training seminars are for the benefit of new panel members and existing members alike. The agenda of every panel meeting contains information on upcoming industry events and training opportunities with panel members encouraged to take part. Over the financial year panel members attend many industry events these included; PSLA conference, LGC Investment summit and the LAPFF conference.

During September a bespoke training day was organised for members of the Investment Advisory Panel, Joint Advisory Group and Pensions Board. This training was provided by the Director of the fund, a number of the fund managers from the internal investment team and one of the independent investment advisors to the fund. The training covered the investment objectives and building blocks of an LGPS scheme; the various valuation techniques employed by fund managers across various asset classes and the role of asset allocation and benchmarks in the construction of the WYPF. A detailed run through of each asset type including the risk and return characteristics they exhibit was provided. Also included in the training was an overview of the other types of assets and techniques used by the wider LGPS, to provide a broad overview of opportunities for the attendees beyond that of the specific approach employed by the WYPF. The training concluded with a look at the expected 2019 actuarial valuation outcome. The session was well received and it was agreed that additional bespoke training would be arranged in the future.

## Panel meeting November 2019

The November meeting was set against a backdrop of a slowing global economy with sharp declines in industrial production already seen and evidence emerging of weakening service sector activity. In the UK the political turmoil continued unabated. The new Prime Minister had managed to renegotiate Theresa May's exit deal but failed to carry parliament. After attempting to prorogue parliament and having this ultimately ruled unlawful, the government lost control of the order of business and faced the increasing likelihood of losing further votes on amendments and timetabling. Once again the departure date was delayed with a new exit date set for 31st January 2020. With parliament

stuck in an almost unprecedented paralysis, legislation was finally passed late October allowing for a December general election.

## November 2019 global markets

In terms of global asset markets, the quarter had delivered steady returns across most equity markets however bond markets had been noticeably buoyant. The very dramatic shift in Federal Reserve tone seen at the beginning of the year had evolved into significant action with two rate cuts already implemented and a third expected before the end of the calendar year. Other central banks were also active in loosening monetary policy with the ECB moving rates deeper into negative territory and restarting quantitative easing. Other central banks in Asia and Latin America had also cut rates. With around a third of all government debt now trading on negative yields the extent to which further monetary easing would benefit economies was beginning to be questioned and the need for a meaningful fiscal response from governments was increasingly being called for.

## November 2019 asset allocations

The panel noted various reports on the asset classes and allocated cash into UK corporate bonds as the overall bond weighting had reduced to the bottom of the control range. In recognition of the possible high levels of volatility that might arise over the period of the election conditional allocations were once again made for both overseas and UK equity markets. The expectation of the IAP was that volatility would potentially be seen in both the underlying asset markets and, equally, in currency markets over the election period. Therefore, the maximum flexibility to operate in this environment was granted to the investment teams.

## November 2019 asset reviews

In addition to the regular manager reports the IAP received three strategic reviews covering Property, Private Equity and Infrastructure. These reviews covered areas such as future commitment levels, co-operation with Northern LGPS pool partners, geographic exposure, the allocation between various market segments and overall investment strategy for the medium term. The IAP discussed and approved the strategic reviews.

## November 2019 disinvestment from oil

An additional report was presented on the theoretical impact of complete divestment from oil sector investments on the UK equity portfolio. The UK index has a higher than average exposure to Oil shares and the issue of divestment from fossil fuels has become a topic of debate in some quarters. Over the previous three years the Oil & Gas sector including income had risen 37.2% with the All Share Index up 20.2%. The report highlighted that the WYPF UK equity weighting in Oil & Gas shares had been underweight during the last three years.

A simplified example was provided of the difference in return that could have been expected between a portfolio completely divested of Oil and Gas stocks and one that maintained an index weighting over the period. On a portfolio the size of WYPF the simulated difference in return for the Oil divested portfolio was £158m lower than the portfolio with Oil & Gas neutrally weighted. The panel noted the report.

## November 2019 fund specific benchmark

The IAP noted a report on the fund specific benchmark. The report highlighted the strong anticipated funding level and the recent asset returns, which had allowed for a decrease in the actuarial discount rate, applied to the scheme liabilities. The report highlighted that although the fund was slowly maturing in terms of the ratio of active members to deferred and pensioners, the cash flow including investment income of the fund is forecast to be positive for at least the next five years. It was agreed that no changes were to be made to the benchmark until the full results of the 2019 actuarial benchmark were known. At that point a new benchmark will be developed to account for the revised discount rate.

## November 2019 working with Climate Action 100+

An update on the voting activity of WYPF, in conjunction with the Climate Action 100+ project, was presented. The WYPF have been members of the Climate Action 100+ since its launch in 2017. The investor group represents combined assets of \$35 trillion and seeks to engage with a focus list of 100 (now expanded to 161) global companies on carbon emission reductions, climate risk governance reporting. A full list of focus companies was provided to the IAP and some examples of WYPF Climate Action 100+ voting participation was included in the report and noted.

## November 2019 Northern LGPS update

The IAP noted the latest update from the Northern LGPS pool which included the appointment of a joint custodian for the pool and the formal establishment of the joint committee. Other initiatives highlighted were the proposal to establish a joint property framework for the procurement of managers for both pooled and legacy property portfolios.

## November 2019 members' and employers' annual meetings

Communication with both employers and members is an important aspect of the panel's activities. Immediately following the November panel meeting the annual meeting for the members and pensioners took place in Bradford City Hall. At the members meeting there was a protest organised by Fossil Free West Yorkshire Pension Fund demanding that the fund disinvest from all fossil fuel assets. The members' meeting concluded with member questions submitted prior the event being answered by the relevant scheme representative for the benefit of the whole meeting.

The annual employers meeting took place on 7 November 2019. The meetings provide an opportunity for employers, members and pensioners to hear about administration aspects of the fund, any changes that have taken place for members or employers, as well as the customer service levels being achieved. It is the administration function of the scheme that is the main day-to-day point of contact for members and pensioners. Consequently, the updates and information given at these annual meetings is always of interest to the attendees. For the employers meeting a presentation was given by the scheme actuary, Aon Hewitt. This presentation focused on the more technical aspects of the fund's liabilities and was of genuine interest for the employers looking for early insights into their budget planning.

In addition to the information on the functioning of the scheme provided by the Director, these annual gatherings include reviews of the global economic environment, changes to the asset allocation within the fund and a review of investment performance over both the short and long term. The external investment advisers to the fund provide these presentations.

## Panel meeting January 2020

The final full panel meeting of the financial year was held at the end of January. The final quarter of the calendar year saw further steady upward progress in all equity markets. Overseas markets ended the year strongly with gains between 5% and 9% in local currency terms. However, the strong recovery in Sterling following the decisive election result reduced returns for Sterling based investors to below 2% in most cases. Overall 2019 delivered very strong equity returns with the world index delivering 27.4% in US dollar terms and 22.6% for Sterling based investors.

## January 2020 markets

Bond markets fell both in the UK and globally. In the UK the conclusive result of the general election removed the fear of a cliff edge no deal exit from the EU. In the US, treasury yields moved higher as trade tensions between China and the US eased and some tentative signs of a more encouraging economic outlook particularly in the services sector were being seen.

Market reports were presented from the investment teams including the details of transactions carried out over the quarter, it was also reported that the conditional allocation to equities that was granted over the election period had not been triggered as the agreed market parameters had not been met. The panel after hearing all the manager presentations agreed to allocate some additional cash to UK equities which on an international basis looked to be providing good value and were still significantly under the

fund specific benchmark in terms of weight. An allocation was also made to UK corporate bonds where the manager was seeing some relative value and opportunities to purchase quality credits in the market.

## January 2020 - LAPFF and Climate Action 100+

The investment strategy relating to climate change was discussed as a separate agenda item. This was in response to a request from two IAP members to commission an external review on the implications and challenges of complete divestment from fossil fuels by 2023. After significant debate with contributions from the entire IAP and in conjunction with input from officers and advisors the IAP voted against commissioning an external report and reiterated their satisfaction that sufficient expertise and access to the latest research remained available to the internal team. It was also noted that cooperation and engagement via investor groups such as LAPFF and Climate Action 100+ would continue to play an important part of the evolving WYPF policy on the investment response to climate change.

## January 2020 - Investment Strategy Statement and Business Plan

Regulations require each administering authority to prepare, publish and maintain an ISS, which sets out the approach to investment, risk, social environmental and governance issues. The ISS is required to include policies on the exercise of voting rights that attach to investments and the funds approach to Environmental, Social and Governance (ESG) Policy. The ISS also covers the authorities approach to the pooling of assets including the use of collective investment vehicles and pooled services. The ISS had been amended to include detail on the WYPF approach to pooling and climate change policy in the financial year 2017/18. Although there were no changes to the ISS it was considered good practice to review its contents as part of agreeing a business plan for FY 2020/21. The business plan was presented by the director of the fund and agreed by the panel at the January 2020 panel meeting.

## January 2020 update on Alternative Investments Working Group (AIWG)

The Alternative Investments Working Group (AIWG) met in Bradford during September and again in February in the last meeting of the financial year. On both occasions the AIWG received presentations from external managers where the fund has commitments. During the September meeting managers representing investments in global infrastructure and private equity presented. The February meeting focused

on UK lower mid-market private equity managers. Both meetings facilitated members of the AIWG with face-to-face presentations from managers, which give a useful understanding of the investment landscape in which these investments are being deployed, with each manager given sufficient time for a detailed update. A distinctive feature of the February meeting is that a number of the underlying investments and management companies have a northern regional focus. This always results AIWG members being able to quiz management teams with very specific and well-informed local knowledge.

## Financial year 2019/20 voting rights

In terms of responsible ownership, the scheme continues to exercise its shareholder voting rights in full. The panel continues to adopt the PIRC shareholder voting guidelines for this purpose, making use of the full-extended service. As a consequence, the fund is able to vote on every company represented in its investment portfolio anywhere in the world. Details of voting undertaken by WYPF at company AGMs and EGMs is available on the WYPF website. The Fund continues to engage directly with a number of company managements where there have been specific issues in terms of good governance and social responsibility. This engagement is conducted through the LAPFF. The full voting record of the fund at AGMs and EGMs is made available to all panel members on a quarterly basis and is published on the Fund's website.

## Financial year 2019/20 new panel members

The experience of the investment panel is important to the fund and ensures that investment decisions and performance are reviewed and monitored with strong levels of governance. During any financial year it is usual for some members of the panel to leave and to be replaced with new faces, there were a greater than usual number of changes during the 2019/20 financial year. Joining the panel were Cllr Winnard who replace Cllr Ellis as a Bradford representative. Cllr Metcalfe was replaced by Cllr Lynn (a member of JAG) as a Calderdale representative. Both Kirklees representatives changed as Cllrs Asif and Ahmed replaced Cllrs Firth and Richards. Gerald Hey was replaced as active member representative by Phil Cole, with Chris Greaves continuing as retired member representative. Noel Mills who had been one of two WYPF Independent Investment Advisors for the last sixteen years retired at the end of the calendar year.

## Financial year 2019/20 the last quarter

The financial year 2019/20 delivered strong investment returns up until the final month of the period. All the IAP meetings occurred during a period of modest global economic growth and positive central bank monetary support. The expectation was for continued modest growth into the new financial year, albeit with concerns about

slowing global trade and with equity markets trading at high valuations after years of strong returns. The US equity market reached an all-time high on 19th February. In the UK the FTSE100 was trading above 7,500. Many commentators expected the US election year to be characterised by steady economic progress and a continuing dovish Federal Reserve Bank stance.

## Financial year 2019/20 Covid-19

The outbreak of COVID-19 initially reported to the WHO as a "pneumonia of unknown cause" was detected in Wuhan China at the turn of the year. The WHO declared the virus a public health emergency of international concern on 30



January 2020 and a global pandemic by mid-March. The social and economic consequences the pandemic unleashed were unprecedented in modern times. At the time of writing large areas of Europe have been put into lockdown and the number of cases reported in the US are rising rapidly. Despite a global response from central banks with rates cut to record lows and asset purchase schemes of extraordinary magnitude, equity markets sold off sharply with indiscriminate selling and a flight to safety the key themes. The Oil sector was doubly impacted with the extremely sharp slowdown in demand from economies stalled in lockdown, combined with a dispute on quota reduction between Saudi Arabia and Russia. By mid-March, caught in the perfect storm of excess supply and sharply dropping demand Brent crude had fallen over 60% since turn of the year. As the quarter drew to a close global equity markets had stabilised to an extent although volatility remained extremely high. Developed market sovereign bond yields remain close to all-time lows and credit spreads have risen sharply in many areas of the credit market adding to the stress being felt by many indebted companies. The fall in sterling has reduced the losses felt by UK based investors to some extent. The FTSE All-World index fell 16% in sterling terms in Q1. In the UK the FTSE All Share fell 25% with the large Oil & Gas sector the worst performer. The flight to safety from investors drove sovereign yields lower with UK Gilts returning 6%.

## Conclusion financial year 2019/20

The current year will be a very challenging one for the IAP, with many dividends being cut by companies needing to hold onto cash reserves, cash flow will need to be carefully monitored. The dislocation in large parts of the global economy will put many companies under financial pressure and defaults are expected to rise sharply in credit markets. In private markets most exit strategies will be disrupted and the anticipated return of cash into the fund from maturing private equity funds is expected to reduce. The property market is likely to experience interruptions to rental flow and the already vulnerable retail sector is expected to witness more companies seeking rental holidays at best, or administration at worst.

Despite an economic shock worse in severity than the 2008 Great Financial Crisis and social dislocation in many areas of the world not witnessed since WW2, the IAP will continue to oversee the investment direction of the WYPF with strong levels of governance and scrutiny. The WYPF is a long-term investor with long-term liabilities. Despite the extreme volatility and uncertain times currently being experienced, this too will pass. The experience of IAP members, the leadership and advice available to the panel will continue to be of the highest calibre and continue to serve in the best interests of current members, deferred members and pensioners.





Piece Hall, Halifax

# Section 7

## Investment Management and Strategy

## Investment management and strategy

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 fifteen professional investment managers and eight administration settlement staff in the in-house investment team.

The latest government LGPS data released in late 2019 for 2018/19 financial year, shows the fund's investment management costs were £16.53 (£20.48 in 2017/18) per scheme member. Our cost per member is the lowest for all local authority pension funds, and compares exceptionally well with the average LGPS cost for 2018/19 of £189.59 (£175.44 in 2017/18).

The panel adopted a fund-specific benchmark in April 2005 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.

Volatility in markets took a deep negative turn due to Covid-19 at the end of the financial year January to March 2020. Whilst, most of the losses were regained by end of June 2020, experience of the last six months confirms increased volatility in markets in the immediate future. More detail is provided in the following sections, the fund holds 2.4% in cash, which gives us increased manoeuvrability to support the fund's strategy in a very dynamic market.

## Investment performance

In 2019/20 our investments made a negative return of -7.4%. This is the financial impact of Covid-19 on our fund and is not different to investors experience across the world.

Our medium to long term performance is as follows - three years 0.8% (85th percentile), five years 4.7% (rank 53rd percentile), ten years 6.5% (67th percentile), twenty years 5.6 % (28th percentile).

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 is 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

In November 2020 the fund moved from HSBC to the Northern LGPS Pool appointed custodian - Northern Trust. Northern Trust provides custodial services to the fund and are 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 and properties. 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.

## Investment strategy March 2020

Asset class	Book cost	Market value	Weighting	Fund specific benchmark	Control range
	£m	£m	%	%	%
<b>Total equities</b>	<b>5,381</b>	<b>8,191</b>	<b>62.2</b>	<b>65.0</b>	<b>57.5–72.5</b>
UK equities	2,727	3,679	27.9	35.0	30–40
Overseas equities	2,654	4,512	34.2	30.0	25–40
N America	679	1,444	11.0	8.0	3–13
Europe (Ex UK)	730	1,314	10.0	10.0	5–15
Japan	384	653	5.0	4.0	1–7
Asia Pacific (Ex Japan)	311	396	3.0	3.0	0–6
Emerging markets	550	705	5.4	5.0	2–8
<b>Total bonds</b>	<b>1,978</b>	<b>2,182</b>	<b>16.6</b>	<b>17.0</b>	<b>14–20</b>
UK govt. bonds	611	673	5.1	5.0	2–8
UK govt. index linked	468	628	4.8	5.0	2–8
UK corporate bonds	508	433	3.3	4.0	1–7
Global bonds	391	448	3.4	3.0	1–5
<b>Total alternatives</b>	<b>1,326</b>	<b>1,863</b>	<b>14.1</b>	<b>11.0</b>	<b>09–13</b>
Hedge funds	52	95	0.7	0.0	0–4
Private equity funds	433	880	6.7	5.0	3–7
Private infrastructure	312	403	3.1	4.0	2–6
GLIL infrastructure	215	238	1.8		
Listed alternatives	298	247	1.9	2.0	0–4
<b>Property</b>	<b>482</b>	<b>640</b>	<b>4.9</b>	<b>5.0</b>	<b>3–7</b>
<b>Cash</b>	<b>285</b>	<b>301</b>	<b>2.3</b>	<b>2.0</b>	<b>0–5</b>
<b>Total</b>	<b>9,452</b>	<b>13,177</b>	<b>100.0</b>	<b>100.0</b>	

# Section 8

## Investment Markets



## UK economy and equity market

Global financial markets and economies suffered a severe shock of the magnitude perhaps only seen once in a century at the start of 2020 due to the coronavirus pandemic. This has affected the UK as much as any other country and is ongoing at the time of writing.

The Coronavirus epidemic which started in the Wuhan province of China in January 2020 became a pandemic in a matter of weeks, the threat to human life and the global economy has been sudden and dramatic. With no known cure or vaccine, social distancing measures have been introduced to slow down the spread of this highly infectious virus, leading to economic lockdowns over much of the globe.

The epicentre of the outbreak moved from China to Europe in early March, firstly and most severely in Italy, and then Spain. The UK outbreak followed in mid-March, with half of the deaths occurring in London. The epicentre then moved to the US with all states being infected but New York being the area worst hit. By late March the lockdowns in China, South Korea and Italy had been effective in slowing down the rate of new cases. As lockdowns in these areas are lifted the world waits to see if the virus re-emerges.

UK policy was initially on containing the virus by isolating those known to have contracted the disease. The next phase starting in late March, introduced severe social distancing measures, closing schools, home working and restricting all non-essential businesses to online trading only. Social isolation measures were introduced in the following days as households were instructed to stay at home unless shopping for essentials, work or for exercise once a day and even then to maintain a 2 metre distance from anyone not within their household. The first 3 weeks of lock down was extended into May, thereafter the government struggled with managing a safe exit process, without the gradual lifting of restrictions bringing about a resurgence of the virus.

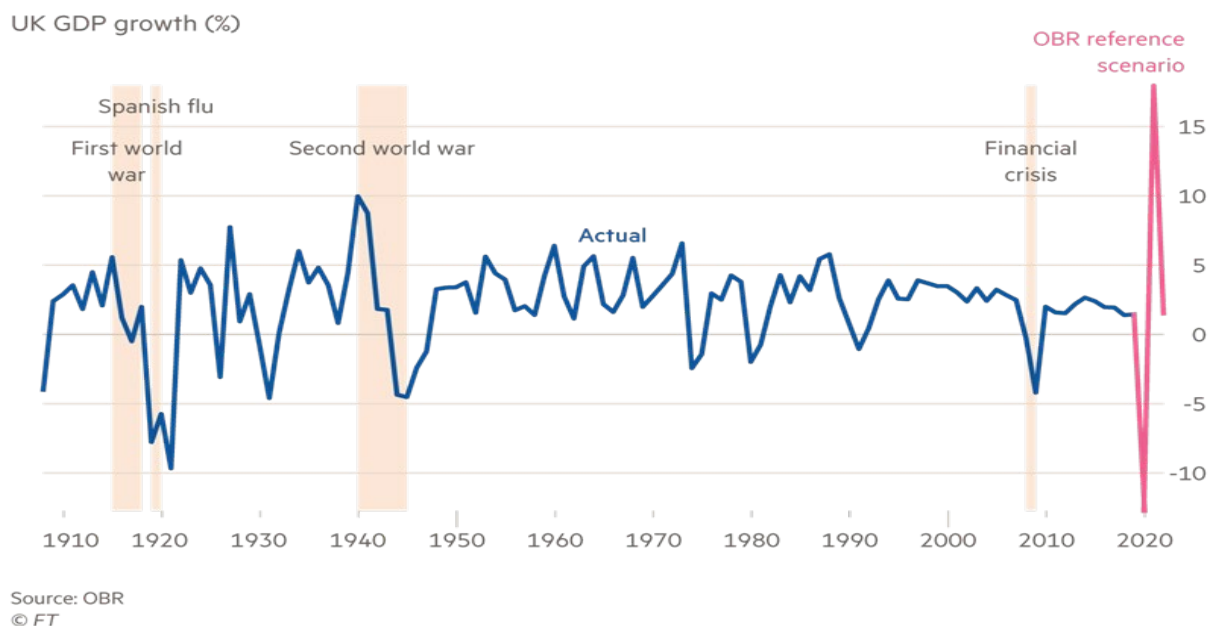
The UK government introduced an unprecedented package of financial support for businesses and individuals, including business grants and loans, a job retention scheme paying 80% of wages, and several tax relief or payment extensions. More than a million new claims for universal credit have been made since the lockdown.

The Office for Budget Responsibility made the following forecasts based on an assumption that the current lockdown would last for three months.

- UK economy could shrink by a record 35% by June
- UK economy is expected to contract by 13% over the whole year, however return to its pre-crisis growth trend by the end of 2020.
- a three-month lockdown followed by three months of partial restrictions would push up Britain's borrowing requirement to an estimated £273bn this financial year, representing 14% of gross domestic product (GDP) the largest deficit as a share of GDP since World War II.
- UK debt to remain elevated for years to come, with extra borrowing expected to push Britain's debt to above 100% of GDP this financial year. Dropping sharply as the UK economy recovers, public debt is expected to remain at 84.9% of GDP in four years time, much higher than the 75.3% forecast in the March budget.
- Unemployment would hit 10%, from its current 3.9% rate, a more lasting impact on unemployment, which is estimated to rise by 2.1million to 3.4 million by the end of June. The jobless rate is expected to remain elevated until 2023, when it is expected to drop back to 4%, in line with the OBR's March forecast.

While borrowing is expected to jump, the OBR said the government's unprecedented financial help for workers and businesses would help to limit any long-term damage. Extra spending by the Treasury to support the economy was crucial to limit the economic damage. If the measures were not stringent enough to control the disease, then the economic impact from illness would be that much greater.

## Historical perspective to fall in UK economic growth



The IMF expects the pandemic to leave lasting economic scars, with most countries emerging 5 per cent smaller than planned, even after a sharp recovery in 2021. The global contraction this year will be so severe that only a handful of people in the world will have experienced a similar event in their adult lifetimes. The IMF had to look back 90 years to the 1930s Great Depression to find a deeper recession.

By the end of May, it was clear that the UK economy would suffer a severe and lasting recession, as unemployment claims jumped 69 per cent to 2.1m, with a further 10m workers relying on the UK government to subsidise their pay during the lockdown period now extended until the end of October.

### UK jobless claims jump by most on record in April

000s



Sources: Bloomberg, ONS  
© FT

The current crisis has eclipsed the UK economic uncertainty regarding trade negotiations on leaving the EU. These talks are still on going, but with Europe also suffering the economic damage from COVID-19 and the departure of the UK from the EU, these negotiations remain as critical as ever for both parties.

## UK stock market

The UK stock market, like worldwide markets, suffered a very large fall in the final weeks of the financial year due to the impact of Coronavirus. For the year to 31 March, the All Share return was -21.9%, with the FTSE 100 down 22.1%, Mid-Caps of 21% and Smaller Companies down 22%. The largest companies had some protection due to the weakness of sterling, but the mid-sized and smaller company indices were particularly badly hit.

## UK equity market 2000 to 2020



Although share prices fell right across the market, the sectors which suffered the biggest falls were Oil & Gas, Banks, Travel & Leisure, Media and Support Services. Sectors showing more resilience were Gas, Water and Multi-Utilities, Pharmaceuticals and Food Retailers.

The average yield across the wider All Share was 5.53%. However, since the Coronavirus took hold, many companies have cancelled or deferred payment of dividends, and so yield estimates are no longer accurate.

The oil price collapsed in the first few weeks of March following disagreements between Saudi Arabia and Russia over production levels. The price of Brent oil fell from \$69 to \$22 over the quarter, the majority of the fall being between 28 February and 31 March. Demand for oil has been impacted by worldwide restrictions on air travel, the curbs on business, and the movement of

people, meaning a drop in demand for fuel generally. OPEC held an emergency meeting in the second week of April and tentative agreement was reached to cut production by almost 10 million barrels per day.

Retail and leisure stocks were most severely hit by the lockdown which then impacted on property rental income. Many retail companies may not survive the current crisis, a number have recently gone into administration and this number is expected to rise.

Many companies in the retail and leisure sectors have been criticised for furloughing staff and refusing to pay any wages until government funding comes through, effectively leaving low paid staff with no income at all for a number of weeks. The social media reaction has badly damaged the reputation of a number of well-known companies since lockdown commenced. JD Wetherspoons, Britannia Hotels, Waterstones and Sports Direct are just a few of the growing list of companies named so far.

## Fund cash flow and returns effected by the pandemic

As company revenues reduced to almost zero in some cases while costs continue to be borne, cash conservation has become a priority. Cost cutting wherever possible has been carried out and has in many cases resulted in cancelling, reducing, or deferring dividend payments. In addition, some companies have raised cash by issuing more shares or debt, or both.

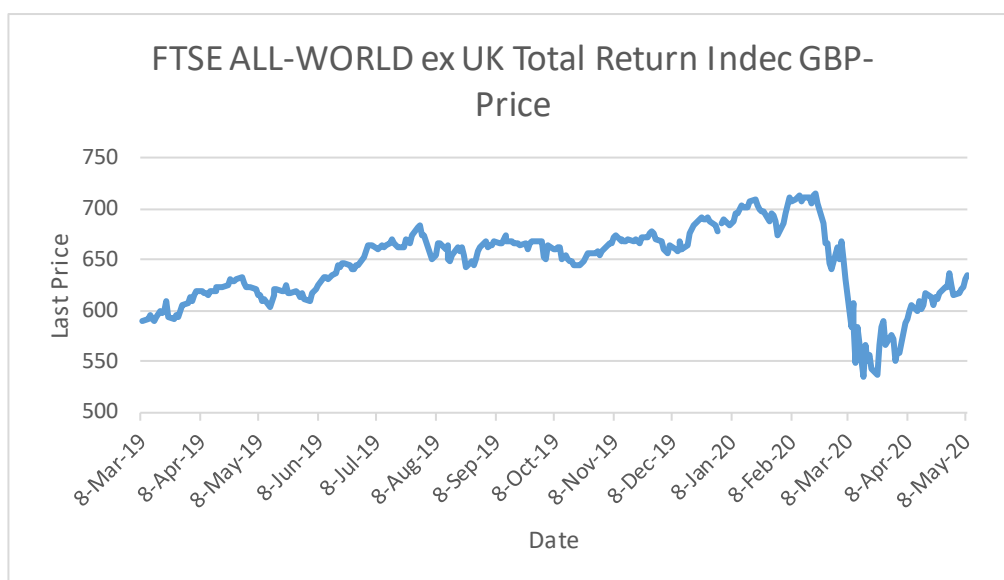
This has had an impact on the WYPF cash flow. The fund receives a significant level of income from dividends, over £200m each year from the UK equity portfolio alone. It is estimated that this income will fall by 50 per cent over the remainder of 2020 due to dividend reduction. The cash calls from companies issuing shares will exacerbate this problem. The fund managers will be required to select very carefully those that will be supported.

The pandemic has had a severe impact on the short term performance of the UK equity portfolio, resulting in loss of 19% over the year and an annualised loss of 4% over the 3 years to March 2020. However, over the 5 years the annualised return was 0.7% and over the 10 years 4.7% per annum over which time the in house team has outperformed the benchmark by 0.3% per annum.

## International investment markets

Having made strong returns for most of the year, global equity markets have recently been thrown into turmoil by the arrival of a global pandemic that has currently claimed over 280,000 lives and prompted governments to take drastic action to halt the spread of the disease. Efforts to contain the Coronavirus have brought entire countries and industries to a virtual standstill, and amid signs of an imminent global recession, equity markets fell sharply. The magnitude of this recession is unknown but it has prompted governments and central banks across the globe to intervene on a vast scale.

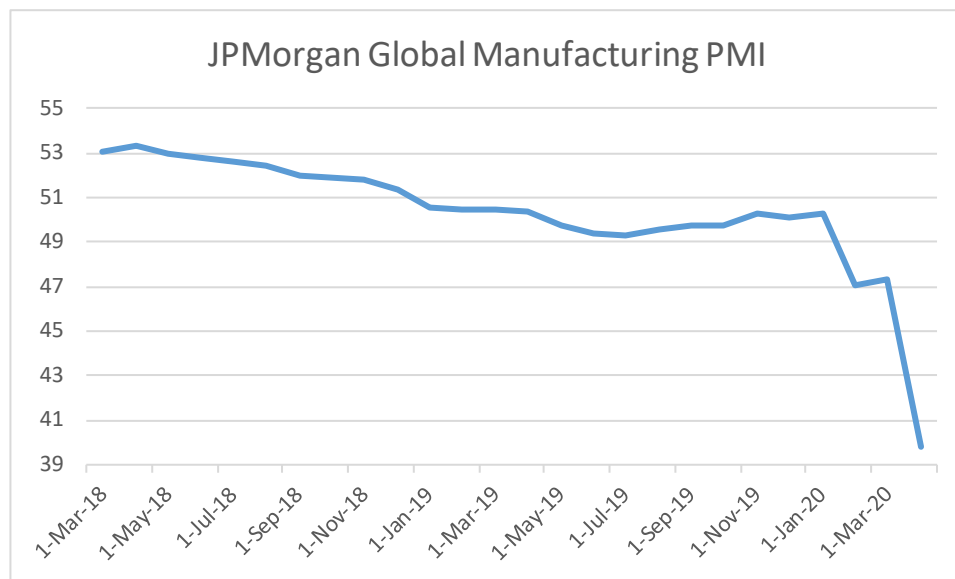
The chart below plots the course of the FTSE All World ex UK Total Return Index over the year. From April 2019 to its peak in February 2020, it made a positive return of 17.9%, but then as the Virus spread across Europe and the USA, it plunged 19.9% to end the financial year with a return of -5.5%. The fund's benchmark, which is weighted differently to the FTSE All World ex UK Index, made a return of -7.6% which the fund broadly matched with a return of -7.5%



Returns in local currency were lower still but the losses in sterling were mitigated by the strong appreciation in value of key defensive currencies such as the US dollar and Japanese Yen.

## Weakening global growth

Global growth had been slowing throughout the year, impacted by trade disputes between the US and China (as well as Europe and Mexico), which had caused key economic measures such as the JPMorgan Global Manufacturing Purchasing Managers Index (PMI) to decline into recessionary territory. With this measure a value above 50 indicates economic expansion, whilst a figure below 50 indicates contraction. This is a measure of manufacturing industry confidence and the chart below shows how the measure fell from over 53 in 2018, indicating economic expansion, to 49.3 in July 2019, indicating contraction, before recovering to expansion again at 50.3 in January 2020 due to signs that the US and China had reached an agreement on trade. Unfortunately, the arrival of the Coronavirus prompted the deliberate shut down of economies across the world, plunging the indicator to a deeply recessionary value of 39.8 in April 2020. The value at 31 March 2020 was 47.3.



According to the International Monetary Fund (IMF) in their April 2020 World Economic Outlook, global GDP growth in 2019 was 2.9% but is expected to decline by 3.0% in 2020 due to the impact of the virus. Thereafter, on the assumption that the pandemic fades in the second half of 2020 and the containment efforts can be gradually unwound, GDP growth in 2021 is expected to bounce back to 5.8%. Advanced developed economies are expected to be worst hit with a decline in GDP of 6.1% whilst emerging and developing markets, will be less badly affected, declining by 1%.

## Economic stimulus and return of quantitative easing

The reduction in economic growth and declining PMI numbers in 2019 had already prompted the US Federal Reserve and other central banks to lower interest rates in July of that year, but the arrival of the Coronavirus and the deliberate shutting down of the economy in an effort to contain the spread of the virus led to the introduction of aggressive monetary policies and local interventions that helped ease market tensions. March saw the return of Quantitative Easing (QE) strategies with the US Federal Reserve cutting interest rates twice to a range of 0-0.25% and introducing a series of programmes to boost liquidity. Other central banks, similarly, cut interest rates and the European Central Bank (ECB) unveiled a Euro 750bn asset-buying programme. The act of cutting interest rates and buying assets such as government bonds has achieved its aim of reducing bond yields to all-time lows, which in turn reduced the cost of borrowing. The US government also passed a \$2.2 trillion emergency economic relief package to support the economy, amounting to around 9% of US GDP with a further \$0.5 trillion added later. The European Union however, has struggled to agree upon a series of emergency proposals because of a continuing reluctance by some countries to bare the financial risk of others.

## Collapse in oil prices

A further headwind facing global equity markets was a price war between Saudi Arabia and Russia. Amid declining oil demand and excess supply, oil prices fell sharply from their 2019 range of \$55-\$75 a barrel, to an 18 year low of \$22.74. The overall impact of this price war, on top of the economic downturn caused by the Coronavirus shut down, has caused production to be cut, adversely affecting oil companies and oil producing economies globally. However, an agreement to limit production has now been made that should introduce some stability to oil prices as excess stockpiles run down.

## Recession or recovery?

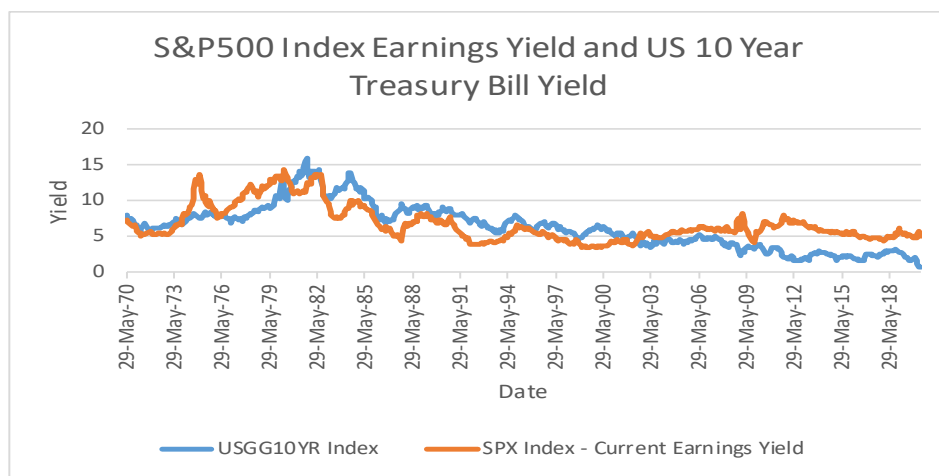
The full impact of the global pandemic and the efforts to contain it are yet to be seen. As the rate of infection subsides economies are being reopened but the service sector remains deeply affected by the lock down. Leisure and tourism has been particularly badly hit and it remains unclear how many businesses will survive. Businesses across most sectors have suffered reduced demand. A fall in their income has added pressure to their cash flow and their ability to service debt, cover costs and ultimately pay dividends. Governments have taken enormous steps to support their economies with loans, grants and welfare payments, but already unemployment has soared to 20% in the US, and while this may be temporary, some of it will be more permanent. It is without question that the lock downs will cause an economic recession, but how deep and destructive that recession is remains



uncertain. Unlike previous recessions and depressions, this has been done deliberately. It is not a lack of confidence or demand that has caused the slowdown, it has not been a bursting bubble or over-exuberance, but a deliberate act to temporarily force people to stay at home until the disease passes. Providing these measures succeed, and unemployment returns to pre-crisis levels, the economy could bounce back strongly.

## Equity valuations supported by low bond yields

Global equities have rebounded strongly since the low of 16 March, but many analysts believe this is too much too quickly. Much uncertainty remains. Global equity markets, especially in the US, appear to be fully valued trading at their 10-year average Price to Earnings ratio of 18 which appears to have effectively priced in a full recovery. It is likely however, that earnings and dividend returns will fall making current valuations appear stretched. However, ever lower bond yields make equity returns more attractive adding support to current valuations. As the chart below shows, in the US a strong historical relationship exists between the equity earnings yield (the inverse of the PE ratio), and the yield on US Treasury bills. As bond yields fall, equity yields also fall as valuations rise. The overwhelming question that lies ahead however, is what those future earnings will be.



## Alternative investments

### Private markets

As at 31 March 2020, the private market equity and infrastructure portfolio accounted for 11.5% (£1,520m) of the West Yorkshire Pension Fund. In addition, at year end, undrawn commitments amounted to a further £1,147m. This included £104m 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 £256.7m and distributions of £220.2m, resulting in a net investment of £36.5m.

### Private Equity

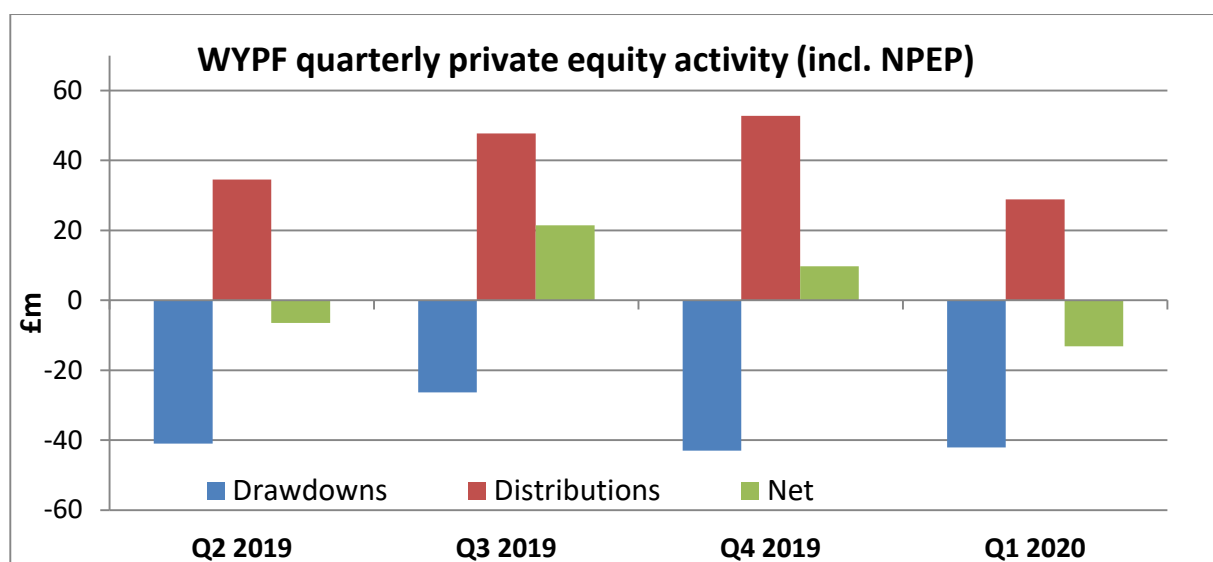
In the financial year to 31 March 2020, both the value and number of private equity deals decreased by approximately 19% globally on the prior year. Average deal sizes remained approximately the same as the prior year. The WYPF private equity portfolio, in contrast, saw an increase in buyout activity with an increase in drawdowns of 13%, compared with a 19% fall for the market overall. However, this resulted from WYPF's recent commitment to NPEP, which in turn made commitments to underlying funds more quickly than anticipated. Excluding commitments made via NPEP, drawdowns declined 12% compared with the prior year.

The value of global private equity backed exits for 2019/20 was 14% lower than the previous year: 1H -18%; 2H -8%. WYPF, on the other hand, experienced a similar decrease in 1H (-23%) distributions, but a 9% increase in 2H distributions. Overall, the WYPF portfolio saw distributions that were 10% lower compared to the prior year. Lower, but nonetheless strong, fund distributions have led to investors re-committing capital in order to maintain allocations or even grow them in some cases. Despite a 14%

decline in global private equity backed exits, the value of fund capital raised globally only fell 2% on the prior year. However, similar to prior years, the number of funds raised throughout the year declined by 22%. As reported last year, the fundraising market is more competitive than ever, with investors favouring established managers with strong track records. Investors continue to streamline their manager relationships. Fund sizes are therefore increasing, whilst committed capital awaiting drawdown remains elevated.

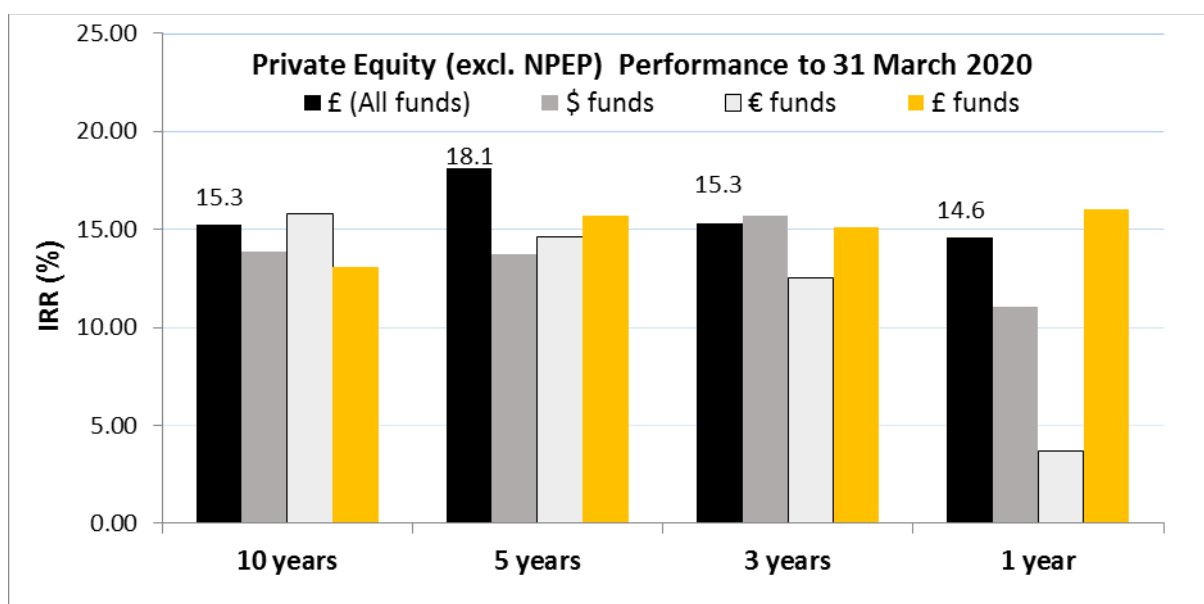
With the emergence of COVID-19 in Q1 2020, managers were quick to minimise supply chain disruptions, preserve cash flow, safeguard liquidity and continuously monitor the demand impact on their investee companies. Private equity transactions will no doubt slow as managers focus on safeguarding existing portfolio companies and wrestle with underwriting assumptions on new deals. However, once the market settles into a new normal, managers will be well placed to deploy this undrawn committed capital in what will hopefully be a buyer's market. In the absence of a functioning collateralised loan obligation (CLO) market, managers may utilise a higher share of non-bank lending in the capital structure of investee companies. CLOs are special purpose vehicles that purchase and repackage bank loans, which are typically private equity sponsored leveraged loans from banks.

As reported last year, in May 2018, the Northern Pool GP (No. 1) Limited was incorporated and now exists as the General Partner company managing the Northern Private Equity Pool (NPEP). NPEP makes commitments to underlying private equity funds on behalf of its founding Northern LGPS 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 £585m in commitments from its founding members, including £180m from WYPF. In total, WYPF has now committed £505m to NPEP. Further annual commitments are expected from all founding members. WYPF's undrawn NPEP commitment amounted to £471.7m at year end.



For the year to 31 March 2020, net proceeds received from WYPF's private equity portfolio (including NPEP) amounted to £11.6m overall, compared to £47.0m in the prior year. Meanwhile, the portfolio increased by £92m from £776m to £868m. As a proportion of the WYPF, the weighting of the private equity portfolio increased from 5.4% at the start of the financial year to 6.6%. This was due to strong performance relative to other asset classes, albeit exaggerated by the fact that valuations tend to lag public markets by three months. This was a significant contributor, given the market sell-off in Q1 2020. It is expected that the private equity weighting will naturally fall as private market valuations catch up with COVID-19 related events, or as public equities rebound.

Local currency performance net of fees for funds denominated in each currency, and also on translation into Sterling, is shown below. The majority of the portfolio is USD denominated (63%), whilst Euro and Sterling denominated funds represent 18% and 19% respectively. When converted into Sterling, with the exception of 10-year Euro returns, all-period local fund returns have been positively impacted by Sterling weakness.



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 2020, the portfolio returned 14.6%. Sterling returns were impacted by a stronger USD (5.8%) and Euro (2.6%). Overall, this gave an overall positive currency effect of 4.1%. For the 10-year period to 31 March 2020, the Private Equity portfolio in Sterling has delivered annualised returns of 15.3%.

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

Private equity fund	WYPF Commitment
	£m
A&M Capital Europe I	13
NorthEdge Capital Fund III	12
Palatine Private Equity Fund IV	10
Alpine Investors Fund VII	18
Colbeck Strategic Lending Fund II	28
OCP Asia Fund IV	20
Northern Private Equity Pool (NPEP)	180
<b>Total</b>	<b>281</b>

During the year, the NPEP investment vehicle made ten primary fund commitments across nine different managers, seven of which are new manager relationships for WYPF. NPEP also established a co-investment mandate, to which WYPF has committed, via NPEP, approximately £125m. At 31 March 2020, un-drawn commitments, including WYPF's share of underlying NPEP commitments, amounted to £731.6m.

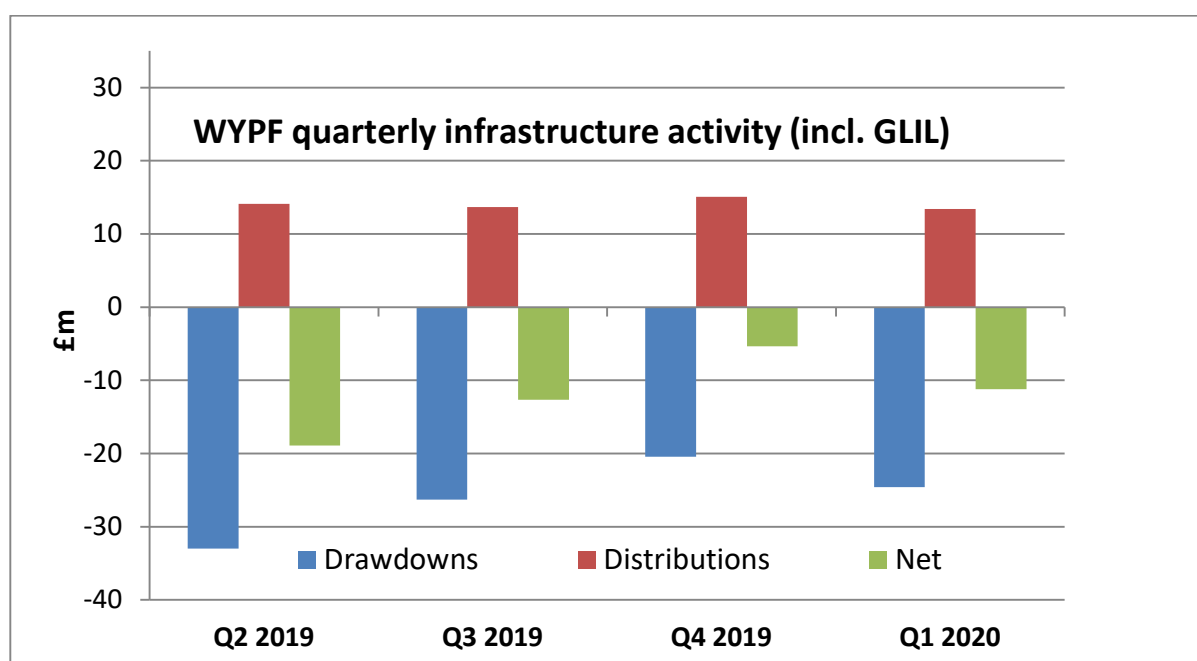
The strategy and approach for this asset class remains unchanged. Net investment will continue to be monitored, and a commitment strategy followed to achieve a 5% exposure to private equity over the medium term.

## Infrastructure

In the financial year to 31 March 2020, the value of reported infrastructure deals globally increased by approximately 62% (Preqin), however the number of deals announced were broadly unchanged (up 2%) on the prior year. The average deal size is now more than 50% greater than what it was 2 years ago. The WYPF infrastructure portfolio (excluding GLIL) mirrored this experience with a 41% increase in drawdown levels compared to the prior year. Distributions, however, increased 51%, resulting in a net investment of £33.5m compared to £26.0m the prior year.

In addition to the above, net investment was bolstered by a further £14.6m due to WYPF's £375m commitment to GLIL. GLIL is a limited liability partnership focussed on investing in direct UK infrastructure. This partnership comprises five local authority pension fund investors.

Including monies drawn down for GLIL, net investment was £48.1m, 52.3% lower than the prior year (£101.0m). The reason for this was lower transactional volume within GLIL. Capital called from GLIL was predominantly for an operational UK wind and solar portfolio.

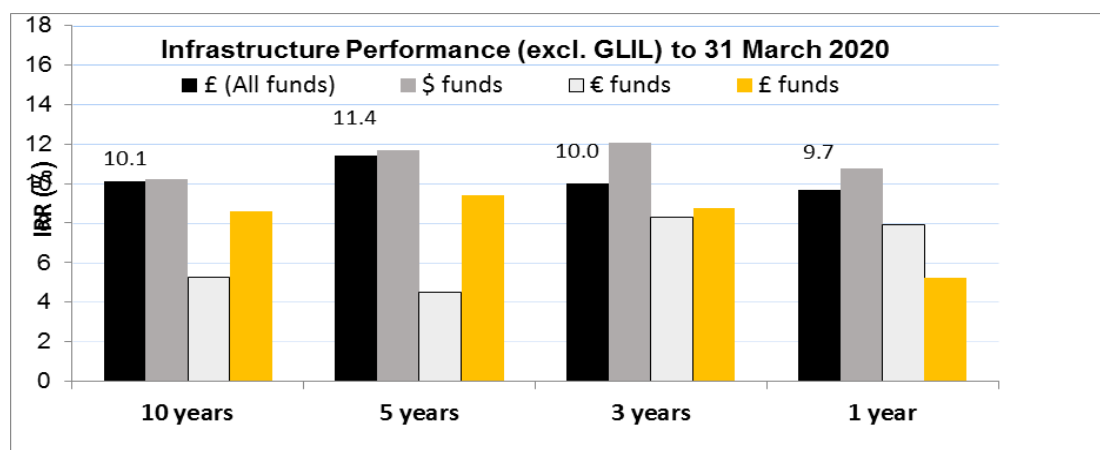


As a proportion of WYPF, the weighting of the infrastructure portfolio increased to 4.8% (£631m), up from 3.9% (£552m) the previous year.

Local currency performance net of fees for funds denominated in each currency, and also on translation into Sterling, is shown below. Approximately half (48%) of the infrastructure portfolio is invested in Sterling denominated funds. USD and Euro denominated funds constitute 36% and 16% respectively.

For the 12 months to 31 March 2020, the portfolio returned 9.7%. Sterling returns were positively impacted by USD (5.4%) and Euro (2.1%) strength. Overall, this gave a currency effect of 2.3%.

For the 10-year period to 31 March 2020, the Infrastructure portfolio in Sterling has delivered annualised returns of 10.1%.



WYPF's infrastructure portfolio is well-diversified across industry sectors, geographies, vintage years, financing stages and managers. No commitments were made to infrastructure funds during the year. At 31 March 2020, un-drawn commitments amounted to £332.4m.

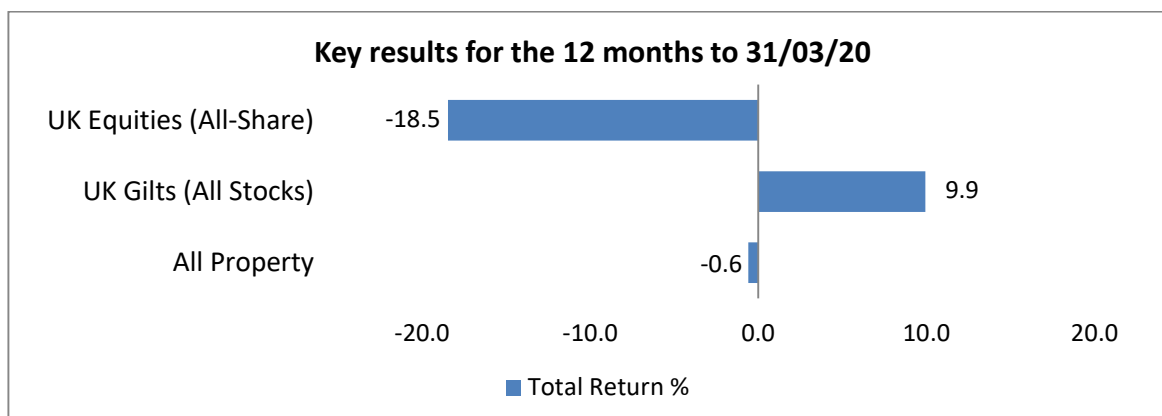
The strategy and approach for this asset class is to build and maintain a global portfolio of infrastructure assets diversified between social, renewable, economic and opportunistic asset types. Developed markets with stable regulatory regimes and transparent policy frameworks are favoured. The focus 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 5% exposure to infrastructure.

## Hedge funds

At the beginning of the financial year, final redemption proceeds (£4.8m) were received from the one remaining Fund-of-Hedge Fund (FoHF). Other than a small exposure to a LSE-listed hedge fund resulting from a legacy FoHF position, the only remaining WYPF exposure to hedge funds is via a bespoke fund similar to a managed account type structure. This USD-denominated, WYPF bespoke fund comprises six underlying multi-strategy funds. This fund returned -1.3% (USD), versus -1.4% for the HFRX Global Hedge Fund Index (USD) for the year to 31 March 2020. Since inception (1 May 2012), this fund has delivered annualised local returns of 5.4%, 8.8% when translated into Sterling.

## Property

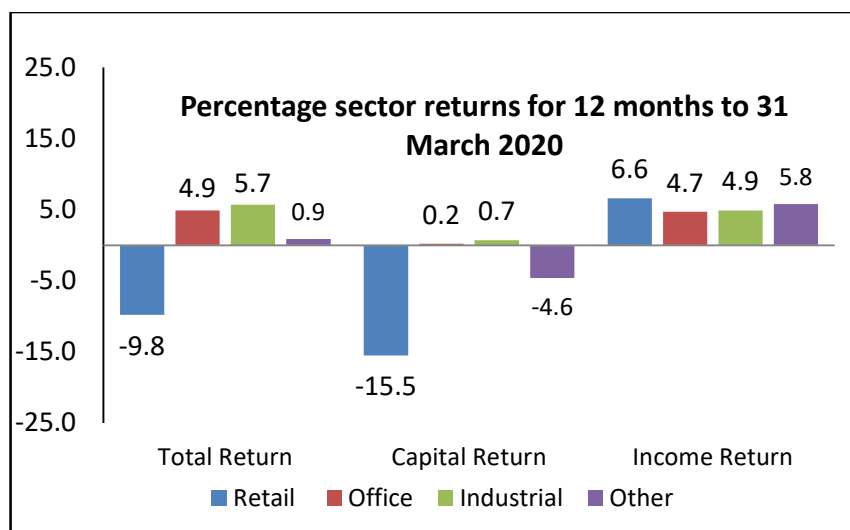
For the year to 31 March 2020, total returns for the UK direct MSCI All Property benchmark was -0.6%. This compares to the WYPF agreed benchmark of the All Property Funds Index, which returned -1.3%. Relative to other asset classes, the total return for UK Property versus UK Gilts and UK Equity is detailed 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 -0.5%)

Retail returned -9.8% and was the lowest performing sector. Poor returns in the retail sector were driven by significant capital value falls (CBRE). Shopping centre values declined 21.1%, and retail warehouses and standard shop values fared little better, falling 16.7% and 9.1%, respectively. Retail assets continued to be marked down during the year, reflecting negative sentiment towards the sector, and increasing numbers of retail Company Voluntary Arrangements (CVAs) and administrations.

The Office sector delivered a total return of 4.9% for the twelve months to 31 March 2020, driven mainly by income. City offices performed best amongst all commercial property sub-sectors, with capital growth of 2.6% and a total return of 7.0%.

Industrial was again the highest performing sector, with a total return of 5.7%, also mainly driven by income. South East industrials, with a 6.9% total return, experienced a slight increase in values (2.3%) compared to the rest of UK industrials, which experienced a 2.2% fall in values.

Other property includes the Private Rented Sector (PRS), Student Accommodation and Senior Living. Overall, this sector returned less than 1%, with valuation falls offsetting income.

Before the emergence of COVID-19 in Q1 2020, investors had continued to seek income return in an environment widely considered to be 'late cycle' and there had been an influx of capital into Long Income property. Additionally, the Industrial sector remained a key focus for investors given the structural change in the UK retail sector, and the continued rise of e-tailing in a new multi-channel retail world.

According to Savills, in the 12 months to 31 March 2020, overall transaction volumes were 10–15% lower than the prior year. However, it was a year of halves: the first half experienced lower year-on-year investment volumes, whilst the second half saw increased activity. The UK's early general election in December, strengthened the Conservatives' position on Brexit and reduced investor uncertainty surrounding the UK's departure from the EU.

Although the Central London investment market saw volumes that were 38% lower in Q1 2020 than the same period last year (CBRE), UK-wide property transaction volume was higher. However, the impact of the COVID-19 pandemic resulted in overall transactional volumes falling to a small fraction of what they were previously.

From 18 March 2020, and in light of coronavirus, UK real estate valuers applied a 'material uncertainty' clause to all real estate valuations. As a result, a number of UK funds temporarily suspended subscriptions and redemptions.

The Government's various COVID-19 related emergency measures included legislation to protect commercial tenants from eviction, for three months, if they are unable to pay rent due to the pandemic. Unsurprisingly, retail, leisure, and food and beverage markets have been hit hardest from the impact of coronavirus. Following this legislation, property managers experienced a significant increase in tenants seeking rental concessions.

WYPF is overweight in Industrials and Rest of UK Offices compared to its benchmark, and underweight in City and West End Offices, and Other property. It is anticipated that the overweight position in Industrials will benefit performance. The underweight position in 'Other' property will be monitored and addressed if appropriate.

## Direct property

WYPF continued the approved strategy to acquire more direct UK property. During the year, the Northern LGPS member representatives initiated an OJEU process to prepare for launch of a procurement framework for property investment management services. Once in place, framework agreements can substantially reduce procurement time for public sector bodies. This will allow WYPF to appoint an external direct property manager to help grow its direct portfolio in a cost effective manner. The aim of making direct investments is to lessen fees and enhance control, enabling long-term investment throughout market cycles.

## Overall activity

WYPF made property purchases of £3.4m and sales of £18.5m, giving a net divestment of £13.2m over the 12 months to 31 March 2020. The majority of capital was invested in continental European properties. Sale proceeds were mainly from a UK fund and a European property debt fund, both of which are fixed-life funds nearing the end of their investment terms. The property portfolio returned 3.1% for the twelve months to March.

At 31 March 2020, un-drawn commitments amounted to £70.2m.

## Investments held at 31 March 2020 by asset classification

Descriptions	Book cost GBP £m	% of total	Market value GBP £m	% of total	Number of holdings
Technology	275	3%	664	5%	78
Telecommunications	301	3%	281	2%	58
Health Care	346	4%	907	7%	82
Financials	1,432	15%	1,469	11%	234
Real Estate	154	2%	190	1%	61
Consumer Discretionary	634	7%	1,001	8%	223
Consumer Staples	404	4%	937	7%	104
Industrials	575	6%	960	7%	242
Basic Materials	330	3%	466	4%	96
Energy	484	5%	506	4%	87
Utilities	182	2%	310	2%	57
Corporate Bonds	640	7%	570	4%	160
Certificates of Deposit	55	1%	55	0%	14
Other Equities	1,282	14%	1,773	13%	181
Government bonds	1,224	13%	1,492	11%	81
Hedge Funds	52	1%	95	1%	3
Other Bonds	113	1%	120	1%	18
Direct Property	6	0%	7	0%	1
Property Unit Trusts	476	5%	634	5%	35
Time Deposits	231	2%	247	2%	108
Unit Trusts	257	3%	497	4%	44
	<b>9,453</b>	<b>100%</b>	<b>13,181</b>	<b>100%</b>	<b>1,967</b>

## Net Asset as at 31 March 2020

As at 31 March	2020	2019
	£000	£000
<b>Investment assets</b>		
Northern LGPS assets	32,579	261
Bonds	1,387,188	1,512,233
Equities (including convertible shares)	9,499,515	10,415,004
Index-linked securities	736,119	679,524
Pooled investment vehicles	1,214,360	1,387,123
Direct Property	6,675	7,250
Cash deposits	254,625	269,242
Cash in bank	46,842	25,261
Other investment balances	53,918	48,560
<b>Investment liabilities</b>		
Other investment balances	-51,239	-15,356
<b>Total net investments</b>	<b>13,180,582</b>	<b>14,329,102</b>
<b>Current assets</b>		
Debtors	54,197	51,814
<b>Current liabilities</b>		
Creditors	-20,481	-17,875
<b>Net current assets and liabilities</b>	<b>33,716</b>	<b>33,939</b>
<b>Net assets of the scheme available to fund pension benefits</b>	<b>13,214,298</b>	<b>14,363,041</b>

# Section 9

## Actuary's report

## Statement of the Actuary for the year ended 31 March 2020

### Introduction

The Scheme 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 2019 by Aon, in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.

### Actuarial Position

1. The valuation as at 31 March 2019 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 2019 (of £ 14,363.0M) covering 106% of the liabilities allowing, in the case of pre- 1 April 2014 membership for current contributors to the Fund, for future increases in pensionable pay.
2. The valuation also showed that the aggregate level of contributions required to be paid by participating employers with effect from 1 April 2020 was:
  - 18.0% of pensionable pay. This is the rate calculated as being sufficient, together with contributions paid by members, to meet the liabilities arising in respect of service after the valuation date (the primary rate),

Plus

  - an allowance of 0.9% of pay for McCloud and cost management — see paragraph 9 below,

Less

  - 2.3% of pensionable pay to restore the assets to 100% of the liabilities in respect of service prior to the valuation date over a recovery period of 22 years from 1 April 2020 (which together with the allowance above comprises the secondary rate).
3. In practice, each individual employer's or group of employers' position is assessed separately and contributions are set out in Aon's report dated 31 March 2020 (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 2023 are estimated to be:

Year from 1 April	% of pensionable pay	Plus total contribution amount (EM)
2020	16.3	3.4
2021	16.5	2.4
2022	16.6	1.9



4. 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 increases and individual employers' recovery periods as agreed with the Administering Authority and set out in the Funding Strategy Statement, reflecting the employers' circumstances.
5. The valuation was carried out using the projected unit actuarial method for most employers and the main financial actuarial assumptions used for assessing the funding target and the contribution rates were as follows.

Discount rate for periods in service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	3.30% p.a.

Discount rate for periods after leaving service	
Scheduled and Subsumption body funding target *	4.35% p.a.
Intermediate funding targets*	
▪ Low risk scheduled bodies	4.10% p.a.
▪ Low risk admission bodies and medium risk scheduled bodies	3.95% p.a.
▪ Medium risk admission bodies and higher risk scheduled bodies	3.80% p.a.
Ongoing Orphan funding target	1.60% p.a.

Rate of pay increases	3.35% p.a.
Rate of increase to pension accounts	2.10% p.a.
Rate of increases in pensions in payment (in excess of Guaranteed Minimum Pension)	2.10% p.a.

\* The Scheduled and Subsumption body and intermediate funding target discount rate as appropriate was also used for employers whose liabilities will be subsumed after exit by an employer subject to that funding target.

In addition, the discount rate for already orphaned liabilities (i.e. where there is no scheme employer responsible for funding those liabilities and employer has exited the Fund) was 1.3% p.a.

The assets were valued at market value.

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

6. 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) S2N 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 Horizons<sup>TM</sup> longevity model, and included an allowance for improvements based on the 2018 Continuous Mortality Investigation (CMI) Projections Model (CM12018), with a Sk of 7.5, Adjustment Parameter of 0.00 and 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	21.8	24.5
Current active members aged 45 at the valuation date	22.4	25.6

7. The valuation results summarised in paragraphs 1 and 2 above are based on the financial position and market levels at the valuation date, 31 March 2019. As such the results do not make allowance for changes which have occurred subsequent to the valuation date, although we comment on changes in market conditions to 31 March 2020 in paragraph 10 below.
8. The formal actuarial valuation report and the Rates and Adjustments Certificate setting out the employer contribution rates for the period from 1 April 2020 to 31 March 2023 were signed on 31 March 2020. Other than as agreed or otherwise permitted or required by the Regulations, employer contribution rates will be reviewed at the next actuarial valuation of the Fund as at 31 March 2022 in accordance with Regulation 62 of the Local Government Pension Scheme Regulations 2013.
9. There are a number of uncertainties regarding the Scheme benefits and hence liabilities:

### • Increases to GMPs:

The 2019 valuation allows for the extension of the 'interim solution' for public service schemes to pay full inflationary increases on GMPs for those reaching State Pension Age (SPA) between 6 April 2016 and 5 April 2021. However, the Government is still exploring various options, including conversion of GMPs to Scheme benefits, in order to achieve equalisation for GMPs as required by the High Court judgement in the Lloyds Bank case.

The results of the 2019 valuation do not allow for the impact of potentially extending this interim solution indefinitely, providing full pension increases on GMPs for members reaching State Pension Age after 5 April 2021 nor for conversion of GMPs to Scheme benefits. Based on approximate calculations, at a whole of fund level, the impact of providing full pension increases on GMPs for those members reaching State Pension Age after 5 April 2021 is an increase in past service liabilities of between 0.1% to 0.2% across the Fund as a whole.

### • Cost Management Process and McCloud judgement:

Initial results from the Scheme Advisory Board cost management process indicated that benefit improvements / member contribution reductions equivalent to 0.9% of pay would be required. However, the cost management process was paused following the Court of Appeal ruling that the transitional arrangements in both the Judges' Pension Scheme (McCloud) and Firefighters' Pension Scheme (Sargeant) constituted illegal age discrimination. Government confirmed that the judgement would be treated as applying to all public service schemes including the LGPS (where the transitional arrangements were in the form of a final salary underpin) and a consultation on changes to the LGPS is expected in June 2020.

The employer contributions certified from 1 April 2020 as part of the 2019 valuation include an allowance of 0.9% of pay in relation to the potential additional costs following the McCloud judgement / cost management process. This was a simplified approach which didn't take account of different employer membership profiles or funding targets and may be more or less than the assessed cost once the I-GPS changes have been agreed depending upon the precise nature of the new final salary underpin, the members in scope, and how this affects the cost management process.

10. Since the valuation date, Fund asset returns have fallen short of the assumed return of 4.35 % over the year to 31 March 2020, on its own leading to a reduction in the funding level. In addition, reduced expectations of future asset returns and falls in gilt yields have led to a decrease in the discount rates, further reducing funding levels and increasing the primary rate. The Actuary, in conjunction with the Administering Authority, will monitor the position on a regular basis and the Administering Authority will take action if it believes necessary. In order to avoid material contribution increases at the 2022 valuation contributions for employers will be reviewed before the next valuation as agreed and set out in the Rates and Adjustments Certificate.

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 the actuarial valuation which was carried out as at 31 March 2019. 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.

11. 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.
12. The report on the actuarial valuation as at 31 March 2019 is available on the Fund's website at the following address:

<https://www.wypf.org.uk/media/2850/wypf-2019-valuation-report.pdf>

Aon

May 2020

# Section 10

## Auditor's Report

## Independent auditor's statement to the members of City of Bradford Metropolitan District Council on the pension fund financial statements included within the West Yorkshire Pension Fund annual report

### Report on the financial statements

#### Opinion

We have examined the Pension Fund financial statements for the year ended 31 March 2020 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.

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 2020 and comply with applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20.

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

As explained more fully in the Statement of the Director of Finance's Responsibilities, the Director of Finance 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 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]**

Cameron Waddell  
For and on behalf of Mazars LLP

5th Floor  
3 Wellington Place  
Leeds  
LS1 4AP

**[Date]**



# Section 11

## 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 2020 and its income and expenditure for the year ended 31 March 2020.

In preparing this Statement of Accounts 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 2020

	Note	2020 £000	2019 £000
<b>Dealings with members, employers and others directly involved in the fund</b>			
Contributions receivable	4	441,973	416,949
Transfers in	5	50,705	26,491
Non-statutory pensions and pensions increases recharged	6	21,671	21,938
		<b>514,349</b>	<b>465,378</b>
Benefits payable	7	-553,082	-506,461
Non-statutory pensions and pensions increase	6	-21,671	-21,938
Payments to and on account of leavers	8	-37,250	-40,445
		<b>-612,003</b>	<b>-568,844</b>
<b>Net additions/(withdrawals) from dealing with members</b>		<b>-97,654</b>	<b>-103,466</b>
Management expenses	11	-12,306	-10,006
<b>Net additions / (withdrawals) including management expenses</b>		<b>-109,960</b>	<b>-113,472</b>
<b>Returns on investments</b>			
Investment Income	13	464,284	438,585
Taxes on income	13a	-8,719	-8,236
Profit and losses on disposal and changes in value of investments	15a	-1,497,058	476,252
Stock lending	15c	2,710	3,279
<b>Net return on investments</b>		<b>-1,038,783</b>	<b>909,880</b>
<b>Net Increase/(decrease) in the net assets available for benefits during the year</b>		<b>-1,148,743</b>	<b>796,408</b>
<b>Fund opening net assets</b>		<b>14,363,041</b>	<b>13,566,633</b>
<b>Fund closing net assets</b>		<b>13,214,298</b>	<b>14,363,041</b>

## Net Assets Statement at 31 March 2020

	Note	2020 £000	2019 £000
<b>Investment assets</b>			
Northern LGPS assets	15a	32,579	261
Bonds	15a	1,387,188	1,512,233
Equities (including convertible shares)	15a	9,499,515	10,415,004
Index-linked securities	15a	736,119	679,524
Pooled investment vehicles	15a	1,214,360	1,387,123
Direct Property	15a	6,675	7,250
Cash deposits	15a	254,625	269,242
Cash in bank	15a	46,842	25,261
Other investment balances	15a	53,918	48,560
<b>Investment liabilities</b>			
Other investment balances	15a	-51,239	-15,356
<b>Total net investments</b>		<b>13,180,582</b>	<b>14,329,102</b>
<b>Current assets</b>			
Debtors	18	54,197	51,814
<b>Current liabilities</b>			
Creditors	19	-20,481	-17,875
<b>Net current assets and liabilities</b>		<b>33,716</b>	<b>33,939</b>
<b>Net assets of the scheme available to fund pension benefits</b>		<b>13,214,298</b>	<b>14,363,041</b>

The financial statements for West Yorkshire Pension Fund do not take account of liabilities to pay pensions and other benefits after 31 March 2020. 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 10.

Signed

**Chris Chapman**

Director of Finance  
City of Bradford Metropolitan District Council  
xxxxxx 2020

## Notes to the accounts

### Note 1. Accounting policies

#### Basis of preparation

This statement of accounts summarises the fund's transactions for the 2019/20 financial year and its financial position at year-end as at 31 March 2020. The accounts have been prepared in accordance with the Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 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 10.

#### 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 individual. 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 10).

## **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 16). 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 (Equitable Life) 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 9).

## 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 22 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 2020 but not settled until later are accrued in the accounts.

### Note 2 a. Critical judgements in applying accounting policies and assumptions made about the future and other major sources of estimation uncertainty

In applying the accounting policies set out in Note 1 above, WYPF has had to make certain critical judgements about complex transactions or those involving uncertainty about future events.

### Note 2 b. 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 16. 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.

## Impact of Covid-19

The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on the 11th March 2020, has impacted global financial markets. Travel restrictions have been implemented by many countries and market activity is being impacted in many sectors. Valuation of quoted and unquoted assets were materially impacted. The impact of Covid-19 has added additional uncertainty to the valuation of unquoted stock, which is challenging in normal times. Asset values are less certain as a result of increased volatility, changing domestic and industrial consumption, markets trending more favourably in the direction of digital, virtual and contactless business activities with green environmental focus.

In simple terms the impact of Covid-19 resulted in a significant reduction in the number of transactions in the market up to 31 March 2020 and consequently the relevant observable data available upon which to base a valuation judgement. Specifically, with regard to pooled property funds, a material valuation uncertainty clause has been included in a number of valuation reports from fund managers due to the possible impact of Covid-19.

Therefore, there is less certainty, and a higher degree of caution should be attached to our valuations of Level 3 assets than would normally be the case. There is a risk that current valuations may be under or over stated in the accounts.

## 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 10 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 10.

## Note 3. 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:

- a. those that provide evidence of conditions that existed at the end of the reporting period (adjusting events after the reporting period).
- b. 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 2020 and up to the date when these accounts were authorised, that require any adjustments to these accounts. The market value movement of financial assets as a result the prevailing Covid-19 pandemic is a non-adjusting event, it is impossible to estimate the impact of Covid-19 on this financial statement.

## Note 4. Contributions receivable

	2019/20 £000	2018/19 £000
<b>By category</b>		
Employers	319,830	300,693
Members	122,143	116,256
<b>Total</b>	<b>441,973</b>	<b>416,949</b>
<b>By type of employer</b>		
Administering authority	53,103	52,616
Scheme	350,280	325,921
Admitted bodies	38,590	38,412
<b>Total</b>	<b>441,973</b>	<b>416,949</b>
<b>By type of contribution</b>		
Employees normal contributions	116,727	111,366
Employees additional contributions	5,416	4,890
Employers normal contributions	294,435	286,503
Employers deficit contributions	25,395	14,190
<b>Total</b>	<b>441,973</b>	<b>416,949</b>

### Employer contribution rates and deficit contributions

Employer contributions receivable in 2019/20 were based on 31 March 2016 triennial valuation. Contributions receivable from 1 April 2020 will be based on 2019 triennial valuation. At each triennial valuation (latest 31 March 2019) the Actuary calculates employer contribution 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 2019/20 base on pay in the financial year are provided below.

2019/20 Pay	Contribution rate
Up to £14,400	5.50%
£14,401 to £22,500	5.80%
£22,501 to £36,500	6.50%
£36,501 to £46,200	6.80%
£46,201 to £64,600	8.50%
£64,601 to £91,500	9.90%
£91,501 to £107,700	10.50%
£107,701 to £161,500	11.40%
£161,501 or more	12.50%

## Note 5. Transfers in from other pension funds

	2019/20	2018/19
	£000	£000
Individual transfers in from other schemes	38,664	26,491
Bulk transfers in from other schemes	12,041	0
<b>Total Transfers In</b>	<b>50,705</b>	<b>26,491</b>

## Note 6. Non-statutory pensions increase and recharges

	2019/20	2018/19
	£000	£000
Pensions	21,671	21,938
<b>Total</b>	<b>21,671</b>	<b>21,938</b>

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 out of current revenues. Costs of annual inflation proofing for non-participating employers are also recharged.

## Note 7. Benefits payable

	2019/20	2018/19
	£000	£000
<b>Pensions</b>		
Funded pensions – retired employees	-388,929	-364,464
Funded pensions – dependants	-34,926	-29,981
<b>Total pensions</b>	<b>-423,855</b>	<b>-394,445</b>
<b>Lump sums</b>		
Funded lump sums on retirement	-115,655	-99,393
Funded lump sums on death	-13,572	-12,623
<b>Total lump sums</b>	<b>-129,227</b>	<b>-112,016</b>
<b>Total benefits paid in year</b>	<b>-553,082</b>	<b>-506,461</b>
<b>Benefits payable by type of employer member body</b>		
	£000	£000
<b>Pensions</b>		
Administering authority	-83,865	-78,697
Scheduled bodies	-412,990	-376,385
Admitted bodies	-56,227	-51,245
Other interested bodies with no pensionable employees	0	-134
<b>Total pensions</b>	<b>-553,082</b>	<b>-506,461</b>

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



## Note 8. Payments to and on account of leavers

	2019/20	2018/19
	£000	£000
Refund of contributions	-1,644	-1,581
Individual transfers	-35,606	-23,513
Bulk transfers	0	-15,351
<b>Total</b>	<b>-37,250</b>	<b>-40,445</b>

No bulk leaver transfers took place in 2019/20.

## Note 9. AVC Scheme – Equitable Life, 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 (Equitable Life Assurance), 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.

	Members still paying contribution 2019/20 Count	Total AVC Members 2019/20 Count	2019/20 £000	2018/19 £000
Utmost (Equitable Life)	241	402	2,193	1,898
Prudential	1,871	2,083	20,065	19,126
Scottish Widows	558	895	10,607	12,946
<b>Total</b>	<b>2,670</b>	<b>3,380</b>	<b>32,865</b>	<b>33,970</b>

	2019/20 £000	2018/19 £000
Value of funds at 1 April	33,970	31,926
Contributions received	6,112	6,207
Transfers and withdrawals values	144	26
Interest and bonuses/change in market value of assets	-1,206	1,812
Sale of investments to settle benefits due to members	-6,155	-6,001
<b>Value of funds at 31 March</b>	<b>32,865</b>	<b>33,970</b>

## Note 10. 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 member's 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 each in 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 p69).

### 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)

Paragraph 6.5.2.8 of CIPFA's Code of Practice on local authority accounting for 2019/20 sets out that for consistency with employers' IAS 19 actuarial report, that the actuarial present value of promised retirement benefits based on projected salaries should be disclosed in the Pension Fund Account.

The results as at 31 March 2019, together with the results as at 31 March 2016 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 2019 £M	Value as at 31 March 2016 £M
Fair value of net assets	14,363.0	11,211.0
Actuarial present value of the defined benefit obligation (see Notes)	(19,365.8)	(14,085.4)
Surplus / (deficit) in the Fund as measured for IAS 26 purposes	(5,002.8)	(2,874.4)

### McCloud / Sargeant judgement

The actuarial present value of the defined benefit obligation at 31 March 2019 includes an estimated liability in relation to the McCloud/Sargeant judgement of £33.15M. The McCloud / Sargeant judgement (December 2018) found that the transitional arrangements put in place when the firefighters' and judges' pension schemes were reformed constituted illegal discrimination. The Government has since committed to compensate members of all public service schemes who were illegally discriminated against. In relation to the LGPS in England and Wales all members joined the new 2014 Scheme for membership after 1 April 2014, but members within 10 years of normal retirement were given an underpin (or 'better of both') promise, so their benefits earned after 1 April 2014 would be at least as valuable in terms of amount and when they could be drawn, as if they had remained in the 2008 Scheme.

The remedy for the LGPS is expected to be consulted upon in the summer. The additional liability included within this note assumes the underpin will be extended to cover all members who were actively participating in the Scheme on 1 April 2012 (and not just those within 10 years of retirement) and will apply on retirement or the date of leaving service if earlier.

## Equalisation and Indexation of Guaranteed Minimum Pensions

The actuarial present value of the defined benefit obligation includes an estimated liability in relation to the equalisation and indexation of Guaranteed Minimum Pensions (GMPs) beyond the arrangements already formally in place, which apply to members whose State Pension Age (SPA) is between 6 April 2016 and 5 April 2021 inclusive. Those arrangements require the LGPS to pay pension increases on GMPs at the full rate of CPI for those members, whereas GMP legislation only requires limited price increases to be applied. The additional liability included within this note assumes those arrangements for fully indexing GMPs will be extended to members whose SPA is after 5 April 2021. This has increased the defined benefit obligation by in the region of 0.1% to 0.2%.

## Cost Management Process

The actuarial present value of the defined benefit obligation does not allow for any potential additional liability which may arise from the cost management valuations. Legislation requires HM Treasury and the Scheme Advisory Board (SAB) to undertake periodic valuations to monitor the cost of the LGPS to ensure it remains sustainable and affordable.

HM Treasury and the SAB have paused their reviews following the 'McCloud' judgement in the Court of Appeal. The cost cap process will not recommence until the remedy as applies to the LGPS has been decided.

On 24 April 2020 a number of Trades Unions filed court proceedings to challenge the Government's decision to pause the cost management process. If successful this could lead to higher liabilities and employer costs although it is not yet known how such changes, and those required due to the McCloud case, will affect the cost management valuation due as at 31 March 2020 which it is expected would lead to changes in benefits and/or member contributions in future.

## Assumptions

The latest full triennial actuarial valuation of the Fund's liabilities was carried out as at 31 March 2019. The principal assumptions used for the purpose of IAS 26 by the Fund's independent qualified actuaries were:

	31 March 2019 (% p.a.)	31 March 2016 (% p.a.)
Discount rate	2.40	3.40
CPI Inflation (pension increases) *	2.20	1.80
Rate of general increase in salaries **	3.45	3.05

\* In excess of Guaranteed Minimum Pension increases in payment for members whose State Pension Age is on or before 5 April 2016 where appropriate

\*\* In addition, allowance has been made for the same age related promotional salary scales as used at the actuarial valuation of the Fund as at the appropriate date

## Principal 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 2019 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:

	31/03/2019	31/03/2016
<b>Males</b>		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	21.8	22.0
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	22.4	22.9
<b>Females</b>		
Future lifetime from age 65 (pensioners aged 65 at 31 March 2019)	24.5	25.1
Future lifetime from age 65 (actives aged 45 at 31 March 2019)	25.6	26.9

Different mortality assumptions have been used for other categories of member as set out in the actuary's report on the 2019 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 2019 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 31 March 2019 experience

Since 31 March 2019 the Fund's assets are likely to have fallen in value due to the emerging Covid-19 crisis. This crisis has also caused a reduction in corporate bond yields, which will have led to an increase in the value of the defined benefit obligation (liabilities) on an accounting basis. The impact on the net pensions asset will depend on the Fund's asset performance, but we would expect most LGPS Funds' IAS 26 balance sheet positions to have deteriorated over the year, with a higher IAS 26 deficit at 31 March 2020. It is too early to say what impact the higher rates of mortality will have on the funding position of the Fund. At time of writing, ONS data is showing that the cumulative deaths in 2020 to date are well outside the range of the outcomes seen in recent years. The impact on longevity for the Fund's members will additionally be affected by the indirect impact of Covid-19, including the health of the surviving population, and the economic, social and political consequences of tackling Covid-19. In both of the above cases, the impact on longevity could be positive or negative.

### 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.

Furthermore, 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 balance sheet 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.

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 1 year. In each case, only the assumption mentioned is altered; all other assumptions remain the same.

## Sensitivity Analysis

<b>Discount rate assumption</b>		
<b>Adjustment to discount rate assumption</b>	<b>+0.1% £M</b>	<b>-0.1% £M</b>
£ change to present value of the defined benefit obligation	-396.0	404.2
% change in present value of defined benefit obligation	-2.0%	2.1%
<b>Rate of general increase in salaries</b>		
<b>Adjustment to salary increase rate assumption</b>	<b>+0.1% £M</b>	<b>-0.1% £M</b>
£ change to present value of the defined benefit obligation	50.1	-49.5
% change in present value of defined benefit obligation	0.3%	-0.3%
<b>Rate of increase to pensions in payment, deferred pensions increase assumption and rate of revaluation of pension accounts</b>		
<b>Adjustment to pension increase rate assumption</b>	<b>+0.1% £M</b>	<b>-0.1% £M</b>
£ change to present value of the defined benefit obligation	354.2	-346.5
% change in present value of defined benefit obligation	1.8%	-1.8%
<b>Post retirement mortality assumption</b>		
<b>Adjustment to members' life expectancy</b>	<b>+1 year £M</b>	<b>-1 year £M</b>
£ change to present value of the defined benefit obligation	-745.4	757.9
% change in present value of defined benefit obligation	-3.9%	3.9%

## Note 11. Management expenses

	<b>2019/20 £000</b>	<b>2018/19 £000</b>
Administrative costs	-4,763	-4,424
Investment management expenses	-6,698	-4,800
Oversight and Governance	-845	-782
<b>Total</b>	<b>-12,306</b>	<b>-10,006</b>

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 -£46.5k in respect of performance related fees paid (2018/19 -£87k). Statutory audit fee of -£40k (2018/19 -£37k) 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 -£22k (2018/19 -£17k) 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 costs for the 2019/20 reporting period are £106k (2018/19 £123k).

## Note 12. Investment expenses

	2019/20	2018/19
	£000	£000
Internal management costs	-3,423	-3,482
Transaction costs	-2,770	-724
Custody fees	-505	-594
<b>Total</b>	<b>-6,698</b>	<b>-4,800</b>

Investment expenses are included in within management expenses (note 11). 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.

## Note 13. Investment income

	2019/20	2018/19
	£000	£000
Income from bonds	48,549	50,467
Dividends from equities	382,045	357,247
Income from index-linked securities	3,683	3,482
Income from direct property	438	336
Income from pooled funds	26,435	24,462
Interest on cash deposits	3,134	2,591
<b>Total</b>	<b>464,284</b>	<b>438,585</b>

## Note 13a. Tax on income

	2019/20	2018/19
	£000	£000
Tax on dividends	-9,604	-8,236
HMRC receipt re GMP equalisation*	885	0
<b>Total</b>	<b>-8,719</b>	<b>-8,236</b>

\* GMP – Guaranteed minimum pension

## Note 14. Direct property holdings

	At 31 March 2020	At 31 March 2019
	£000	£000
Opening balance	-7,250	-7,250
<b>Additions</b>		
Net increase/ decrease in market value	-575	0
<b>Closing balance</b>	<b>-6,675</b>	<b>-7,250</b>



## Note 15. Investments

## Note 15a. Movement in the value of investments

<b>2019/20</b>	<b>Opening value at 1 April 2019 £000</b>	<b>Purchases cost £000</b>	<b>Sales proceeds £000</b>	<b>Change in market value £000</b>	<b>Closing value at 31 March 2020 £000</b>
Northern LGPS assets	261	33,031	0	-713	32,579
Bonds	1,512,233	535,266	-534,984	-125,327	1,387,188
Equities	10,415,004	836,634	-433,408	-1,318,715	9,499,515
Index linked securities	679,524	59,833	-54,480	51,242	736,119
Pooled funds	1,387,123	31,970	-97,447	-107,286	1,214,360
Direct property	7,250	0	0	-575	6,675
Cash Deposits	269,242	1,169,499	-1,188,432	4,316	254,625
Cash at bank re investments	25,261	21,581	0	0	46,842
Other investment debtors	48,560	5,358	0	0	53,918
Other investment creditors	-15,356	0	-35,883	0	-51,239
<b>Totals</b>	<b>14,329,102</b>	<b>2,693,172</b>	<b>-2,344,634</b>	<b>-1,497,058</b>	<b>13,180,582</b>

<b>2018/19</b>	<b>Opening value at 1 April 2018 £000</b>	<b>Purchases cost £000</b>	<b>Sales proceeds £000</b>	<b>Change in market value £000</b>	<b>Closing value at 31 March 2019 £000</b>
Northern LGPS assets	0	261	0	0	261
Bonds	1,374,768	271,683	-134,289	71	1,512,233
Equities	9,999,549	663,992	-690,909	442,372	10,415,004
Index linked securities	659,866	40,507	-43,981	23,132	679,524
Pooled funds	1,466,773	63,322	-152,507	9,535	1,387,123
Direct property	7,250	0	0	0	7,250
Cash deposits	263,630	1,356,343	-1,351,873	1,142	269,242
Cash balances	33,482	0	-8,221	0	25,261
Other investment debtors	42,528	6,032	0	0	48,560
Other investment creditors	-11,182	0	-4,174	0	-15,356
<b>Totals</b>	<b>13,836,664</b>	<b>2,402,140</b>	<b>-2,385,954</b>	<b>476,252</b>	<b>14,329,102</b>

The change in market value of investments during the year include 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 21.

## Note 15b. Investments analysis by security type

	At 31 March 2020 £000	At 31 March 2019 £000
<b>Northern LGPS assets</b>	<b>32,579</b>	<b>261</b>
<b>Bonds</b>		
Public sector quoted	926,917	1,015,340
Other quoted	460,271	494,734
Unquoted	0	2,159
	<b>1,387,188</b>	<b>1,512,233</b>
<b>Equities</b>		
Quoted	7,979,193	9,055,277
Unquoted	1,520,322	1,359,727
	<b>9,499,515</b>	<b>10,415,004</b>
<b>Index-linked securities</b>		
Quoted	<b>736,119</b>	<b>679,524</b>
<b>Pooled funds</b>		
Hedge funds quoted	284	648
Hedge funds unquoted	94,683	91,300
Property quoted	181,565	274,541
Property unquoted	427,860	356,494
Other quoted	483,793	629,635
Other unquoted	26,175	34,505
	<b>1,214,360</b>	<b>1,387,123</b>
<b>Direct property</b>	<b>6,675</b>	<b>7,250</b>
<b>Cash deposits</b>		
Cash deposits	254,625	269,242
Cash deposits in bank	46,842	25,261
	<b>301,467</b>	<b>294,503</b>
<b>Other investment assets</b>	<b>53,918</b>	<b>48,560</b>
<b>Other investment liabilities</b>	<b>-51,239</b>	<b>-15,356</b>
<b>Total</b>	<b>13,180,582</b>	<b>14,329,102</b>

The figures for year ending 31 March 2019 have been restated due to four assets moving from being classed as bonds to equities.

## Note 15c. Stock lending

	2019/20 £000	2018/19 £000
<b>Stock lending</b>		
Income – bonds	228	243
Income – UK equities	648	701
International equities	1,924	2,437
	<b>2,800</b>	<b>3,381</b>
Less – costs	-90	-102
<b>Total</b>	<b>2,710</b>	<b>3,279</b>

As at 31 March 2020, £0.89bn of stock was on loan to market makers (31 March 2019, £2.6bn) and this was covered by collateral totalling £0.96bn (31 March 2019 £2.7bn) which includes an appropriate margin. The collateral includes; Equities (£417 million), United Kingdom Gilts (£191million), US Equities (£141 million) and Government Debt (£56 million).

## Note 16. 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
Unquoted bonds	Level 2	Average of broker prices.	Evaluated price feeds	Not required
Pooled investment overseas 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
Pooled investments – hedge funds and unquoted 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 2019 to February 2020, 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.	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 <ul style="list-style-type: none"> <li>– Independent market research</li> <li>– Nature of tenancies</li> <li>– Estimated growth</li> <li>– Assumed vacancy levels</li> <li>– Estimated growth</li> <li>– Discount rate</li> </ul>	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 cashflows and by any differences between audited and unaudited accounts.

## Note 16a. 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 2019.

	Assessed valuation range (+/-)	31 March 2020 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	10%	94.9	104.4	85.4
Property funds	10%	427.8	470.6	385.0
Direct property	10%	6.7	7.4	6.0
Private equity inc NLGPS	15%	1,552.9	1,785.8	1,319.9
Other assets	10%	26.2	28.8	23.6
<b>Total</b>		<b>2,108.5</b>	<b>2,397.0</b>	<b>1,819.9</b>

“Other assets” these relate to assets which have been reclassified to level 3 assets from level 2.

	Assessed valuation range (+/-)	Value at 31- Mar-19 £m	Value on increase £m	Value on decrease £m
Pooled investments – hedge funds	10%	91.9	101.1	82.7
Property funds	10%	356.5	392.2	320.9
Direct property	10%	7.3	8.0	6.6
Private equity in NLGPS	15%	1359.7	1563.7	1155.8
<b>Total</b>		<b>1,815.4</b>	<b>2,065.0</b>	<b>1,566.0</b>

## 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 16b. Valuation hierarchy

<b>31 March 2020</b>	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value through profit and loss	10,113	655	2,101	12,869
Loans and receivables	410	-	-	410
<b>Total financial assets</b>	<b>10,523</b>	<b>655</b>	<b>2,101</b>	<b>13,279</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised	-72	0	0	-72
<b>Total financial liabilities</b>	<b>-72</b>	<b>0</b>	<b>0</b>	<b>-72</b>

<b>31 March 2019</b>	Level 1	Level 2	Level 3	Total
	£m	£m	£m	£m
<b>Financial assets</b>				
Financial assets at fair value	11,245	941	1,808	13,994
Loans and receivables	395	-	-	395
<b>Total financial assets</b>	<b>11,640</b>	<b>941</b>	<b>1,808</b>	<b>14,389</b>
<b>Financial liabilities</b>				
Financial liabilities at amortised	-33	0	0	-33
<b>Total financial liabilities</b>	<b>-33</b>	<b>0</b>	<b>0</b>	<b>-33</b>

## Reconciliation of fair value measurements within level 3

	Market value 1 April 2019	Adj to 01-Apr-19 assets L2 to L3	Purchases	Sales	Change in 2019/20 L2 to L3 assets	Change in market value	Market value 31-Mar-20
	£000	£000	£000	£000	£000	£000	£000
Pooled investments – hedge	91,948	0	0	-81	0	3,100	94,967
Property funds	356,494	0	5,733	-19,961	86,623	-1,029	427,860
Direct property	7,250	0	0	0	0	-575	6,675
Private equity inc NLGPS	1,359,727	0	269,532	-206,210	0	129,852	1,552,901
Other assets	0	34,505	0	0	0	-8,330	26,175
<b>Total</b>	<b>1,815,419</b>	<b>34,505</b>	<b>275,265</b>	<b>-226,252</b>	<b>86,623</b>	<b>123,018</b>	<b>2,108,578</b>

The opening balances in the table have been adjusted for investments with a value of £34,505k classified in level 2 of the fair value hierarchy at 31 March 2019 which should have been included in level 3 of the hierarchy. This adjustment is shown in “Adj to 01-Apr-19 assets L2 to L3” column above.

In addition, two investments with a total fair value of £86,623k were transferred from level 2 to level 3 due to a lack of observable inputs at 31 March 2020. This is due to:

- trading on one investment with a value of £33,332k being suspended in May 2019; and
- the suspension of monthly observable prices and redemptions of one investment with a value of £55,291k in March 2020 as a result of Covid-19.
- 

	Market value 1 April 2018	Purchases	Sales	Change in market value	Market value 31 March 2019
	£000	£000	£000	£000	£000
Pooled investments – hedge	127,562	0	-42,508	6,894	91,948
Property funds	308,524	58,391	-17,893	7,472	356,494
Direct property	7,250	0	0	0	7,250
Private equity inc NGLPS	1,141,946	292,612	-217,203	142,372	1,359,727
<b>Total</b>	<b>1,585,282</b>	<b>351,003</b>	<b>-277,604</b>	<b>156,738</b>	<b>1,815,419</b>



## Note 17. 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 2020. The table also includes Direct Property (non-financial instrument) for completeness.

At 31 March 2020	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
<b>Financial assets</b>				
Northern LGPS assets	32,579	0	0	32,579
Bonds	1,387,188	0	0	1,387,188
Equities	9,499,515	0	0	9,499,515
Index-linked securities	736,119	0	0	736,119
Pooled investment vehicles	1,214,360	0	0	1,214,360
Cash deposits	0	254,625	0	254,625
Cash at bank	0	46,842	0	46,842
Other investment balances	0	53,918	0	53,918
Debtors	0	54,197	0	54,197
<b>Total financial assets</b>	<b>12,869,761</b>	<b>409,582</b>	<b>0</b>	<b>13,279,343</b>
<b>Financial liabilities</b>				
Other investment balances	0	0	-51,239	-51,239
Creditors	0	0	-20,481	-20,481
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-71,720</b>	<b>-71,720</b>
<b>Total</b>	<b>12,869,761</b>	<b>409,582</b>	<b>-71,720</b>	<b>13,207,623</b>
<b>Non financial instruments</b>	<b>6,675</b>	<b>0</b>	<b>0</b>	<b>6,675</b>
<b>Total</b>	<b>12,876,436</b>	<b>409,582</b>	<b>-71,720</b>	<b>13,214,298</b>

At 31 March 2019	Fair value through profit or loss £000	Financial assets at amortised cost £000	Financial liabilities at amortised cost £000	Total financial instruments £000
<b>Financial assets</b>				
Northern LGPS assets	261	0	0	261
Bonds	1,512,233	0	0	1,512,233
Equities	10,515,004	0	0	10,415,004
Index-linked securities	679,524	0	0	679,524
Pooled investment vehicles	1,387,123	0	0	1,387,123
Cash deposits	0	269,242	0	269,242
Cash at bank	0	25,261	0	25,261
Other investment balances	0	48,560	0	48,560
Debtors	0	51,814	0	51,814
<b>Total financial assets</b>	<b>13,994,145</b>	<b>394,877</b>	<b>0</b>	<b>14,389,022</b>
<b>Financial liabilities</b>				
Other investment balances	0	0	-15,356	-15,356
Creditors	0	0	-17,875	-17,875
<b>Total financial liabilities</b>	<b>0</b>	<b>0</b>	<b>-33,231</b>	<b>-33,231</b>
<b>Total</b>	<b>13,994,145</b>	<b>394,877</b>	<b>-33,231</b>	<b>14,355,791</b>
<b>Non-financial instruments</b>	<b>7,250</b>	<b>0</b>	<b>0</b>	<b>7,250</b>
<b>Total</b>	<b>14,001,395</b>	<b>394,877</b>	<b>-33,231</b>	<b>14,363,041</b>

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

## Note 18. Current assets – debtors

	2019/20	2018/19
	£000	£000
Contributions due from employers	24,587	28,598
Other debtors	29,610	23,216
<b>Total</b>	<b>54,197</b>	<b>51,814</b>

## Note 19. Current liabilities – creditors

	2019/20	2018/19
	£000	£000
Unpaid benefits	-12,849	-8,762
Other current liabilities	-7,632	-9,113
<b>Total</b>	<b>-20,481</b>	<b>-17,875</b>

## Note 20. 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 2019/20, City of Bradford Metropolitan District Council charged West Yorkshire Pension Fund £444k in respect of support services provided (£451k in 2018/19). 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 this report. Contributions in respect of March 2020 payroll are included within the debtors figure in note 18.

### Members

The Metropolitan Councils of Bradford, Leeds, Kirklees, Wakefield and Calderdale appoint a number of members to the Investment Advisory Panel and the Joint Advisory Group. 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 West Yorkshire Pension Fund and the Chief Executive of Bradford Council. The combined compensation for these officers, attributable to West Yorkshire Pension Fund, is £128k (2018/19 £126k). 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 21. Nature and extent of risks arising from financial instruments

### Risk and risk management

The fund's primary long-term risk is that the fund's 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 [www.wypf.org.uk](http://www.wypf.org.uk)

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 advisors undertake appropriate monitoring of market conditions and benchmark analysis.

The fund's asset holdings are spread across more than 900 UK companies, and almost 996 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 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. Except for shares sold short, 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 2019/20 reporting period.

Asset type	2019/20 Potential market movement +/- (%pa)	2018/19 Potential market movement +/- (%pa)
UK corporate bonds	12.3	4.4
UK equities	18.8	6.8
UK public sector bonds	7.2	6.6
UK index-linked	3.6	8.0
UK properties	3.1	0.6
UK direct property	7.3	1.4
Overseas corporate bonds	9.3	8.8
Overseas equities	16.3	5.7
Overseas public sector bonds	9.3	8.8
Overseas index-linked	3.6	8.8
Overseas properties	3.1	1.4
Alternatives (universe)	5.2	0.6
Cash deposits	2.0	0.4
Cash at bank	0.01	0.4

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

Asset type	Value at 31 March 2020 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	362,039	12.3	406,570	317,508
UK equities	5,385,001	18.8	6,397,381	4,372,621
UK public sector bonds	672,778	7.2	721,218	624,338
UK index-linked	640,816	3.6	663,885	617,747
UK properties	522,465	3.1	538,661	506,269
UK direct property	6,675	7.3	7,162	6,188
Overseas corporate bonds	98,232	9.3	107,368	89,096
Overseas equities	4,147,093	16.3	4,823,069	3,471,117
Overseas public sector bonds	254,139	9.3	277,774	230,504
Overseas index-linked	95,303	3.6	98,734	91,872
Overseas properties	86,960	3.1	89,656	84,264
Alternatives (universe)	604,935	5.2	636,392	573,478
Cash deposits	254,625	2.0	259,718	249,533
Cash at bank	46,842	0.01	46,847	46,837
Other investment assets	53,918	0.0	53,918	53,918
Other investment liabilities	-51,239	0.0	-51,239	-51,239
<b>Total</b>	<b>13,180,582</b>		<b>15,077,114</b>	<b>11,284,051</b>

Asset type	Value at 31 March 2019 £000	Percentage change %	Value on increase £000	Value on decrease £000
UK corporate bonds	436,024	4.4	455,209	416,839
UK equities	5,895,902	6.8	6,296,823	5,494,981
UK public sector bonds	821,334	6.6	875,542	767,126
UK index-linked	609,200	8.0	657,936	560,464
UK properties	541,302	0.6	544,550	538,054
UK direct property	7,250	1.4	7,352	7,149
Overseas corporate bonds	60,869	8.8	66,225	55,513
Overseas equities	4,519,363	5.7	4,776,967	4,261,759
Overseas public sector bonds	194,006	8.8	211,079	176,933
Overseas index-linked	70,324	8.8	76,513	64,135
Overseas properties	89,733	1.4	90,989	88,477
Alternatives (universe)	756,088	0.6	760,625	751,551
Cash deposits	269,242	0.4	270,319	268,165
Cash at bank	25,261	0.4	25,362	25,160
Other investment assets	48,560	0.0	48,560	48,560
Other investment liabilities	-15,356	0.0	-15,356	-15,356
<b>Total</b>	<b>14,329,102</b>		<b>15,148,695</b>	<b>13,509,510</b>

### 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 advisors 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 2020 and 31 March 2019 is set out below. These disclosures present interest rate risk based on the underlying financial assets at fair value.

Asset type	31 March 2020 £000	31 March 2019 £000
Bonds	1,387,188	1,512,233
Cash deposits	254,625	269,242
Cash at bank	46,842	25,261
<b>Total</b>	<b>1,688,655</b>	<b>1,806,736</b>

### 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 at 31-Mar-20 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,387,188	1,401,060	1,373,316
Cash deposits	254,625	257,171	252,079
Cash balances	46,842	47,310	46,374
<b>Total</b>	<b>1,688,655</b>	<b>1,705,541</b>	<b>1,671,769</b>

Asset type	Value at 31-Mar-19 £000	Value on increase +100BPS £000	Value on decrease -100BPS £000
Bonds	1,512,233	1,527,355	1,497,111
Cash deposits	269,242	271,934	266,550
Cash at bank	25,261	25,514	25,008
<b>Total</b>	<b>1,806,736</b>	<b>1,824,803</b>	<b>1,788,669</b>

**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 2020 and 31 March 2019.

Currency exposure – asset type	Value at 31 March 2020 £000	Value at 31 March 2019 £000
Overseas corporate bonds quoted	352,371	254,874
Overseas equities quoted	4,134,950	4,518,887
Overseas equities unquoted	12,144	476
Overseas index linked securities	95,303	70,324
Overseas unit trusts	376,653	492,508
Overseas property funds	86,960	89,733
<b>Total overseas assets</b>	<b>5,058,381</b>	<b>5,426,802</b>

**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%, (2018/19 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 at 31 March 2020 £000	Value on increase £000	Value on decrease £000
Overseas corporate bonds quoted	352,371	373,513	331,229
Overseas equities quoted	4,134,950	4,383,046	3,886,853
Overseas equities unquoted	12,144	12,873	11,415
Overseas index linked securities	95,303	101,021	89,585
Overseas unit trusts	376,653	399,252	354,054
Overseas property funds	86,960	92,178	81,742
<b>Total overseas assets</b>	<b>5,058,381</b>	<b>5,361,883</b>	<b>4,754,878</b>

Asset type	Value at 31 March 2019 £000	Value on increase £000	Value on decrease £000
Overseas corporate bonds quoted	254,874	270,166	239,582
Overseas equities quoted	4,518,887	4,790,020	4,247,754
Overseas equities unquoted	476	505	447
Overseas index linked securities	70,324	74,543	66,105
Overseas unit trusts	492,508	522,058	462,958
Overseas property funds	89,733	95,117	84,349
<b>Total overseas assets</b>	<b>5,426,802</b>	<b>5,752,409</b>	<b>5,101,195</b>



## 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.

In essence the fund's entire investment portfolio is exposed to some form of credit risk. However, 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 15c.

## 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 22. Contractual commitments

At 31 March 2020 West Yorkshire Pension Fund had the following undrawn commitments.

Asset type	Investment value at 31 March 2020 £m	Undrawn commitments £m
Private equity	1,520	1,147
Property funds	609	70
<b>Total</b>	<b>2,129</b>	<b>1,217</b>

At 31 March 2019 West Yorkshire Pension Fund had the following undrawn commitments.

Asset type	Investment value at 31 March 2019 £m	Undrawn commitments £m
Private equity	1,360	788
Property funds	631	76
<b>Total</b>	<b>1,991</b>	<b>864</b>

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 23. Accounting developments

Accounting standards that have been issued before 1 January 2020 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:

- **IFRS 9 Financial Instruments:** the updated standard deals with concerns about how IFRS 9 classifies particular prepayable financial assets. In addition, the IASB clarified an aspect of the accounting for financial liabilities following a modification.
- **IAS 19 Employee Benefits:** the latest amendment harmonises accounting practices and provide more relevant information for decision-making. An entity applies the amendments to plan amendments, curtailments or settlements occurring on or after the beginning of the first annual reporting period that begins on or after 1 January 2019.
- **IFRIC 23 Uncertainty over income tax treatments:** provides additional guidance on income tax treatment where there is uncertainty.
- **IAS 28 Long-term interests in Associates and Joint Venture:** the latest amendment provide clarity that an entity applies IFRS 9 'Financial Instruments' to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture but to which the equity method is not applied.

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 24. 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 [www.wypf.org.uk](http://www.wypf.org.uk)

# 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

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<b>WYPF investments</b>	
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<b>Chief Investment Officer (Overseas)</b>	<b>Colin Standish</b> <b>Phone 01274 432748</b> <b>E-mail <a href="mailto:colin.standish@wypf.org.uk">colin.standish@wypf.org.uk</a></b>

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

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# 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.

## 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.

### 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 Earnings 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.

### 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.

### 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.

### 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](http://www.wypf.org.uk)

# Appendix D

## Pension Administration Strategy

## Contents

1. Regulatory framework and purpose
2. Review of the strategy
3. Liaison and communication
4. Employer duties and responsibilities
5. Payments and charges
6. Administering authority duties and responsibilities
7. Unsatisfactory performance
8. Appendices
  - a. Authorised contacts form
  - b. Schedule of charges
  - c. Charging levels



## 1. Regulatory framework and purpose

### 1.1 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) employers have been consulted on the strategy, and a copy has been sent to the secretary of state.

### 1.2 Purpose

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

## 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 a tri-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.

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

Employers are welcome to discuss any aspect of this strategy with WYPF 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 WYPF, completing forms and responding to queries,
- a **finance contact** for completion and submission of monthly postings and co-ordination of exception reports, and
- a **nominated payroll contact** who is the responsible third-party contact who can maintain a payroll authorised user list.

If they wish, employers may also nominate additional contacts via an employer authorised user list.

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 WYPF's user agreement for the secure administration facility.

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

### 3.2 Liaison and communication with employers

WYPF 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, WYPF 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	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
<i>Ad hoc</i> training	As and when required	Face-to-face
Update sessions	2 per year	Meeting
Annual meeting	1 per year	Meeting
Manuals/toolkits	Constant	Web/electronic document
<i>Pension Matters</i> and <i>Xtra</i>	12 per year and as and when required	E-mail
Social media	Constant	Web
<i>Ad hoc</i> meetings	As and when required	Face-to-face
Workshops	10 per year	Face-to-face

## 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

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
<b>Monthly postings (submitted via secure portal)</b>	Approved spreadsheet	None	19th day of the month following the month in which contributions were deducted	100% compliance of returns received in target
<b>New starters</b>	Monthly return		Notified via the monthly return, WYPF will process the data within 2 weeks following monthly return submission	90% compliance or better
<b>Change of hours, name, payroll number, or job title</b>	Monthly return (exception report)	Web form	Notified via monthly returns, WYPF will process the data within 2 weeks following monthly return submission  For exception report output from the monthly return, change data response must be provided to WYPF within 2 weeks of receipt of the exception report  If the employer is not using monthly return, then information is due within 6 weeks of change event	90% compliance or better

Event	Preferred method of notification	Other methods available	Target	Acceptable performance
<b>50/50 and main scheme elections</b>	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission	90% compliance or better
<b>Service breaks/absence</b>	Web form		Within 6 weeks of the date of the absence commencing	90% compliance or better
<b>Under 3 month opt-outs</b>	Monthly return		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission	90% compliance or better
<b>Leavers</b>	Monthly return  Web form Monthly returns (exception reports)		Notified by the employer via monthly return, WYPF will process the data within 2 weeks following monthly data submission, else within 6 weeks of leaving  For exception reports leaver forms must be provided to WYPF within 2 months of receipt of the exception report	90% compliance or better
<b>Retirement notifications</b>	Web form		10 days before the member is due to retire unless the reason for retirement is ill health or redundancy	90% compliance
<b>Death in service notifications</b>	Web form		Within 3 days of the date of notification	100% compliance

## 4.2 Responsibilities

Employers are responsible for ensuring that member and employer contributions are deducted at the correct rate, including any additional contributions.

WYPF 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 WYPF 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.

## 4.3 Discretionary powers

The employer is 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.

## 4.4 Member contribution bands

Employers are responsible for assessing and reassessing the contribution band that is allocated to a member. 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

Employing authorities will make all payments required under the LGPS regulations, and any related legislations, promptly to WYPF and /or its Additional voluntary contribution (AVC) providers (Prudential/Scottish Widows) 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, the latest date contributions can be paid is the 19th day of the month following the month in which the deductions were made. 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

The employer is reported to The Pensions Regulator where contributions are received late in accordance with the regulator's code of practice.

## 5.5 Payment method

Contributions (but not AVCs) should be paid to WYPF by BACS payment direct to WYPF's bank account.

## 5.6 Early retirement and augmentation costs

Employers have the option to pay the full early retirement cost or pay by instalments over 5 years, depending on their ability to pay. Interest is charged if the option to pay by instalments is taken, and the annual interest used Base Rate + 1%.

All augmentation cost must be paid in full in one payment.

### 5.7 Interest on late payment

In accordance with the LGPS regulations, interest will 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 sufficient 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 deficit payment if appropriate for each employer for the subsequent three years.

### 5.10 Administration charges

The cost of running WYPF is charged directly to the fund; the actuary takes these costs into account in assessing employers' contribution rates.

## 6. Administering authority duties and responsibilities

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

### 6.1 Scheme administration

WYPF will ensure that workshops 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
- Pre retirement courses
- New starters induction courses
- Complete guide to administration
- Your responsibilities
- Monthly contributions
- Ill Health retirement

### 6.2 Responsibilities

WYPF 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 LGPS
- 6.2.2 Create a member record for all new starters admitted to the LGPS
- 6.2.3 Collect and reconcile employer and employee contributions
- 6.2.4 Maintain and update members' records for any changes received by WYPF
- 6.2.5 At each actuarial valuation WYPF will forward the required data in respect of each member and provide statistical information over the valuation period to the fund actuary so that they can determine the assets and liabilities for each employer
- 6.2.6 Communicate the results of the actuarial valuation of the fund to each employer

- 6.2.7 Provide every active, deferred and pension credit member with a benefit statement each year
- 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

WYPF 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

WYPF will ensure the appropriate policies are formulated, reviewed and publicised in accordance with the scheme regulations.

### 6.5 Internal dispute resolution procedure (IDRP)

WYPF will deal with employer appeals at stage two of the IDRP.

WYPF will nominate an adjudicator to deal with appeals at stage one and stage two of the IDRP where the appeal is against a decision WYPF has made or is responsible for making.

## 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	90%
4. Calculate and action incoming transfer values	2 months	100%
5. Deferred benefits – payment of lump sums	3	85%
6. Provide details of deferred benefit entitlement	10	85%
7. Refund of contributions – notification of entitlement	5	85%
8. Refund of contributions – payment	5	85%
9. Action agreed transfers out on receipt of acceptance	10	85%
10. Provide estimate of retirement benefits	10	85%
11. Retirement benefits – payment of lump sum	3	85%
12. Retirement benefits – recalculation of pension/lump sum	10	85%
13. Calculation and payment death benefits on receipt of all necessary information	5	85%
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 entitlements to pensions for children over the age of 17		100%
23. Implement changes in pensioner circumstances for the next available pensioner payroll		100%

## 7. Unsatisfactory performance

### 7.1 Measuring performance

Both employer and WYPF targets will be measured on a quarterly basis using the Civica document management system. Employers will be notified of their performance level each quarter.



WYPF performance levels will be published on a quarterly basis in the employer newsletter. Overall employer and WYPF performance will be published by WYPF in the Report and Accounts.

### 7.2 Unsatisfactory performance

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

## Appendix a – Main contact registration and authorised user list

### Main contact registration form

 <b>West Yorkshire Pension Fund</b>	 <b>Lincolnshire Pension Fund</b>	main contact registration oct 2016
<h3>Main contact registration form</h3>		
<b>Employer name and location code</b>		
<b>Employer address</b>		
<b>Important:</b> please read the guidance note on <b>Managing your WYPF contacts</b> before you complete this form.		
<b>Strategic contact</b>		
Name	Address if different from above	
Job title		
Phone	Specimen signature	
Email		
<b>Administration contact</b>		
Name	Address if different from above	
Job title		
Phone	Specimen signature	
Email		
<b>Finance contact</b>		
Name	Address if different from above	
Job title		
Phone	Specimen signature	
Email		
<b>Contact at third-party payroll provider (if applicable and not listed above)</b>		
Name	Company name and address	
Job title		
Phone	Specimen signature	
Email		
<b>Date signatures valid from</b>	<b>Signed (by current authorised signatory)</b>	



### Authorised user list

authorised payroll user list oct 2016



West Yorkshire Pension Fund

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.

[illegible]

## 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), minimum half day charge of £110 + VAT + cost of recovery actions (court and legal fees). Any part or all of this charge may be waived at head of service discretion.
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 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 month, errors on return, i.e. employer/employee rate deducted incorrectly, exception reporting errors to be resolved within two months.	Due by 19th 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) at £136 + VAT a day. This may be waived at head of service discretion.
4. Change in member detail	If submitted via monthly data, WYPF will process data within 2 weeks following monthly data submission. For exception reports output from monthly returns, change data response must be provided to WYPF 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) at £96 + VAT a day. This may be waived at head of service discretion.
5. Early leavers information	If submitted via monthly data, WYPF 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) at £96 + VAT a day. This may be waived at head of service discretion.
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) at £136 + VAT a day. This may be waived at head of service discretion.
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) at £220 + VAT a day. This may be waived at head of service discretion.
8. AVC deducted from pay to be paid anytime but latest date by 19th 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) at £96 + VAT a day. This may be waived at head of service discretion.
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) at £96 + VAT a day. This may be waived at head of service discretion.

Performance areas	Reason for charge	Basis of charge
10. Authorised officers list not updated – Pension Liaison Officers, monthly contributions responsible officers	Costs of additional work resulting from employer's failure to notify WYPF of change in authorised officers list.	Failure to comply by employer, causing additional work for WYPF will result in admin charge (at Pensions Officer level I) at £96 + VAT a day. This may be waived at head of service discretion.
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) at £220 + VAT a day. This charge may be waived at head of service discretion.
12. Member requests estimate	The first estimate provided in each financial year is free, then subsequent estimates are chargeable.	1st request in each financial year is free. Additional request is charged at a notional charge of £50 + VAT is made. This charge is for each member's record folder reference.
13. Pension sharing order	For pension sharing order work, each party will be charged according to the instruction in the court order.	The charge is £250 + VAT for this work.
14. Miscellaneous items:	Where information is requested by	A notional charge of £50 + VAT will be levied. This charge is for each members record folder reference.
<ul style="list-style-type: none"> <li>• Benefit recalculation</li> <li>• Member file search and record prints</li> <li>• Supplementary information requests</li> </ul>	members that is in addition to routine information.	

## 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.

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 statutory guidance issued by CIPFA for this purpose; 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 FSS must be revised and published in accordance with Regulation 58 of the Local Government Pension Scheme Regulations 2013 (as amended), whenever there is a material change in either the policy on the matters set out in the FSS, or ISS.

- 1.2 Benefits payable under the Local Government Pension Scheme (LGPS) are guaranteed by statute and thereby the pension promise is secure. The FSS addresses the issue of managing the need to fund those benefits over the long term, whilst at the same time facilitating scrutiny and accountability through improved transparency and disclosure.
- 1.3 The LGPS is a defined benefit scheme under which the benefits are specified in the governing legislation, currently the Local Government Pension Scheme Regulations 2013 (as amended) ("the Regulations").
- 1.4 Employer contributions are determined in accordance with the Regulations which require that an actuarial valuation be completed every three years by the actuary, to include a rates and adjustments certificate. The primary rate of employers' contributions to the Fund should be set so as to "secure its solvency". The actuary must have regard to the desirability of maintaining as nearly constant a primary rate of employer contribution as possible in addition to the requirement to secure the solvency of the pension fund and the long term cost efficiency of the Scheme, so far as relating to the pension fund. The actuary must also have regard to the FSS in carrying out the valuation.

## 2. Purpose of Funding Strategy Statement (FSS)

- 2.1 Funding is the making of advance provision to meet the cost of accruing benefit promises. Decisions taken regarding the approach to funding will, therefore, determine the rate or pace at which this advance provision is made. Although the regulations specify the fundamental principles on which funding contributions should be assessed, the implementation of the funding strategy is the responsibility of the Administering Authority, acting on professional advice provided by the actuary.
- 2.2 The purpose of this FSS is to set out the processes by which the Administering Authority:
- 2.2.1 establishes a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met going forward;
- 2.2.2 supports the regulatory requirement that it is desirable to maintain as far as possible stable primary employer contribution rates;
- 2.2.3 ensures that the regulatory requirements to set contributions so as to ensure the solvency and long-term cost efficiency of the Fund are met;
- 2.2.4 takes a prudent longer-term view of funding the liabilities.
- 2.3 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;
- 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 FSSISS 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; and
- 4.2.14 enable the Local Pension Board to review the valuation process as set out in their terms of reference.
- 4.3 Each individual employer should:
  - 4.3.1 deduct contributions from employees' pay correctly;
  - 4.3.2 pay all ongoing contributions, including their own as determined by the actuary, and any additional contributions promptly by the due date;
  - 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; and
  - 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; and
  - 4.4.6 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 rate (for the secure scheduled bodies) has been 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 rate:
- 5.1.1 the long-term Solvency Target (i.e. the funding objective - where the Administering Authority wants the Fund to get to);
  - 5.1.2 the Trajectory Period (how quickly the Administering Authority wants the Fund to get there), and
  - 5.1.3 the Probability of Funding Success (how likely the Administering Authority wants it to be now that the Fund will actually achieve the Solvency Target by the end of the Trajectory Period).
- 5.2 These three choices, supported by complex (stochastic) risk modelling carried out by the Fund Actuary, define the discount rate (investment return assumption) to be adopted and, by extension, the appropriate employer contributions payable. Together they measure the riskiness (and hence also the degree of prudence) of the funding strategy. These are considered in more detail below.

### Solvency Target

- 5.3 The Administering Authority's primary aim is the long-term solvency of the Fund. Accordingly, employers' contributions will be set to ensure that 100% of the liabilities can be met over the long term using appropriate actuarial assumptions.
- 5.4 The Fund is deemed to be solvent when the assets held are equal to or greater than the value of the Fund's liabilities assessed using appropriate actuarial methods and assumptions. The Administering Authority believes that its funding strategy will ensure the solvency of the Fund because employers collectively have the financial capacity to increase employer contributions should future circumstances require, in order to continue to target a funding level of 100%.
- 5.5 For secure Scheduled Bodies and Admission Bodies where a Scheme Employer of sound covenant has agreed to subsume its assets and liabilities following cessation, 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)).

As at 31 March 2019 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.

As at 31 March 2019 the solvency discount rate is therefore of 4% p.a.

- 5.6 For Admission Bodies whose liabilities are expected to be orphaned following exit, a more prudent approach will be taken. The Solvency Target will be set by considering the valuation basis which would be adopted should the body leave the Fund. For most such bodies, the Solvency Target will be set commensurate with assumed investment in Government bonds after exit.
- 5.7 For scheduled bodies with no guarantee from local or central government and Admission Bodies where there is no subsumption commitment but which continue to admit new members to the Fund and are considered by the Administering Authority to be sufficiently financially secure, the Solvency Target will take into account the fact that the employer's exit is not expected to take place for a considerable period of time.

### 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.

With effect from 31 March 2019 the discount rate, and hence the overall required level of employer contributions, has been set such that the Fund Actuary estimates there is a 75% chance that the Fund would reach or exceed its Solvency Target after 25 years (the Trajectory Period).

## Funding Target

- 5.9 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). The key assumptions used for assessing the Funding Target at the 2019 Valuation are summarised in Appendix 1.
- 5.10 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.
- 5.11 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.

## Funding Targets and assumptions regarding future investment strategy

- 5.12 For Scheduled Bodies whose participation in the Fund is considered by the Administering Authority to be indefinite and Admission Bodies with a subsumption commitment from such Scheduled Bodies, the Administering Authority assumes indefinite investment in a broad range of assets of higher risk than risk free assets. This is known as the scheduled and subsumption body funding target.
- 5.13 For other Scheduled Bodies the Administering Authority may without limitation, take into account the following factors when setting the funding target for such bodies:
- 5.13.1 the type/group of the employer
  - 5.13.2 the business plans of the employer;
  - 5.13.3 an assessment of the financial covenant of the employer;
  - 5.13.4 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.

At the 2019 valuation by virtue of having taken account of some of the above factors, the Administering Authority has adopted a less risky (more prudent) funding target than the scheduled and subsumption body funding target for scheduled bodies in the HE/FE sector. This is the intermediate funding target and the precise target depends upon the employer's assessed level of risk.

- 5.14 For 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, the Administering Authority may assume continued investment in a broad range of assets of higher risk than risk free assets despite the approach taken on exit. This is known as the intermediate funding target and the precise target depends upon the employer's assessed level of risk. At the 2019 valuation this applies to admission bodies in the housing and HE/FE sectors.
- 5.15 For all other Admission Bodies whose liabilities are expected to be orphaned on exit the Administering Authority will have regards to the potential timing of such exit and any likely change in the notional or actual investment strategy as regards the assets held in respect of the body's liabilities at the date of exit. This is known as the (ongoing orphan admission bodies funding target. It is not the same as the exit basis.

- 5.16 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.

### Recovery Periods

- 5.17 Where a valuation reveals that the Fund is in surplus or deficit relative to the Funding Target, subject to any smoothing of contribution changes employers' contributions will be adjusted to target 100% funding over the Recovery Period. The Fund has a target of achieving the Funding Target 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.
- 5.18 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.
- 5.19 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:-
- 5.19.1 scheduled bodies whose participation is deemed to be indefinite, designating and open admission bodies with subsumption guarantees from such bodies - 22 years
  - 5.19.2 open admission bodies without a subsumption 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
  - 5.19.3 admission bodies with a fixed or known term of participation - remaining period of participation (including those with a subsumption commitment)
  - 5.19.4 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 )
- 5.20 In determining the Recovery Period to apply for any particular employer, the Administering Authority may take into account, without limitation, the following factors:
- 5.20.1 the type/group of the employer
  - 5.20.2 the size of the funding shortfall or surplus;
  - 5.20.3 the business plans of the employer;
  - 5.20.4 the assessment of the financial covenant of the employer;
  - 5.20.5 any contingent security available to the Fund or offered by the employer such as a guarantor or bond arrangements, charge over assets, etc.
  - 5.20.6 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

- 5.21 As part of each valuation separate employer contribution rates are assessed by the actuary for each participating employer or group of employers.

- 5.22 Employer contributions required to meet the cost of future accrual of benefits for members after the valuation date (the “primary contribution rate”) are assessed based on each employer or group of employers’ membership, funding target and appropriate funding methodology.
- 5.23 The primary rates may be reduced if the employer or group’s notional sharer of the Fund (its assets compared to its funding target) is calculated to be in surplus. Alternatively, additional employer contributions may be required to rectify a shortfall of assets below the funding target. These past service (“secondary”) contributions are assessed taking into account the experience and circumstances of each employer, following a principle of no cross-subsidy, between the various employers in the Fund, except in relation to death in service and (with effect from 1 April 2014) tier 1 and 2 ill health retirement experience where experience is shared across all employers. In attributing the overall investment performance achieved on the assets of the Fund to each employer a pro-rata principle has been adopted. From 1 March 2018 the investment performance will be allocated on a monthly basis via the unitisation process (applied retrospectively to 1 April 2016 in respect of any inter-valuation calculations where the employer asset value is taken from the output of the unitisation model).
- 5.24 The method and assumptions for assessing employer contributions at the 2019 Valuation are set out in Appendix 1.
- 5.25 The Administering Authority, following consultation with the participating employers, has adopted the following constraints for setting individual employer contribution rates:
- 5.25.1 a maximum Recovery Period of 22 years. Employers will have the freedom to adopt a recovery plan on the basis of a shorter period if they so wish where their notional share of the Fund is in deficit. A shorter period may be applied in respect of particular employers where the Administering Authority considers this to be warranted.
- 5.25.2 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.
- 5.25.3 on the exit of an employing authority’s participation in the Scheme, 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, or by the Fund as an exit credit respectively, unless it is agreed by the Administering Authority and the other parties involved that the assets and liabilities relating to the employer will transfer within the Scheme to another participating employer. Details of the approach to be adopted for such an assessment on exit are set out in the separate Policy on New Employers and Exit Valuations document at Appendix 2.
- 5.26 With regard to the funding for early retirement costs, all employers are required to make capital payments to the Fund to cover the costs of early retirements. This excludes the costs involved with deaths in service and ill health retirements which are built into the employer’s contribution rate. For deaths in service and tier 1 and tier 2 ill health retirements the experience will be spread across all employers.
- 5.27 Two key principles making up the funding strategy and to be adopted for the 2019 actuarial valuation are to:
- 5.27.1 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 2020 will be adopted where appropriate and required;
- 5.27.2 retain a maximum 22 year recovery period for meeting any deficit (or using up any surplus) as adopted at previous valuations.
- 5.28 It may not be possible to adopt the two principles outlined in paragraph 5.25 for some or all of the employers identified in paragraphs 5.19.2, 5.19.3 and 5.19.4, although wherever possible they will be applied. Individual decisions may have to be taken for each employer featuring in these three groups with regard to an appropriate recovery period 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.
- 5.29 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

- 5.30 contribution rates will remain stable as long as the requirement for contributions to be set so as to ensure the solvency and long-term cost efficiency of the Fund are still met. For other employers the Administering Authority will have regard to the potential for participation to cease, and require changes in contribution rates accordingly.

#### **Long-term cost efficiency**

- 5.31 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 ensures any surplus is not used up too quickly (through certifying contributions below the primary contribution rate)

#### **Smoothing of Contribution rates for admission bodies**

- 5.32 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.
- 5.33 Where the Administering Authority considers it necessary to relax the requirement that the contribution rate targets full funding temporarily, the Administering Authority will engage with the largest employers in the Fund with a view to seeking agreement to this approach.
- 5.34 The implication of this is that, where justified on affordability grounds, contribution rates for admission bodies subject to the ongoing orphan funding target may be relaxed i.e. set at a level lower than full funding would require. However, where deficit payments are being deferred, the bodies should be aware that, all things being equal, this will lead to a higher contribution requirement in future. It is expected, such bodies should pay contributions equal to the cost of benefits accruing for their members calculated on the ongoing funding target plus a contribution towards any shortfall. 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)**

- 5.35 In order to establish contribution rates for individual employers or groups of employers the Fund Actuary notionally subdivides the Fund assets between the employers, as if each employer had its own notional sub fund within the Fund.
- 5.36 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.
- 5.37 With effect from 1 April 2016 a unitised approach has been taken to track the notional employer sub-funds. The unitisation model will use the notional sub-funds as at 31 March 2016 (the date of the last actuarial valuation) as its starting point and allocates all Fund cashflows between employers on a monthly basis as agreed with the Administering Authority. The Administering Authority believes this results in a more accurate and transparent allocation of assets to employers and reduces the likelihood of unintended cross-subsidies between employers than other approaches. Further information on the model and how it operates is available on request.

#### **Former Participating Bodies**

- 5.38 Where an employer ceases to participate in the Fund, the Administering Authority will obtain an exit valuation from the actuary on the assumption that, unless a subsumption arrangement is in place, the assets will be assumed to be invested in low risk investments and this will be sufficient to meet the liabilities. 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. Further details of the Administering Authority's policy for exit valuations are set out in Appendix 2.
- 5.39 Liabilities in the Fund which are already orphaned will be assumed to be 100% funded on the appropriate funding target at each valuation. This will be achieved by notionally re-allocating assets within the Fund as required.

## 6. Link to investment policy set out in the Investment Strategy Statement (ISS)

- 6.1 In assessing the value of the Fund's liabilities in the valuation, allowance has been made for future investment returns, as described in Appendix 1, which takes into account the investment strategy adopted by the Fund, as set out in the ISS.
- 6.2 It is possible to construct a portfolio that represents a lower risk investment position and one which closely matches the liabilities should there be no employers to fund the liabilities in future. Such a portfolio would consist of a mixture of long-term index-linked and fixed interest gilts.
- 6.3 Investment of the Fund's assets in line with the least risk portfolio would minimise fluctuations in the value of the Fund's assets between successive actuarial valuations. However, if, at the valuation date, the Fund had been invested in this portfolio, then in carrying out the valuation it would not be appropriate to set the discount rate by considering the returns on growth assets such as equities. On this basis the discount rate would be lower, the assessed value of the Fund's liabilities valuation would be significantly higher, and the declared funding level would be correspondingly reduced
- 6.4 Departure from a least risk investment strategy, in particular to include a significant element of Equity investment, gives the prospect that out-performance by the assets will, over time, reduce the employers' contribution requirements. The funding target might in practice therefore be achieved by a range of combinations of funding plan, investment strategy and investment performance.
- 6.5 The Fund's current benchmark investment strategy, as set out in its ISS, is that the biggest proportion of the Fund's investments will be in Equities. This type of investment bias is intended to maximise growth in the value of assets over the long term. 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.

## 7. Identification of risks and counter-measures

- 7.1 Whilst the activity of managing the Fund exposes the Administering Authority to a wide range of risks, those most likely to impact on the funding strategy are investment risk, liability risk, liquidity/maturity risk, regulatory/compliance risk, employer risk and governance risk.

### Investment risk

- 7.2 This covers items such as the performance of financial markets and the Fund's (pool) investment managers, asset reallocation in volatile markets, leading to the risk of investments not performing (income) or increasing in value (growth) as forecast. Examples of specific risks would be:
  - 7.2.1 assets not delivering the required return (for whatever reason, including manager underperformance)
  - 7.2.2 systemic risk with the possibility of interlinked and simultaneous financial market volatility
  - 7.2.3 insufficient funds to meet liabilities as they fall due
  - 7.2.4 inadequate, inappropriate or incomplete investment and actuarial advice is taken and acted upon
  - 7.2.5 counterparty failure



- 7.3 The specific risks associated with assets and asset classes are:
- 7.3.1 equities – industry, country, size and stock risks
  - 7.3.2 fixed income - yield curve, credit risks, duration risks and market risks
  - 7.3.3 alternative assets – liquidity risks, property risk, alpha risk
  - 7.3.4 money market – credit risk and liquidity risk
  - 7.3.5 currency risk
  - 7.3.6 macroeconomic risks
- 7.4 The Fund mitigates these risks through diversification, investing in a wide variety of markets and assets, and through the use of specialist managers with differing mandates in addition to the internal investment management team, which has a wide variety of experience within its members.
- 7.5 The performance of both markets and managers is reviewed regularly by the Investment Advisory Panel, which has the appropriate skills and training required to undertake this task.

#### **Liability risk**

- 7.6 The main risks include discount rates, pay and price inflation, changing retirement patterns, mortality and other demographic risks.
- 7.7 The Administering Authority will ensure that the Fund Actuary investigates demographic experiences 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 of 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.
- 7.8 The Fund Actuary will also provide quarterly funding updates to assist the Administering Authority in its monitoring of the financial liability risks. The Administering Authority will, as far as practical, monitor changes in the age profile of the Fund membership early retirements, redundancies and ill health early retirements in the Fund, and, if any changes are considered to be material, ask the Fund Actuary to report on their effect on the funding position and employer contributions.
- 7.9 If significant liability changes become apparent between valuations, 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 the review 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.

## Liquidity and Maturity risk

- 7.10 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,
- 7.10.1 budget cuts and headcount reductions could reduce the active (contributing) membership and increase the number of pensioners through early retirements;
  - 7.10.2 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),
  - 7.10.3 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),
  - 7.10.4 scheme changes and lower member contributions, as provisionally agreed as part of the Scheme Advisory Board cost management process will lead to lower member contributions which may not be immediately matched by higher employer contributions ;
  - 7.10.5 an increase in the take up of the 50/50 option (whether on affordability grounds or to avoid tax charges) will reduce member contributions to the Fund.
- 7.11 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

- 7.12 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:
- 7.12.1 How Government will address the issues of GMP indexation and equalisation beyond expiry of the current interim solution from 6 April 2021
  - 7.12.2 The McCloud/Sargeant cases which ruled that the transitional protections implemented in the Firefighters' and Judges' Pension Schemes are illegal be age discrimination, and what that remedy might be in the LGPS in terms of its scope and form .
  - 7.12.3 The outcome of the cost management process and whether the agreement reached in relation to the Scheme Advisory Board (SAB) process for member contributions to be reduced and benefits enhanced to achieve an additional cost of 0.9% of pay
- 7.13 There are a number of consultations which have been issued in recent years, some of which represent proposed changes which were first raised a number of years ago, including a cap on exit payments by public sector employers, new Fair Deal arrangements and greater flexibility on employer exit from the LGPS. Some of these may affect funding and pose a risk to the Fund. The Government has also consulted on changes to the valuation cycle although the Administering Authority understands that the 2022 valuation is definitely going ahead as planned.

- 7.14 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**

- 7.15 These risks arise from the ever-changing mix of employers, from short-term and ceasing employers, and the potential for a shortfall in payments and/or orphaned liabilities.
- 7.16 The Administering Authority maintains a knowledge base on its employers, their basis of participation and their legal status (e.g., charities, companies limited by guarantee, group/subsidiary arrangements) and uses this information to inform the FSS. It has also developed a framework for analysing the risk posed by the larger Tier 3 employers and introduced additional funding targets at the 2019 valuation to reduce the risk of employers failing and exiting the Fund with a material shortfall 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 of the short term and Tier3 employers between triennial valuations where it believes this is appropriate.

#### **Governance risk**

- 7.17 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 participate. or an admission body closing the scheme to new entrants.
- 7.18 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.
- 7.19 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.
- 7.20 The Fund will monitor employers with a declining membership, and may introduce a more conservative funding strategy for such employers.

## Climate Change

- 7.21 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 Administering Authority and Investment Advisory Panel keeps the effect of climate change on future returns under review and will commission modelling or advice from the Funds Actuary on the potential effect on funding as required.

## 8. Monitoring and Review

- 8.1 The Administering Authority has taken advice from the Fund Actuary in preparing this Statement, and will consult with senior officials of all the Fund's participating employers.
- 8.2 A full review of this Statement will occur no less frequently than every three years, to coincide with completion of a full valuation. Any review will take account of the current economic conditions and will also reflect any legislative changes.
- 8.3 The Administering Authority will monitor the progress of the funding strategy between full actuarial valuations. If considered appropriate, the funding strategy will be reviewed (other than as part of the triennial valuation process), for example:
- 8.3.1 if there has been a significant change in market conditions, and/or deviation in the progress of the funding strategy.
  - 8.3.2 if there have been significant changes to the Scheme membership, or LGPS benefits.
  - 8.3.3 if there have been changes to the circumstances of any of the employing authorities to such an extent that they impact on or warrant a change in the funding strategy
  - 8.3.4 if there have been any significant special contributions paid into the Fund.

## APPENDIX 1

### Actuarial Valuation as at 31 March 2019

#### Method and assumptions used in calculating the funding target

The actuarial method to be used is the Projected Unit method, under which member benefits are projected to increase in line with the salary increases and revaluation of pension accounts (as appropriate) until that member is assumed to leave active service by death, retirement or withdrawal from service.

#### Principal assumptions

##### Investment return (discount rate)

The discount rates adopted vary according to the solvency target as set out in section 5.

For the 2019 valuation the discount rate is 4.35% p.a (the scheduled and subsumption body funding target), with the exception of:

Admission Bodies which will ultimately give rise to Orphan liabilities where the discount rate is 3.3% in service (equivalent to the yield on long-dated fixed interest gilts at a duration appropriate for the Fund's liabilities plus an asset out-performance assumption of 2.0%) and 1.6 % (left service), which is intended to be equivalent to the yield on long-dated fixed interest gilts at the valuation date but which has, in the interests of affordability and stability of employer contributions, been increased by 0.3 % in light of the market expectations of a future increase in gilt yields. This is the ongoing orphan admission body funding target.

Housing associations, universities and colleges, where a risk assessment has been carried out and the employer has been allocated to one of the intermediate funding targets.

##### Inflation (Retail Prices Index (RPI) and Consumer Prices Index (CPI) inflation)

The RPI inflation assumption is taken to be the Capital Market Assumption at the valuation date as produced by Aon Hewitt Limited. In formulating the Capital Market Assumption, both consensus forecasts and the inflation risk premium are considered.

The CPI inflation assumption at the valuation date is set as RPI inflation less 1.1%.p.a. The deduction has been set having regard to the estimated difference between RPI and CPI arising from the difference in the calculation approach between the two indices. This estimate (and hence the assumed difference between CPI and RPI) will vary from time to time.

##### Salary increases

The assumption for real salary increases (salary increases in excess of consumer price inflation) will be determined by an allowance of 1.25% p.a. over the consumer price inflation assumption as described above.

##### Pension increases

Increases to pensions are assumed to be in line with the inflation (CPI) assumption as determined above. This is modified appropriately to reflect any benefits which are not fully indexed in line with the CPI (e.g. Guaranteed Minimum Pensions in respect of service prior to April 1997).

## Post-retirement Mortality Base Rates

Normal Health: Standard SAPS S2N Normal Health tables, year of birth base rates, adjusted by a scaling factor as set based on Fund experience.

Ill-health: Standard SAPS S2 Ill-health tables, year of birth base rates adjusted by a scaling factor as set based on Fund experience..

## Future improvement to base rates

An allowance for improvements in line with CMI\_2018 for men or women as appropriate, with a long term rate of improvement of 1.50% p.a, sk of 7.5 and parameter A of 0.0.

## Other Demographic Assumptions

Allowance is made for withdrawals from service, death on service and retirements due to ill health.

## McCloud/Cost Cap

0.9% of pay has been added to employer contributions based on Fund-specific calculations carried out by the Fund Actuary. This figure has been calculated across the Fund as a whole on the scheduled and subsumption body funding target assuming the following remedy:

- Compensation will apply to members who joined before 1 April 2014 (see below)
- Benefits will be the better of those accrued in the 2014 Scheme or those accrued in the 2008 Scheme, backdated to 1 April 2014 (i.e. an 'underpin' approach).
- Compensation will apply to members who retire from active service with immediate pension benefits, through normal health or ill health retirement (this is because transitional protections only applied to member retiring from active service with immediate pension)
- The remedy will not apply to spouses' or dependants' benefits. This is because transitional protections only applied to members' benefits.

The cost is split 0.2% of pay in respect of past service and 0.7% of pay in respect of future service where the past service cost has been spread over a recovery period of 22 years.

## Method and assumptions used in calculating the cost of future accrual

The cost of future accrual (primary contribution rate) will be calculated using the same actuarial method and assumptions as used to calculate the funding target.

## Funding method

For most employers, the actuarial method to be used is the Projected Unit method with a one year control period. For employers who do not permit new employees to join the Fund, the actuarial method to be used is the Attained Age method. Under both funding methods member benefits are protected to increase in line with revaluation of pension accounts until that member is assumed to leave active service by death, retirement or withdrawal from service.

## Assumptions used in calculating contributions payable under the Recovery Plan

The contributions payable under the Recovery Plan are calculated using the same assumptions as those used to calculate the funding target

Summary of key whole Fund principal financial assumptions used for calculating funding target and cost of future accrual (the “primary contribution rate”) for the 2019 actuarial valuation

Discount rate (in service)	4.35% for Secure Scheduled bodies 4.1% Intermediate (low risk Scheduled Bodies)  3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)  3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)  3.3% Ongoing Orphan admission Bodies  Orphan Admission Bodies and Intermediate funding target (see paragraph 5.15)
Discount rate (left service)	4.35% Secure Scheduled Bodies 4.1% Intermediate (low risk Scheduled Bodies)  3.95% Intermediate (low risk Admission Bodies and medium risk Scheduled Bodies)  3.8% Intermediate (medium risk Admission Bodies and higher risk Scheduled Bodies)  1.6% Ongoing Orphan Admission Bodies
Rate of general pay increases	3.35%
Rate of price inflation (RPI)	3.2%
Rate of price inflation (CPI)	2.1 %
Rate of pension increases (on benefits in excess of GMPs)	2.1%
Rate of pension increases on post-88 GMPs	1.9%
Rate of deferred pension increases	2.1%
Rate of GMP increases in deferment	3.35%



## 1. Background

This Document explains the policies and procedures of the West Yorkshire Pension Fund (“the Fund”) in the treatment of employers including on commencement or admission, considerations in respect of the participation of existing Admission Bodies, and the methodology for assessment of an exit payment on exit of employers in the Fund, administered by City of Bradford Metropolitan District Council (“the Administering Authority”). 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 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.

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.

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

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.

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.

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.

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 orphan body funding target will generally be adopted, for the new admission to protect the Fund as set out in paragraph 5.6 of the Funding Strategy Statement and explained further below. In the extreme, the Administering Authority may exercise its discretion to refuse admission to the Scheme for any admission bodies with no subsumption commitment if this is considered appropriate to protect the interests of the Fund. However, for paragraph 1(d) admissions where the body undertakes to meet the requirements of the regulations the Administering Authority must admit the eligible employees of that body to the Fund.

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. Details are available on request.

### **Bonds, Indemnities and Guarantees**

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.

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.

Where, for any reason, it is not desirable for a 1(d)(i) admission body to enter into an indemnity or body 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.

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.

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.

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.

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.

### **Funding Target**

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

### **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 assume that the investments held in respect of those liabilities will be the same as those held for the rest of the liabilities of the accepting employer. Generally, if the subsuming employer is considered to be of sufficiently sound covenant and likely to participate in the Fund indefinitely, e.g. being one of the 5 main Councils, this will mean assuming continued investment in more risky investments than Government bonds.

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. 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.

### **Orphan liabilities**

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

The administering authority will seek to minimise the risk to other employers in the Fund that any deficiency arises on the orphan liabilities such that this creates a cost for those other employers to make good the deficiency. To give effect to this, the Administering Authority will seek funding from the outgoing employer sufficient to enable it to match the liabilities with low risk investments, generally Government bonds.

To the extent that the Administering Authority decides not to match these liabilities with Government bonds of appropriate term, the returns achieved on the Fund's assets will be allowed for when calculating the employer's notional assets for the purpose of the tracking of any future surplus or deficit in relation to the orphan liabilities.

The Administering Authority ensures that it has sufficient investment in Government bonds to cover the orphan liabilities and at each triennial valuation the Fund Actuary notionally allocates assets to ensure the orphan liabilities are met in full, where those liabilities are measured by reference to the yield on gilts

Ongoing calculations for employers subject to the orphan admission body funding target will be carried out using assumptions which are intended to broadly target the eventual exit position.

**Initial notional asset transfer**

When a new employer commences in the Fund, and members transfer from another employer in the Fund, a notional transfer of assets is needed from the original employer to the new employer.

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.

Another option for the initial notional asset transfer 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.

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.

Where the new employer will participate in a pool of employers, for example where a multi-academy trust has requested that its academies be treated as a single employer, the notional asset transfer would be to the relevant pool of employers.

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. However, for new employers joining after 31 March 2019 it may be necessary for the asset transfer to be revisited once the current uncertainties relating to the benefit structure of the LGPS from 1 April 2019 (see paragraph 7.12 above) are resolved.

**Employer Contribution Rate****Initial Rate**

When a new employer joins the Fund, the Fund's Actuary determines the initial employer contribution rate payable.

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.

When a new academy joins a multi-academy trust where a single contribution rate applies, it will pay a minimum of the employer's contribution rate applicable to the Trust until the next triennial Actuarial Valuation at which time the contributions for the Trust will be reviewed. The Trust may elect to increase the contributions for all employers in the Trust before the next triennial Actuarial Valuation where the addition of a new academy is likely to lead to an increase as advised by the Fund's actuary. In other cases, the Fund's actuary will calculate an individual contribution rate for the new employer to be paid from commencement.

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.

### **Review of Employer Contribution Rates**

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.

The employer contributions payable by employers may also be reviewed outside of the triennial Actuarial Valuations where there has been a material change of circumstances, such as the basis of admission changing from open to closed or where it otherwise appears likely that the admission body may exit from the Fund, as permitted by Regulation 64(4).

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.

## **3. Cessation of participation**

Where an employing authority ceases participation, whether by ceasing to be a Scheme employer (including ceasing to be an admission body participating in the Fund), or having no active members contributing to the Fund, a cessation 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.



The assumptions adopted to value the departing employer's liabilities for the exit valuation 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 anticipate investment in low risk investments such as Government bonds. 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.

For subsumed liabilities the exit valuation will generally anticipate continued investment in assets similar to those held in respect of the subsuming employer's liabilities, i.e. if the outgoing employer has a subsumption commitment from another employer in the Fund, the Administering Authority's policy is that the starting point for assessing the liabilities on exit is the ongoing funding target appropriate to the subsuming body. However In determining the approach to adopt on exit the Administering Authority will also have regard to factors, including but not limited to

- The degree of funding risk attributable to the outgoing employer during its participation in the Fund ;
- The contributions paid by the outgoing employer to the Fund during its participation and:
- The circumstance in which the subsumption commitment was granted and any conditions attaching to that commitment.

And will then determine, on the advice of the Fund Actuary, the appropriate funding target to be adopted on exit when assets and liabilities are being subsumed.

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 and 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.

For exits on or after 1 April 2019 the Actuary will add 1% to the value of the exiting employer's liabilities as a prudent margin given the possibility of additional liabilities arising due to the McCloud/Sargeant case and GMP indexation and equalisation. However, the Administering Authority will not seek to recalculate the exit liabilities for exits on or after 1 April 2019 where the exit deficit (or credit) has already been paid as at the date this Statement comes into effect.

In determining this margin for prudence the Administering Authority has had regard to guidance prepared by the SAB<sup>1</sup> and the advice of the Fund Actuary. It will be kept under regular review as further information on the McCloud/Sargeant case becomes available.

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.

However, where agreed between the parties the deficit 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. Where the guarantee only covers the exit deficit, it is assumed that the departing employer's liabilities will still become orphaned within the Fund.

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.

Any deficit would normally be levied on the departing employer as a single capital payment although, under exceptional circumstances, the Administering Authority may, at its sole discretion, allow phased payments as long as this is permitted under the Regulations (currently Regulation 64).

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.

#### **Exit Credits**

Where an exit valuation discloses that there is a surplus in the Fund in respect of the exiting employer, and this surplus is due to be paid to the exiting employers, the Administering Authority will, unless otherwise agreed with the employer, pay the exit credit to the employer within 3 months of the later of the exit date and the date when the employer has provided all the necessary information required by the Administering Authority to enable the Fund Actuary to calculate the final liabilities on exit.

In relation to employers exiting on or after 14 May 2018, where there is an agreement between the departing employer and its subsuming body that a condition of the subsumption commitment is there is no return of surplus to the departing employer on exit, and the Administering Authority is provided with written instruction to this effect, all of the former employer's assets and liabilities in the Fund will be transferred to the subsuming body, without an exit credit being paid to the departing employer. In the absence of satisfactory evidence of such an arrangement being in place, the administering authority will pay any exit credit to the departing employer as required by the Regulations.

#### **Multi-academy trusts**

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. The Administering Authority may direct the Fund Actuary to take this failure into account and adjust the contributions payable by the remaining employers within the MAT at the next triennial Actuarial Valuation. The Administering Authority may also 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 MAY) are aware to the extent of these liabilities.

Where employers within a MAT are individual scheme employers for the purpose of the Regulations, and an academy within the MAT leaves or fails, an exit valuation will be carried out as at the date of exit. Where there is no successor body and the Department for Education guarantee does not make good any shortfall 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.

Where 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 assets and liabilities in these circumstances is to ensure that both the former and new MAT are aware of the value of the assets and 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.

### **Suspension notices**

Regulation 642A 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.

## **4. Responsibilities of employers in the Fund**

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

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.

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
- 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 6<sup>th</sup> 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

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 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

- 1.3 The Governance and Audit Committee shall comprise five members. Either 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

The quorum of the committee shall be three members.

### Roles and functions

- 1.4 The functions of the committee affecting West Yorkshire Pension Fund are to:
  - 1.4.1 approve the statement of accounts and related documents in accordance with the Accounts and Audit Regulations 2015
  - 1.4.2 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
  - 1.4.3 consider the effectiveness of the risk management arrangements, control environment and associated anti-fraud and anti-corruption arrangements
  - 1.4.4 seek assurance that action is being taken on risk related issues determined by auditors and inspectors
  - 1.4.5 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
  - 1.4.6 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
  - 1.4.7 review summary internal audit reports and the main issues arising and seek assurance that action has been taken where necessary, and
  - 1.4.8 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

- 1.5 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.
- 1.6 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 – WYPF 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.
- 1.7 All representatives on the panel have equal voting rights.
- 1.8 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.
- 1.9 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.
- 1.10 The panel has overall responsibility for overseeing and monitoring the management of WYPF's investment portfolio and investment activity.
- 1.11 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.
- 1.12 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.
- 1.13 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.
- 1.14 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.
- 1.15 The external investment advisers on the panel will be able to guide other members of the panel in their investment adjudication.
- 1.16 In the event of conflict of opinion arising at Panel meetings relating to any investment proposal, the proposal will be put to the vote.
- 1.17 The quorum of the Investment Advisory Panel shall be four councillor representatives who represent not less than three constituent Councils, the Director – WYPF or his/her nominee, and one external investment adviser.
- 1.18 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

- 1.19 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.
- 1.20 There is no set pattern for meetings of the group, and the group will meet on such days as they may determine.



- 1.21 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.
- 1.22 The group has overall responsibility for overseeing and monitoring WYPF's pension 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.
- 1.23 The quorum of the Joint Advisory Group shall be five councillor representatives who represent not less than four constituent councils.
- 1.24 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

- 1.25 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.
- 1.26 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.
- 1.27 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).
- 1.28 The board will meet twice a year on such dates as they determine.
- 1.29 The quorum of the board shall be three (chair plus one employer representative and one member representative).

## 6. Annual meetings

- 1.30 Each year, usually in October, WYPF holds an employer annual meeting and a separate scheme member annual meeting.
- 1.31 At each annual meeting a keynote address is given by a guest speaker on a related pensions topic. The Director – WYPF 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

- 1.32 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.
- 1.33 All members are provided with details of upcoming conferences/seminars/briefings that are of relevance to their work and members can opt to attend any that they feel will be of benefit to them.
- 1.34 No member or representative on the Investment Advisory Panel, Joint Advisory Group or WYPF Pension Board shall be remunerated for undertaking this role. However expenses incurred in the attending meetings, training events will be reimbursed. The cost is met by the fund.
- 1.35 The trade unions and active member representatives on the Investment Advisory Panel, Joint Advisory Board and WYPF 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

- 1.36 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 complete a 'conflict of interest' form.

# Appendix G

## Communications Policy

# Communications Policy 2019/20

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) and Hounslow Pension Fund (HPF) entered into a collaboration agreement for shared service from April 2015. 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 700 employers and has 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 2019 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.

## Key objectives

- Communicate the scheme regulations and procedures in a clear and easy to understand style
- 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 up to date and timely information to stakeholders
- Engage with our stakeholders face-to-face when possible

## Evaluation and continuous development

To ensure we are meeting the expectations of our stakeholders and to evaluate the effectiveness of our communications we will use the following methods:

- feedback questionnaires
- monitoring compliments and complaints, and
- customer surveys.

To ensure continuous development we plan to:

- continue to increase the number of registered users for MyPension.
- broaden our use of digital platforms to engage stakeholders
- improve the web provision for firefighters, and
- increase the information we give to employing authorities when they join the scheme or change main contacts.

## Communications events 2019/20 – Local Government Pension Scheme (LGPS)

Communication	Format	Frequency	Method of distribution
<b>LGPS active members (including representatives of active members and prospective members)</b>	Newsletter	2/3 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Member fact card	On request/constant	Print/web
	Member fact sheets	On request/constant	Print/web
	Introduction to WYPF	On employer request	Presentation
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/dropins	On employer request	Face-to-face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/ phone/e-mail
	Scheme booklet	Constant	Web
	New member pack	On joining	Mail
	Social media	Constant	Web
<b>LGPS deferred members (including representatives of deferred members)</b>	Newsletter	1 per year	Mail
	Annual benefit statement	1 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web
<b>LGPS pensioner members (including representatives of retired members)</b>	Newsletter	2 per year	Mail
	Annual meeting	1 per year	Meeting
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phonee-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail
	Social media	Constant	Web

## Communications events 2019/20– firefighters

Communication	Format	Frequency	Method of distribution
<b>Firefighter active members (including representatives of active members and prospective members)</b>	Newsletter	At least 1 per year	Mail
	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Introduction to WYPF	On employer request	Presentation

Communication	Format	Frequency	Method of distribution
	Your pension explained	On employer request	Presentation
	Pre-retirement	On employer request	Presentation
	Pension surgeries/drop-ins	On employer request	Face to face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Scheme booklet	Constant	Web
<b>Firefighter deferred members (including representatives of deferred members)</b>	Annual benefit statement	1 per year	Mail
	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
<b>Firefighter – pensioner members (including representatives of pensioner members)</b>	www.wypf.org.uk	Constant	Web
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Pension advice	As and when net pension varies by 25p or more	Mail
	P60	1 per year	Mail

## Communications events 2019/20 – councillors

Communication	Format	Frequency	Method of distribution
<b>Councillor members (including representatives of members)</b>	Newsletter	1 per year	Mail
	Annual meeting	1 per year	Meeting
	Annual Benefit Statement	1 per year	E-mail
	www.wypf.org.uk	Constant	Web
	Ad hoc meetings	When required	Meeting/face-to-face
	Contact centre	8.45 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Social media	Constant	Web

## Communications events 2019/20 – employing authorities

Communication	Format	Frequency	Method of distribution
<b>Employing authorities</b>	Pension Fund Representatives	8.30 to 4.30 Monday to Friday	Face-to-face/phone/e-mail
	Website	Constant	Web
	Fact card	1 per year	Mail
	Fact sheets	Constant	Web
	Employer guide	Constant	Web/electronic document
	Ad hoc training	When required	Face-to-face
	Update sessions	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 e-mail
	Social media	Constant	Web
	Ad hoc meetings	When required	Face-to-face

Communication	Format	Frequency	Method of distribution
	Workshops	10 per year	Face-to-face

## Member contacts

### Contact centre

**Phone** (01274) 434999

**Email** [wypf@bradford.gov.uk](mailto:wypf@bradford.gov.uk)

### Postal address

WYPF

PO Box 67

Bradford

BD1 1UP

## Employer contacts

**Stuart Duncombe** (Team Manager – Business Relations) 01274 432763

### Pension Fund Representatives

**David Parrington** 01274 433840

**Sheryl Clapham** 01274 432541

**Lisa Darvill** 01274 432540

**Kaele Pilcher** 01274 432739

**Anisa Patel** 01274 437588

### WYPF Management

**Rodney Barton** Director – WYPF

**Yunus Gajra** Business Development Manager

**Grace Kitchen** Service Centre Group Manager

**Ola Ajala** Financial Controller

**Caroline Blackburn** Technical and Development Manager



# 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. West Yorkshire Pension Fund will hold 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 a 35% limit. 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 2016/17 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.

	Range %
<b>Bonds – total</b>	<b>14–20</b>
UK Fixed-interest gilts	2–8
UK Index-linked gilts	2–8
Corporate bonds	1–7
Global bonds	1–5
<b>Equities – total</b>	<b>57.5–72.5</b>
UK equities	30–40
Overseas equities	25–40
<b>Property</b>	<b>3–7</b>
<b>Private equity</b>	<b>3–7</b>
<b>Private infrastructure</b>	<b>2–6</b>
<b>Hedge funds</b>	<b>0–4</b>
<b>Listed alternatives UK</b>	<b>0–4</b>
<b>Listed alternatives overseas</b>	<b>0–2</b>
<b>Cash</b>	<b>0–5</b>

## 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 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

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.
  - Implementation of 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 Pool will externally procure the following services.
  - External fund management for certain mandates
  - Common custodian for the Pool (plus depositaries and 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 to and present directly to 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 HSBC for transactions on terms agreed with HSBC under the contract for banking and custody services.

## 9. Environmental, social and corporate governance policy

- 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 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. 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. 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. 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, 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 that provides 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 Funds. 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; 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

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

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

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

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

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. Transparency and reporting

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.

# 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 conflict 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.
- 3.5 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.

3.6 In accepting any role covered by this policy, those individuals agree that they must:

- 3.6.1 acknowledge any potential conflict of interest they may have
- 3.6.2 be open with the administering authority on any conflicts of interest they may have
- 3.6.3 adopt practical solutions to managing those conflicts, and
- 3.6.4 plan ahead and agree with the Administering Authority how they will manage any conflicts of interest which arise in future.

3.7 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

- 8.4.1 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

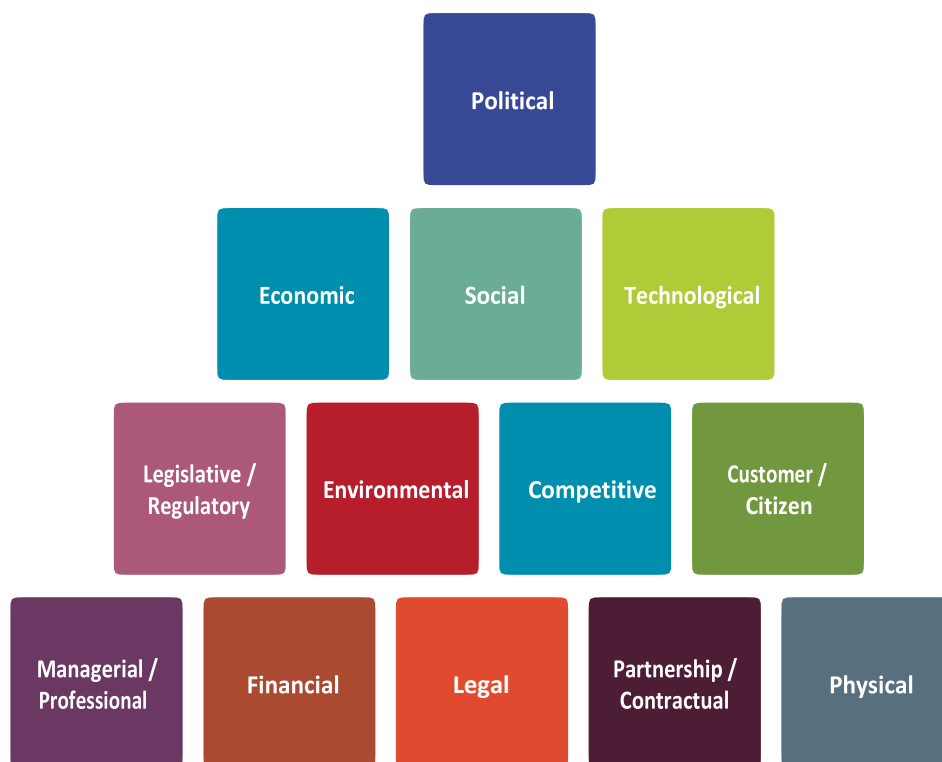
WYPF's Risk Management Plan establishes the process for implementing proactive risk management as part of the overall management of the pension fund. The purpose of risk management is to identify potential problems before they occur, so that risk handling activities may be planned and invoked as needed 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 has identified risks which have been rated and plotted on a matrix and a risk tolerance line agreed in order 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 requires risk identification. This has been achieved through discussion with senior managers and covers 13 categories of risk as shown below.



## Identified risks

Scenario	Short name
<b>Economic</b>	
1	Demographic changes
2	Valuation continues to register a deficit in the pension fund
3	Governance (Strategic)
4	Reduction in proportion of active members
46	Admissions and Guarantors
51	Obtaining ISAE 3402 reports
61	Employer no longer able to meet its liabilities to the fund
<b>Political</b>	
3	Governance (Strategic)
5	Service has a good, well respected status among members – this could change
6	Council elections could bring about a change in change of Investment Panel and JAG members
7	Bradford initiatives
8	Central Government regionalisation agenda
9	Central Government Pensions policy
40	Governance (Operational)
45	Industrial Action
55	Impact of Central Government Budget cuts
<b>Technological</b>	
10	Improved Pensions and Investments systems are not developed and adopted
12	Lack of information sharing with employers
13	Disaster Recovery
15	Current software providers pulls out of the market or are taken over.
16	Internal Fraud
17	Loss of ICT staff
44	Payroll failure
47	Loss of sensitive/personal data
50	Unauthorised access to personal/sensitive data
62	Cyber crime
<b>Legislative/Regulatory</b>	
19	Lots of legislative/regulatory change with no resource given to implement
35	Administration of the LGPS
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, security and Custodial (GSC) + Banking Contract
63	Compliance with requirements of GDPR
<b>Managerial/Professional</b>	
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
49	Key staff on long term absence
<b>Finance</b>	
24	Finance aren't always involved in other sections' decision making processes



Scenario	Short name
31(a)	External fraud – Life Certificates
31(b)	External fraud – Returned payments/payslips
31(c)	External fraud – Children in full time education
36	Maximise Council surplus balances
40	Governance (Operational)
41	Pressure on General Fund
42	Admin costs
48	Prompt payment of pension
Physical	–
Competitive	
27	Lack of PIs and overall performance management framework
Customer / Citizen	
43	Customer Satisfaction
Social	
4	Reduction in proportion of active members
Partnership / Contractual	
53	Shared Service with the fire authorities of South Yorkshire, Humberside, West Yorkshire, North Yorkshire, Lincolnshire, Royal Berkshire, Buckinghamshire & Milton Keynes, Devon & Somerset, Dorset & Wiltshire, Hereford & Worcester, Norfolk, Staffordshire, Tyne and Wear and Northumberland.
57	Lincolnshire Pension Fund and Hounslow Pension Fund Shared Services

## 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.

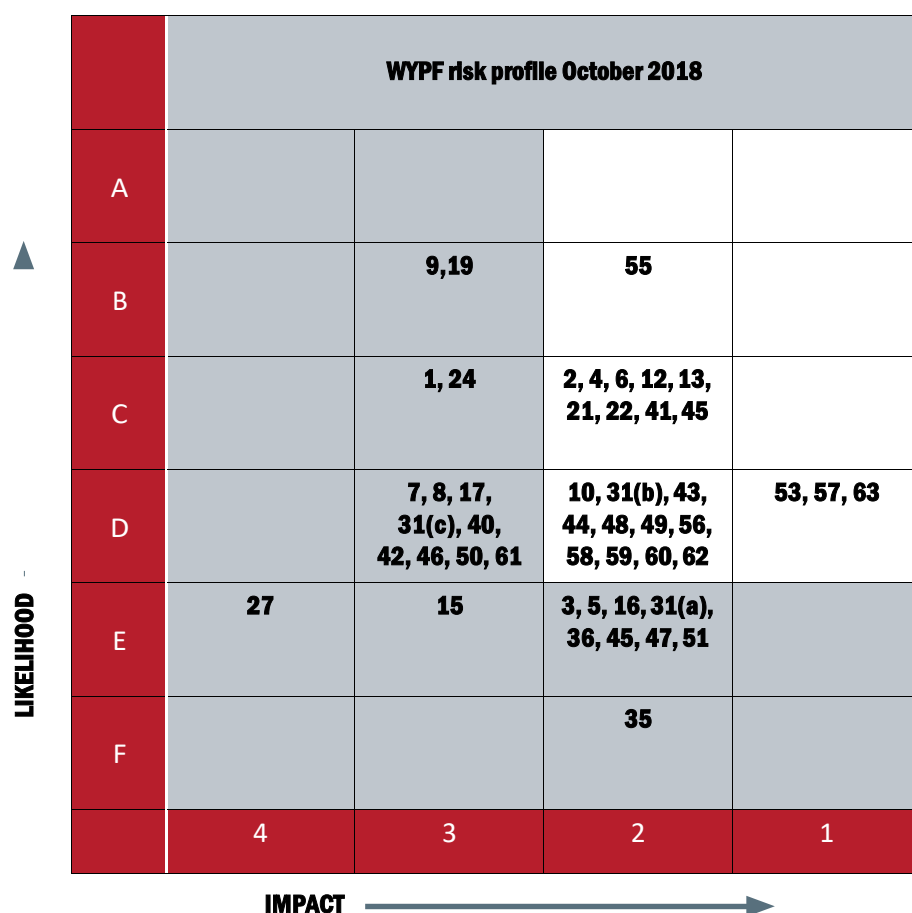
The top risks facing WYPF are identified as:

Scenario	Short name
2	Valuation continues to register a deficit in the pension fund
4	Reduction in proportion of active members
6	Council elections could lead to change in Investment Panel and JAG members
10	Improved Pensions and Investments systems are not developed
12	Lack of information sharing with employers
13	Disaster recovery
21	Greater level of support expected by district councils than other employers
22	Recruitment and retention of experienced staff
31(b)	External fraud – Returned payments/payslips
41	Pressure on General Fund
43	Customer Satisfaction
44	Payroll failure
45	Industrial Action
48	Prompt payment of pension
49	Key staff on long term absence
50	Access to sensitive/personal data
52	Relocation to new offices

Scenario	Short name
54	Introduction of LGPS 2014
55	Impact of Central Government Budget cuts
56	Introduction of monthly contribution returns
57	Lincolnshire Pension Fund and London Borough of Hounslow Shared Service
58	Investment Pooling
59	Northern Pool custodial contract
60	HSBC Global, Security and custodial (GSC) + banking Contract
62	Cyber crime
63	Compliance with requirements of GDPR

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

As part of a regular review, 45 risks have been identified and framed into scenarios. The risks identified have been rated, 22 of these above their acceptable tolerance level, 23 below the tolerance line. The results are shown on the following risk profile.



## Likelihood

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

## Impact

- 1 Catastrophic
- 2 Critical
- 3 Marginal
- 4 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.

MAPs were then agreed for those risks above the tolerance line and are specified below.

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 & KPIs	Review frequency	Key dates	Opportunity
2	C2	<p>Fund is in deficit therefore employer contributions to rise / employers default on their liabilities.</p> <p>Triennial Valuation undertaken on the fund using a range of Financial assumption as agreed with the Fund Actuary.</p> <p>If the financial assumptions are not borne out in practice, because of a range of reasons not least:</p> <ul style="list-style-type: none"> <li>• Falls in expected investment returns</li> <li>• Fall in markets values</li> <li>• Rising inflation</li> <li>• members living longer</li> <li>• the funding position of the fund could deteriorate</li> </ul>	<p>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</p> <p>Due to potentially decreasing payroll deficit amounts are set as monetary amounts at the valuation</p> <p>Recovery period for deficit amounts assessed at each valuation to eliminate deficit within 22 years</p> <p>Monitoring of closed employers</p> <p>Quarterly funding updates provided by fund actuary</p>	<p>Deteriorating funding positions could result in Increased employers deficit contributions to eliminate deficit</p> <p>Growth is built into the medium financial plan, stepped increases for low to medium risk employers as per the FSS</p>	<p>Director – WYPF</p> <p>JAG</p>	<p>Funding position to remain within 90 to 110%</p>	<p>Triennial</p>	<p>Every three years from 31 March 2016</p>	

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 & KPIs	Review frequency	Key dates	Opportunity
4	C2	Reduction in proportion of active members	Publicise the scheme and the benefits of membership in regular newsletters, website, ABS's, annual meetings. Introduction of Auto Enrolment will increase membership.	Fund becomes more mature due to ageing and reduction in active members by outsourcing. Client base nationwide – employers 400+ including 5 district councils.	Yunus Gajra	<ul style="list-style-type: none"> <li>Fund stop showing net inflows of cash</li> <li>Investment strategy no longer consistent with maturity profile</li> <li>FSS and Iss become out of date</li> </ul> Less time to make up any deficits so more unstable contribution rates	Annually	Ongoing	Increase membership by publicising the scheme and the benefits of membership in regular newsletters, website, ABSs, annual meetings.
6	C2	Council elections could bring about a change to Investment Panel, JAG and Pension Board members	Training plans for new members to be drawn up. Seek views from district councils to nominate members for 3 years to ensure consistency	Establish working relationships with the constituent Members as soon as possible. Be prepared to provide relevant training to political groups.	Rodney Barton	Member satisfaction Continuing support for officers	Panel and JAG meetings		Establish a standard training plan for new members
10	D2	Civica 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 usergroup LGPSgroup Payroll user-group	Ensure regular attendance and report back from the User Groups/Meetings as necessary.  Assessment of Current State sub project is intended to ensure benefits are realised.	Yunus Gajra Hafiz Rahman	Improved systems, costs savings, better reporting, employer internet, member internet facilities available.  Develop product that meets WYPF requirements	Quarterly	Ongoing	Regular market testing to see if better systems on the market
12	C2	Too much information is supplied by employers on paper medium	Enhancements to UPM2 are continuing.	Develop employers web site  Introduction of Monthly returns.	Yunus Gajra/ Ola Ajala	Increase in electronic medium of info sharing Improvements in KPIs 1, 4a, 4b, 6 and 8	Annual	Ongoing	Develop Employers' website to use that as the main medium for communication.
13	C2	Disaster recovery	Disaster recovery plan in place with Bradford Council for pensions and investments systems.	Recent disaster recovery test highlighted problems concerning Bradford network. Further investigation required.  Resilience of internal hardware is being improved.	Hafiz Rahman	Full disaster recovery plan in place	Annual	Ongoing	

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates	Opportunity
21	C2	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	Yunus Gajra	Reduce the number of non standard requests	Monthly	Ongoing	
22	C2	Recruitment and retention of experienced staff in pensions administration	Career grades in place for majority of staff to encourage professional training. Training Plans in place for all staff. Regular review of structure.	Monitor salaries in both public and private sector. Increase flexible working to retain staff	Man Rev	Motivated and responsive staff Minimal staff turn over No breaches of time limits or maladministration issues	6 monthly	Ongoing	Carry out a periodic review of salaries and grades
31 (b)	D2	External Fraud Participation in NFI. Life Certificates to high risk pensioners annually. Life certificates to low risk categories sent out every 7 years as a minimum. Returned payments or pay advices, records are immediately suspended. Close working relationship with Internal Audit.	Generally adequate but any future opportunities will be investigated	Increased communications with pensioners to ensure contact with members is maintained. Participation in NFI every 2 years, use of death screen facility to track deaths	Grace Kitchen	No cases of fraud or earlier discovery Establish tighter controls in system for production of data for NFI exercise	Annual		Carry out regular data cleansing exercises (recently engaged Accurate Data to find addresses for 12000 lost contact DB cases).
41	C2	Pressure on General Fund due to fluctuations in funding levels	Dependent on markets and mortality rates	Discussion of volatility reduction in investment returns. Varying actuarial assumptions and recovery periods for deficits. Asset and liability study being done.	Investments Committee In house Investments team	Stable and affordable contribution rates	Ongoing		

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates	Opportunity
43	D2	Customer satisfaction drops below acceptable levels	Newsletters issued regularly to members Monthly info. update to employers ABSs 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 Website 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 policy statement and Communications policy published.	Revise ISS each year Produce a Pensions Administration Strategy, Governance reviewed, Compliance statement produced.	Yunus Gajra JAG	Reduction in complaints Reduction in IDRP cases. Attract new bodies to the fund More timely info from employers, Improved employer satisfaction KPI 8	Annual	March	Attract new business to the Fund
44	D2	Payroll failure	Payroll contingency plan in place Disaster Recovery plan in place	Review plans	Hafiz Rahman / Grace Kitchen	No effect on service provision	As required	Ongoing	Able to run payrolls for other funds

No	Rating	Risk description and Action/Controls already in place	Adequacy of action/ control to address risk	Required management action/ control	Responsibility for action	Critical success factors & KPIs	Review frequency	Key dates	Opportunity
45	C2 E2	Industrial Action Contingency plans in place	Adequate Contingency plans in place	Review plans if required	Management Review	Minimal impact on customers. No delays to developments	As required		Flexible working available to a number of staff.
48	D2	Prompt payment of pension	Timetable published in advance of pay dates	Ensure timetable is followed	Grace Kitchen	Pensions are paid on the due date	As required		Able to run payrolls for other funds
49	D2	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	Senior managers	No effect on service provision	As required	As required	A register of casual staff maintained to provide cover at short notice
53	D1	Fire authority Shared Service	Adequate	Regular meetings with the 11 Fire Authorities	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Quarterly	Ongoing	Provide service for other FAs
55	B2	Impact of Central Government Budget cuts	Impact on workloads and membership numbers	Monitor workloads and LGPS membership numbers	Management Review	Meet KPI targets and membership levels	Ongoing	Ongoing	Increase staffing numbers – benefit for local economy
57	D1	Lincolnshire Pension Fund and LB of Hounslow Pension Fund Shared Service	Governance arrangements in place ( regular client meetings, Collaboration Board, attendance at Pensions Committee)	Regular senior management review meetings internally and Collaboration Board meetings with LPF and LB of Hounslow	Yunus Gajra	Business as usual with no impact on WYPF membership and service	Monthly	Ongoing	Provide service for other LA funds
58	D2	Investment Pooling joint steering group of officers and members from the three funds established	Governance arrangements in place	Regular review of progress against project plan	Rodney Barton	Pooling implemented 1 April 2018	Monthly	1 April 2018	
59	D2	Northern Pool custodial contract. WYPF is leading on this joint procurement. Risk on timing and meeting delivery deadline	Adequate	Regular review of progress against project plan	Ola Ajala	Pooling – custodial contract implemented 1 April 2018	Monthly	1 April 2018	Enhance WYPF reputation



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 & KPIs	Review frequency	Key dates	Opportunity
60	D2	HSBC Global, Security and Custodial (GSC) + Banking contract – New contract will be split between Banking and GSC contract. GSC contract will be let by Northern Pool, banking will be retendered.	Adequate	Review in July 2017	Ola Ajala	Current contract ends in July 2018	Monthly	July 2018	Enhance WYPF reputation
62	D2	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	Yunus Gajra	Business as usual with no impact on data or services	Ongoing	Ongoing	Safeguard and protect WYPF data and systems
63	D1	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 Galax-key for secure emails, Use of secure portals to share information with key stakeholders, mandatory data protection training for staff	Monitor progress against deadline	Yunus Gajra	All requirements met by deadline	Ongoing	25 May 2018	

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

## Future review and revision of risks

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

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

## Appendix 1

### Risks register

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
1	C3	Eco-nomic	Demographic changes	Demographic changes are happening but are not always built into financial and resource planning. (Customer base nationwide – current members 98,400, deferred members 63,500, frozen refunds/undecided leavers 6,850, pensioners 79,778. Total 248,528 as at 15-07-11)	Demographics not built into future planning	Budget doesn't meet demand  Criticised for not providing a good service Bad publicity
2	C2	Eco-nomic	Valuation continues to register 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'

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
3	E2	Political / Eco-nomic	Governance (Strategic)	<p>Understanding of issues at high officer and member level.</p> <p>Clear risk, return and contribution objectives Consistent FSS and ISS documents in place</p> <p>The purpose of the FSS is : to establish a clear and transparent fund-specific strategy which will identify how employers' pension liabilities are best met and must be consistent with the published Statement of Investment Principles and the fund's actuarial assumptions. It should support the aim of maintaining as nearly constant employer contribution rates as possible, taking into account risks in both the liability profile and volatility of asset returns.</p>	Un-coordinated operation caused by lack of understanding	<p>The organisation does not exercise proper strategic control over the management of its pension fund at the highest strategic level</p> <p>Lack of knowledge and understanding of Members leading to too much reliance on officers and external advisers and do not challenge advice</p> <p>Panel composition not representative of all bodies in the fund</p> <p>Overall investment objectives do not represent what members of panels consider necessary to meet the fund's liabilities given their understanding of contributions likely to be received from employers and employees and do not take account of their attitude to risk</p> <p>Unstable contribution rates</p> <p>Too much reliance put on benchmarking with other funds, without considering the specific circumstances of WYPF</p>
4	C2	Social/ Eco-nomic	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.	<p>Reducing take up of admitted body status</p> <p>Continuing outsourcing</p>	<p>Fund stop showing net inflows of cash</p> <p>Investment strategy no longer consistent with maturity profile</p> <p>FSS and SIP become out of date</p> <p>Less time to make up any deficits so more unstable contribution rates</p>

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
5	E2	Political	Service has a good, well respected status among members –this could change	The service has a good professional status. It is well respected by members and therefore the budget isn't affected.	Service loses its status/reputation	Budget cut Actively look at outsourcing/partnership Look at alternatives Project process unmanageable Lack of trust in information provided Closer scrutiny of pension fund activities
6	C2	Political	Council elections could bring about a change to Investment Panel ,JAG and Pension Board members	Panel members and Chair are very effective and knowledgeable and give good support to the service. There is a good relationship.	Major changes to composition of panels	Loss of effective support Learning curve
7	D3	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. (Bradford-i): 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
8	D3	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

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
9	B3	Political	Central Government Pensions policy	Independent Commission on Public Service Pensions set up to look at reforms to public sector pension schemes.	Increased complexity	Risk of non-compliance – bad publicity and fines Dilutes development of systems Increased admin costs Increased communications costs
10	C2	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
12	C2	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 ABSs sent to members ABSs not sent to members Noncompliance Bad publicity Key objective not met
13	C2	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.  Link with 35	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
15	E3	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

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
16	E2	Techno-logical	Internal Fraud	Risk of fraud by illicit alterations to our data security is in place using passwords, change logs etc. but there remains a residual risk. WYPF is dependant on CBMDC's firewall to prevent attacks on its servers from outside the council.	Fraud	Loss of data  Corrupt data Incorrect payments Breach of DP Act
17	D3	Techno-logical	Loss of IT staff	More attractive salaries in the private sector may attract experienced IT staff	Impact of Bradford-i	Learning curve Pressure on remainin staff Reduction in service delivery Delays in development work
19	B3	Legis-lative/Regula-tory	Lots of legislative / regulatory change with no resource given to implement it	There is lots of legisla-tive/regulatory change resulting in additional work with no resource given to implement them. 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 responsibil-ities not fully adopted Ombudsman cases Incorrect payment of benefits Growing complexity of administration Risk of non-compliance Key objective not met Studies not completed General pensions knowledge declines Give ill advice Pressure on staff Staff don't have up to date, consistent knowledge and under-standing

Man- gerial/ Profes- sional	Greater level of support expected by district coun- cils than other employers	Bradford Council and to a lesser extent the other four councils, request information from Pensions which should be available from their own HR department.	Resources diverted from other employers	Staff frustrated Reduced level of ser- vice to other employ- ers
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No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
22	C2	Managerial/ Professional	Recruitment and retention of experienced staff in Pensions Administration	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
24	C3	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 <i>ultravires</i> Promises made that can't be met
27	E4	Competitive	Lack of PIs and overall performance management framework	Local Best Value PIs in Pensions. There are LGPC PIs but they are not adequate to monitor overall performance and a new system needs to be introduced with monitoring as part of service planning. There are competing priorities and every authority is struggling to define PIs. Link with 8	Don't develop PIs within an overall performance framework	Can't manage performance effectively Fail to meet explicit objective
31 (a) (b) (a)	D2 E2 D3	Finance	External fraud	To introduce further measures which may reduce the number of overpaid pensions and potential fraud cases, particularly in the case of un-notified deaths	Further measures not introduced	Overpaid pensions Court cases Time commitment Key objective not met
35	F2	Legislative/Regulatory	Administration of the LGPS	Administer WYPF so as to provide occupational pensions for employees of the participating employers in accordance with statutory requirements Link with 13	Unable to provide service	Key objective not met





No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
40	D3	Finance	Governance (Operational)	Expectation clearly set out for all advisers – fund managers, advisers, custodian, and actuary	Accounts now have coordinated statements for panel, advisers, performance expectations of dept and the long term funding strategy  statement, strategic asset allocation etc. Targets/statements all clear, consistent and in place. WM to measure performance quarterly. In house targets for Q analyses for individual fund managers (ongoing)	Panels, fund managers, advisers operate in an un-coordinated way or set their own parameters for performance  Individual performance not gauged and remedied where necessary Sub-optimal performance of investments Poor long-term investment performance Missing assets Disputes over title Late reports Changes to assumptions mid stream Targets not set Timescales not set
41	C2	Finance	Pressure on General Fund	Funding level is a fundamental guide to the solvency of the fund  Maturity of the scheme influences the investment strategy adopted Employer contribution rate	Funding level falls to unacceptable level	Low funding level will-raise ER's contribution rate ER's contribution rate unsustainable pressure on LGPS from Central Govt. Employers cease admitting new members Employers stop joining the fund Then becomes risk 4
42	D3	Finance	Admin costs	Costs / all Fund members SF3 and Cipfa	Poor benchmarking returns	Review in-house provision Budget cuts Service cuts Partnership arrangements Bad publicity
43	D2	Customer/citizen	Customer satisfaction	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
44	D2	Technological	Payroll failure	Contingency plans in place	BACS failure UPM system failure Hardware failure	Worst case scenario, around 70,000 pensions not paid on time
45	C2	Political	Industrial action	Possible industrial action over reforms to LGPS	Ballot in favour of action and no government intervention	Pensions not paid Backlog of work on return Delayed SAP implementation Additional admin work to input strike breaks

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
46	D3	Eco- nomic	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
47	E2	Techno- logical	Loss of sensitive personal data	Data on laptops/USB devices and data sent by email is encrypted	Loss of data	Data falls in the wrong hands and used for criminal purposes Bad publicity Loss of trust and confidence in WYPF
48	D2	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
49	D2	Man- agerial/ Professi- onal	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
50	D3	Man- agerial/ Professi- onal	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
51	E2	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
53	E3	Partnership/ Contractual	Fire Pension Scheme administration	WYPF administers the Fire-fighters' Pensions Scheme on behalf of 11 fire authorities	Lose contracts	Will not be able to provide a pensions administration service to the FAs  Will not be able to pay pensions or process work ICT systems not available Damage to WYPF reputation Bad publicity Loss of income
55	B2	Political	Impact of Government Budget cuts	Cuts in Local authority budgets will lead to a reduction in workforce.	Increase in member contribution rate	Increase in opt outs from the scheme  Reduction in public sector workforce leading



No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
56	D2	Financial	Monthly contribution Returns	This has replaced annual returns and will lead to greater efficiencies.	The LGPS 2014 and the move to a career average scheme	Salary details will not be posted to member records Benefits will not be able to be calculated accurately IT systems will not be able to action the returns from employers Timescales not met
57	D1	Partnership/Contractual	Lincolnshire and LB of Hounslow Pension Fund Shared Service	To provide a pensions administration Shared Service from 1 April 15 (LPF) and 1 August 2018 (LB of Hounslow)	Collaborative working with other pension funds	Will not be able to provide a pensions administration service to LPF or LB of Hounslow Will not be able to pay pensions or process work ICT systems not available Damage to WYPF reputation Bad publicity Loss of income
58	D2	Legislative/Regulatory	Investment Pooling	Pooling of investments with GMPF and Merseyside Pension Fund.	Structure to be set up by 1 April 2018	Does not meet government target Bad publicity Key objectives not met
59	D2	Legislative/Regulatory	Northern Pool custodial contract	WYPF leading on custodial contract for Northern Pool	Custodial contract to be implemented by 1 April 2018	No custodian in place to hold assets No record of how much assets are worth Adverse impact on investment performance
60	D2	Legislative/Regulatory	HSBC Global, Security and Custodial (GSC) + Banking contract	Risk of managing a sub contract within the Northern Pool overriding contract	Not all existing services in use provided by Contractor	Adverse impact on investment performance Inefficient banking processes
61	D3	Financial	Employer deficits	Managed through assumptions used at valuation Employers monitored at regular intervals for membership changes	Employers' deficits/liabilities are an amount they are not able to meet upon exiting the fund	The liabilities at exit which are not met by the employer will be passed on to all the other employers in the fund through the next triennial valuation
62	D2	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

No	Rating	Cluster	Short name	Vulnerability	Trigger	Consequence
63	D1	Legisla- tive /Regula- tory	Compliance with GDPR requirements	Documents and processes are not updated with requirements	A breach of GDPR	Massive fines by the ICO  Damage to WYPF repu- tation Bad publicity Loss of contracts

# 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:
  - 1.1.1 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
  - 1.1.2 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:
  - 1.2.1 the law relating to pensions, and
  - 1.2.2 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 LGPS 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.
  - 3.3.1 Introducing pension schemes



- 3.3.2 The trustee's role
- 3.3.3 Running a scheme
- 3.3.4 An introduction to investment
- 3.3.5 How a defined benefit scheme works
- 3.3.6 Funding your defined benefit scheme
- 3.3.7 Defined benefit recovery plans. Contributions and funding principles
- 3.3.8 Investment in a defined benefitscheme
- 3.4 The seven Public Sector Toolkit compulsory modules test pension board member knowledge in the following key areas.
  - 3.4.1 Conflicts of Interest
  - 3.4.2 Managing risk and internal controls
  - 3.4.3 Maintaining accurate member data
  - 3.4.4 Maintaining member contributions
  - 3.4.5 Providing information to members and others
  - 3.4.6 Resolving internal disputes
  - 3.4.7 Reporting breaches of the law
- 3.5 The Pensions Regulator website is **[www.thepensionsregulator.gov.uk/public-service-schemes.aspx](http://www.thepensionsregulator.gov.uk/public-service-schemes.aspx)**
- 3.6 A document which will help identify training needs and be used to record and reflect on the training once completed can be found at **[www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc](http://www.thepensionsregulator.gov.uk/docs/PS-assessing-your-learning-needs.doc)**

## 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:
  - 4.3.1 in-house training days provided by officers and/or external providers
  - 4.3.2 training as part of meetings provided by officers and/or external advisers
  - 4.3.3 external training events
  - 4.3.4 circulation of reading material
  - 4.3.5 attendance at seminars and conferences offered by industry-wide bodies, and
  - 4.3.6 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:
  - 5.2.1 pensions legislative and governance context
  - 5.2.2 pensions accounting and auditing standards

- 5.2.3 financial services procurement and relationship management
  - 5.2.4 investment performance and risk management
  - 5.2.5 financial markets and products knowledge, and
  - 5.2.6 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).	<a href="http://www.wypf.org.uk">www.wypf.org.uk</a>
<b>Relevant policies</b>	
Conflicts of Interest Policy	<a href="http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx">www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx</a>
Internal Dispute Resolution Procedure	<a href="http://www.wypf.org.uk/Member/Publications/Booklets">www.wypf.org.uk/Member/Publications/Booklets</a>
Reporting of Breaches Procedure	<a href="http://www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx">www.wypf.org.uk/Member/PensionBoard/WYPF/PensionBoard_WYPF_Index.aspx</a>
<b>WYPF policy statements</b>	
Statement of Investment Principles	<a href="http://www.wypf.org.uk/Member/Publications/policyStatements">www.wypf.org.uk/Member/Publications/policyStatements</a>
Funding Strategy Statement	
Pensions Administration Strategy	
Communication Policy	
Governance Compliance Statement	
WYPF Discretionary Policy Statement	Supplied on request
<b>Others</b>	
actuarial valuation Report and Rates and Adjustment Certificate	<a href="http://www.wypf.org.uk/Member/publications/Valuation">www.wypf.org.uk/Member/publications/Valuation</a>
WYPF Risk Register	Supplied on request
Annual Report and Accounts	<a href="http://www.wypf.org.uk/Member/Publications/ReportAndAccounts">www.wypf.org.uk/Member/Publications/ReportAndAccounts</a>
Investment management and activity	<a href="http://www.wypf.org.uk/Member/Investments">www.wypf.org.uk/Member/Investments</a>

## Appendix B

### Pension Knowledge and Understanding training analysis

	Training required Yes/No	Date training received
<b>Background and understanding of the legislative framework of the LGPS</b>		
<ul style="list-style-type: none"> <li>Differences between public service pension schemes like the LGPS and private sector trust-based schemes</li> <li>Role of the IPSPC and its recommendations</li> <li>Key provisions of the 2013 Act</li> <li>The structure of the LGPS and the main bodies involved including the responsible authority, the administering authority, the Scheme Advisory Board, the local pension board and the LGPS employers</li> <li>An overview of local authority law and how administering authorities are constituted and operate</li> <li>LGPS rules overview (including the regulations, the transitional regulations and the investment regulations)</li> </ul>		
<b>General pensions legislation applicable to the LGPS</b>		
<ul style="list-style-type: none"> <li>Automatic enrolment (Pensions Act 2008)</li> <li>Contracting out (Pension Schemes Act 1993)</li> <li>Data protection (Data Protection Act 1998)</li> <li>Employment legislation including anti-discrimination, equal treatment, family-related leave and redundancy rights</li> <li>Freedom of information (Freedom of Information Act 2000)</li> <li>Pensions sharing on divorce (Welfare Reform and Pensions Act 1999)</li> <li>Tax (Finance Act 2004)</li> <li>IORP Directive</li> </ul>		
<b>Role and responsibilities of the local pension board</b>		
<ul style="list-style-type: none"> <li>Role of the local pension board</li> <li>Conduct and conflicts</li> <li>Reporting of breaches</li> <li>Knowledge and understanding</li> <li>Data protection</li> </ul>		
<b>Role and responsibilities of the administering authority</b>		
<ul style="list-style-type: none"> <li>Membership and eligibility</li> <li>Benefits and the payment of benefits</li> <li>Decisions and discretions</li> <li>Disclosure of information</li> <li>Record keeping</li> <li>Internal controls</li> <li>Internal dispute resolution</li> <li>Reporting of breaches</li> <li>Statements, reports and accounts</li> </ul>		

	Training required Yes/No	Date training received
<b>Funding and Investment</b>		
<ul style="list-style-type: none"> <li>• Requirement for triennial and other valuations</li> <li>• Rates and adjustments certificate</li> <li>• Funding strategy statement</li> <li>• Bulk transfers</li> <li>• Permitted investments</li> <li>• Restrictions on investments</li> <li>• Statement of investment principles</li> <li>• CIPFA guidance</li> <li>• Appointment of investment managers</li> <li>• Role of the custodian</li> </ul>		
<b>Role and responsibilities of scheme employers</b>		
<ul style="list-style-type: none"> <li>• Explanation of different types of employers</li> <li>• Additional requirements for admission bodies</li> <li>• Automatic enrolment</li> <li>• Deduction and payment of contributions</li> <li>• Special contributions</li> <li>• Employer decisions and discretions</li> <li>• Redundancies and restructuring (including the Local Government (Early Termination of Employment) (Discretionary Compensation) (England and Wales) Regulations 2006)</li> <li>• TUPE and outsourcing (including Fair Deal and the Best Value Authorities Staff Transfers (Pensions) Direction 2007)</li> </ul>		
<b>Tax and contracting out</b>		
<ul style="list-style-type: none"> <li>• Finance Act 2004</li> <li>• Role of HMRC</li> <li>• Registration</li> <li>• Role of 'scheme administrator'</li> <li>• Tax relief on contributions</li> <li>• Taxation</li> </ul>		
<b>Role of advisers and key persons</b>		
<ul style="list-style-type: none"> <li>• Officers of the administering authority</li> <li>• Fund actuary</li> <li>• Auditor</li> <li>• Lawyers</li> <li>• Investment managers</li> <li>• Custodians</li> <li>• Administrators – in house versus third party</li> <li>• Procurement of services</li> <li>• Contracts with third parties</li> </ul>		

	Training required Yes/No	Date training received
<b>Key bodies connected to the LGPS</b>		
An understanding of the roles and powers of:		
<ul style="list-style-type: none"><li>• Courts</li><li>• Financial Services Authority</li><li>• HMRC</li><li>• Information Commissioner</li><li>• Pensions Advisory Service</li><li>• Pensions Ombudsman</li><li>• The Pensions Regulator</li></ul>		

# 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 WYPF 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:
  - 2.1.1 securing compliance with the Local Government Pension Scheme regulations and any other legislation relating to the governance and administration of the LGPS
  - 2.1.2 SECURING compliance with the requirements imposed in relation to the LGPS by the Pensions Regulator, and
  - 2.1.3 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 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.

## 5. Employer representatives

- 5.1 Employers who participate in the fund will nominate four representatives to sit on the pension board as employer representatives from the following sources.
  - 5.1.1 Three representatives will be from West Yorkshire councils, one of these three will be appointed in accordance with 7.1 below.
  - 5.1.2 One 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.

## 6. Member representatives

- 6.1 Member representatives shall either be scheme members or have capacity to represent scheme members of WYPF
- 6.2 Relevant trade unions, who have agreed to represent all categories of the membership, will nominate four representatives to sit on the pension board as member representatives.

## 7. The chair

- 7.1 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

## 7.2 The chair of the board shall:

- 7.2.1 ensure that the board delivers its purpose as set out in these terms of reference
- 7.2.2 ensure that meetings are productive and effective and that opportunity is provided for the views of all members to be expressed and considered, and
- 7.2.3 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.

## 8. Attendance at meetings

- 8.1 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.

## 9. Term of office/appointment

- 9.1 Subject to paragraph 5.2, pension board representatives will normally serve for a period of four years and may be reappointed to serve further terms so long as they remain relevant members (pursuant to paragraph 4 above).
- 9.2 Upon initial establishment of the board in 2015 50% of members (comprising of two member representatives and two employer representatives) shall be appointed for a term of only two years in order to establish appointment on a rolling basis.
- 9.3 Employer bodies and organisations retain the right to withdraw representatives and identify replacements on occasion.
- 9.4 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.

## 10. Termination

- 10.1 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.
- 10.2 Board membership may be terminated prior to the end of the term of office due to:
  - 10.2.1 a member representative no longer being a representative of the body on which their appointment relied
  - 10.2.2 an employer representative no longer holding the office or employment or being a member of the body on which their appointment relied.
  - 10.2.3 a board member no longer being able to demonstrate their capacity to attend and prepare for meetings or participate in required training.
  - 10.2.4 the representative being withdrawn by the nominating body and a replacement identified.
  - 10.2.5 a board member has a conflict of interest which cannot be managed in accordance with the board's conflict policy.
  - 10.2.6 a board member who is an elected member becomes a member of Joint Advisory Group and Investment Advisory Panel.
  - 10.2.7 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.

## 11. Number of meetings

- 11.1 The pension board will normally meet twice a year. The chair may call meetings more frequently if deemed necessary or if requested on matters considered urgent.
- 11.2 In exceptional circumstances, meetings can be conducted via communications between members of the board including telephone conferencing and emails.



## 12. Creation of working groups/sub boards

- 12.1 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.

## 13. Code of conduct and conflicts of interest policy

- 13.1 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: [http://www.bradford.gov.uk/bmdc/government\\_politics\\_and\\_public\\_administration/about\\_bradford\\_council/council\\_constitution](http://www.bradford.gov.uk/bmdc/government_politics_and_public_administration/about_bradford_council/council_constitution)
- 13.2 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.
- 13.3 All voting members of the pensions board must complete a declaration of acceptance of office form, and a disclosure of financial and other interest form.
- 13.4 At each meeting any interests which may lead to conflicts in specific agenda items must be declared.

## 14. Voting rights

- 14.1 All representatives on the pension board have equal voting rights. Decisions made by the pensions board shall be on a majority basis. In the event of there not being a majority the chair shall have the casting vote.

## 15. Other attendees

- 15.1 The pensions board will extend an invitation to attend to other members of staff and advisers as it may from time to time consider appropriate.

## 16. Secretariat services to the board

- 16.1 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.

## 17. Agenda

- 17.1 Prior to each meeting the Director – 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.

## 18. Quorum

- 18.1 The quorum of the pension board shall be three (chair plus one employer representative and one member representative).

## 19. Publication

- 19.1 In accordance with the act, the council shall publish information about the board to include:

- 19.1.1 the names of Board members and their contact details
- 19.1.2 the representation of employers and member on the board
- 19.1.3 the role of the board
- 19.1.4 these terms of reference

## 20. Allowances/expenses

20.1 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.

## 21. Knowledge and understanding and capacity of representative members

21.1 Every individual who is a member of the pension board must be conversant with:

21.1.1 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)

21.1.2 the requirements of The Pensions Regulator

21.1.3 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.

21.2 A Knowledge and Understanding Policy and Framework will be maintained by WYPF.

21.3 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.

21.4 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.

## 22. Accountability

22.1 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.

22.2 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.

22.3 On receipt of a report the committee shall within a reasonable period, consider and respond to the board.

22.4 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.

22.5 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.

22.6 The appropriate internal route for escalation is to the administering authority monitoring officer.

## 23. Budget

23.1 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.

## 24. Core functions

24.1 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.

24.2 The second core function of the board is to assist the council to ensure the effective and efficient governance and administration of the scheme.

24.3 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.

- 24.4 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.

## 25. Data protection

- 25.1 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.

- 25.2 The pension board will therefore adhere to the data protection policies of the council.

## 26. Review of terms of reference

- 26.1 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 years.

- 26.2 These terms of reference were adopted on 20 March 2015 on behalf of the council (Governance and Audit Committee).